



SELECTED WORKS  
OF  
**JIANG ZEMIN**

Volume II

WORKERS OF ALL COUNTRIES, UNITE!



# SELECTED WORKS OF JIANG ZEMIN

Volume II

*Translated by*

The Bureau for the Compilation and Translation  
of Works of Marx, Engels, Lenin and Stalin  
Under the Central Committee of  
the Communist Party of China



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## **Editors' Note to the Original Chinese Edition**

The *Selected Works of Jiang Zemin*, Volume II, contains the major writings of Comrade Jiang Zemin from September 12, 1997, through February 1, 2000, and includes 59 reports, speeches, remarks, articles, letters and comments, many of which appear here for the first time.

Minor corrections have been made to the previously published works in this volume. In addition, notes have been added at the end of a number of sections during editing to aid the reader.

The author has read and approved all the material appearing in this volume.

Editorial Committee for Party Literature,  
Central Committee of the Communist Party of China  
June 2006

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HOLD HIGH THE GREAT BANNER OF  
DENG XIAOPING THEORY AND  
COMPREHENSIVELY  
ADVANCE THE CAUSE OF BUILDING  
SOCIALISM WITH  
CHINESE CHARACTERISTICS INTO  
THE 21 ST CENTURY\*

*September 12, 1997*

Comrades,

I would like to present a report to this congress on behalf of the Fourteenth Central Committee of the Communist Party of China (CPC).

This, the Fifteenth National Congress of the CPC, is an extremely important occasion. Held near the turn of the century, this congress will build on our past work and move it forward, carry forward our cause into the future, and ensure that the whole Party carries forward Comrade Deng Xiaoping's behest and moves unswervingly and victoriously along the correct line formulated since the Third Plenary Session of the Eleventh CPC Central Committee.

The topic of this congress is: Holding high the great banner of Deng Xiaoping Theory and comprehensively advancing the cause of building socialism with Chinese characteristics into the 21st century.

The issue of the banner is of the utmost importance. The banner is our orientation and image. Firmly adhering to the line formulated since the Third Plenary Session of the Eleventh Central Committee means firmly holding high the banner of Deng Xiaoping Theory. After the passing of Comrade Deng Xiaoping, it is especially important for the whole Party to sustain high levels of purposefulness and resolution on this issue.

To comprehensively advance our cause into the 21st century, we must seize and not lose opportunities, break new ground and not follow old conventions, focus on economic development, achieve new breakthroughs in economic restructuring, deepen political restructuring, and effectively en-

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\* Report at the Fifteenth National Congress of the Communist Party of China.

hance cultural and ethical progress. Each of these must support the others in order to achieve economic development and all-around social progress.

This topic has been chosen based on the demands of the times and the aspirations of the people.

### **I. Looking Back and Looking Ahead at the Turn of the Century**

The 20th century is coming to an end, and we convene this congress with the common understanding that our Party bears a noble and historic responsibility for the destiny of the Chinese nation.

China experienced earth-shaking changes this century. From 1900, when the Eight-Power Allied Forces occupied Beijing and the Chinese nation suffered great humiliation, which left the country on the edge of national extinction, to the present time when, on the basis of socialism, China has become a moderately prosperous country and is taking great strides toward becoming rich and powerful.

After the Opium Wars, China became a semi-colonial and semi-feudal country. The Chinese nation faced two historic tasks: to win national independence and the people's liberation, and to make the country prosperous and strong and the people affluent. The purpose of the first task was to sweep away obstacles to and create the necessary preconditions for completing the second.

Over the past century, the Chinese people experienced three tremendous historic changes as they made their way forward, and these changes brought forth three great men — Sun Yat-sen, Mao Zedong and Deng Xiaoping — each of whom stood at the forefront of his times.

The first change was the Revolution of 1911, led by Sun Yat-sen, which overthrew the autocratic monarchy that had ruled China for several thousand years. He was the first to proclaim the slogan, "Regenerate China,"<sup>1</sup> and he pioneered a national and democratic revolution in the truest sense of the term in modern Chinese history. Although the Revolution of 1911 failed to change the social nature of old China and the plight of the people, it opened the floodgates of progress and forever undermined the stability of the reactionary rule.

The second change was the founding of the People's Republic and the establishment of the socialist system. This was accomplished after the founding of the CPC under the direction of the first generation of the CPC collective leadership with Mao Zedong at its core. Through the

Northern Expedition, the Agrarian Revolution, the War of Resistance Against Japanese Aggression, and the War of Liberation, the three big mountains of imperialism, feudalism and bureaucrat-capitalism were overthrown. The Chinese people stood up, and from the new democracy took the path of socialism and made tremendous achievements in building socialism. This was the greatest victory in a people's revolution in Chinese history, and a significant triumph for socialism and national liberation movements around the world.

The third change was the reform and opening up of China to achieve socialist modernization. This was a new revolution initiated under the direction of the second generation of the CPC collective leadership with Deng Xiaoping at its core. Based on the achievements of the revolution and construction since the founding of the People's Republic, our Party has reviewed historical experience and lessons and successfully blazed a new trail in building socialism with Chinese characteristics. The exuberant vigor and vitality of socialism, as presently manifest in China, has attracted worldwide attention.

The conclusion to be drawn from these major changes over the past century is that only the CPC could have led the Chinese people to national independence and liberation and the victory of socialism; pioneered the path of building socialism with Chinese characteristics; rejuvenated the nation; rendered the country prosperous and strong; and improved the people's wellbeing.

With the new century approaching we face rigorous challenges, but more significantly, we face unprecedented favorable circumstances and excellent opportunities. We must be clearly aware that international competition is becoming increasingly fierce; that the economic, scientific and technological gap between China and the developed countries exerts great pressure upon us; and that many difficulties of our own still beset us. At the same time, we must be fully aware of the following factors.

First, peace and development have become the themes of the present era, the world system is shifting toward multipolarity, and it may be possible to secure a peaceful international environment for a long period of time. The worldwide scientific and technological revolution is progressing rapidly, and the world economy continues to grow. All of this provides us with favorable external conditions.

Second, China has built up considerable overall national strength since the founding of the People's Republic, especially during the last 20 years.

Reform and opening up have created favorable structural conditions for our modernization drive, ushered in broad market demands and funding sources, and unleashed the creative vitality of hundreds of millions of people.

Third, and more importantly, our Party has established the basic theory and line for building socialism with Chinese characteristics, the correctness of which has been validated by practice. The conditions that exist today were partially or totally absent in the past.

Our ability to seize opportunities has always had a bearing on whether the revolution and construction flourish or decline, succeed or fail. In the past, we seized important historical opportunities but forfeited others. Now the whole Party must maintain a high level of awareness, firmly seize the historical opportunities at the turn of the century and stride forward.

Looking ahead to the next century, our objectives are to double our 2000 GNP by 2010, make the people's moderately prosperous life more affluent, and form a relatively complete socialist market economy. After another decade of hard work, by the time the Party celebrates its centenary in 2021, the national economy will be further developed and all systems, further improved. By the middle of the next century, when the People's Republic celebrates its centenary, modernization will be basically accomplished and China will be a prosperous, strong, democratic and culturally advanced socialist country. As Deng Xiaoping said, "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."<sup>2</sup>

## **II. The Past Five Years' Work**

The five years since 1992, when Deng Xiaoping delivered talks while visiting southern China and the Party held its Fourteenth National Congress, have been extraordinary years. In these five years, our Party has led the people of all China's ethnic groups in weathering the storms of political disturbances at home and abroad during the late 1980s and early 1990s, and in continuing to stride forward on the path of socialism with Chinese characteristics. We have further emancipated our minds, broken new



ground, and reform, opening up and modernization have entered a new stage of development. We have properly balanced reform, development and stability, and achieved great accomplishments in all areas while making profound changes in the course of establishing a socialist market economy. In the dramatic changes of the world pattern over the past five years, China's international status has significantly improved.

At the Fourteenth Congress, three far-reaching policy decisions were made: 1) seize opportunities to accelerate development; 2) set the establishment of a socialist market economy as the goal of economic restructuring in China; and 3) establish the guiding position of Deng Xiaoping's theory of building socialism with Chinese characteristics throughout the Party. In order to implement the principles of the Fourteenth Congress, the Central Committee convened seven plenary sessions and adopted programs and measures to address a series of major issues with an impact on our overall situation, namely establishing a socialist market economy, strengthening Party building, formulating the Outline of the Ninth Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2010, and developing socialist culture and ethics, respectively. The tasks of comprehensively implementing the Party's basic line and theory; conscientiously implementing the Fourteenth Congress's key policy decisions; putting forward and firmly grasping the basic principle of seizing opportunities, deepening reform, opening wider to the outside world, promoting development and maintaining stability; and comprehensively fostering material as well as cultural and ethical progress, have all characterized the work of the entire Party over the past five years. Our country's productive forces, overall strength and standard of living have also reached new levels.

Economic development has had notable results over the past five years. From 1992 through 1996, GNP grew at an average of 12.1% per annum, leading to rapid economic growth, while effectively checking inflation and avoiding wild fluctuations. Economic restructuring achieved clear progress. Agriculture was strengthened, and the output of grain and other farm products grew steadily. Infrastructure, including water conservancy, transportation, telecommunications, and basic industries — like steel and energy — developed swiftly. The eastern region's economy grew rapidly, and economic development also accelerated in the central and western regions. The Eighth Five-Year Plan ended successfully and implementation of the Ninth Five-Year Plan has started well.

China's policy of reform and opening up has led to new breakthroughs. In accordance with the requirements for establishing a socialist market economy, reforms in public finance, taxation, banking, foreign trade, foreign exchange, planning, investment, pricing, the distribution of goods, housing and social security significantly advanced. The basic role of the market in allocating resources was notably strengthened, and the initial framework for a macro-control system was established. The reform of state-owned enterprises (SOEs) was actively carried forward on the basis of lessons learned from pilot programs. Further progress was also made with the system of keeping public ownership in the dominant position while allowing diverse economic sectors to develop side by side. Foreign economic and technological cooperation and exchanges continued to expand, and the scope of foreign trade and the utilization of foreign capital substantially increased, as did the country's foreign exchange reserves.

New steps were taken in making cultural and ethical progress. Gratifying achievements were made in science, technology, education, culture, health, physical education, family planning and other social programs. Publicity and public opinion work as well as the promotion of ideology and morality were also strengthened. Socialist democracy and the socialist legal system realized major progress. A series of laws and regulations tailored to developing a socialist market economy were enacted, and our law enforcement and judiciary work were strengthened. The patriotic united front grew in strength, and the great unity of all our ethnic groups further solidified and developed. Social and political stability and unity provided an important guarantee for reform and development.

We made progress in modernizing our national defense. The army's combat effectiveness further improved. The people's army made significant contributions in the areas of defending the country's security, safeguarding the motherland's unity, promoting national economic development, dealing with emergencies and providing disaster relief.

People's living standards significantly improved. The average annual per capita income available for living expenses increased by 7.2% for city dwellers in real terms, and the average annual per capita net income increased by 5.7% for rural residents in real terms, making this one of the fastest-growing five-year periods. Markets enjoyed an abundance of commodities, and the supply of necessities including food, clothing, housing, daily-use articles and transportation improved markedly. Savings among both urban and rural residents increased considerably. The country's rural poor popu-

lation was reduced by 32 million.

In the past five years we have done a great deal of fruitful work for the peaceful reunification of the motherland. The Chinese government has resumed its exercise of sovereignty over Hong Kong, which is a solace to countless revolutionary martyrs and veterans and redresses a century-old humiliation for the Chinese nation. This grand occasion has elated and encouraged every Chinese and was widely praised by the international community.

We unswervingly implemented an independent foreign policy of peace and continued to improve the external environment for China's reform, opening up and modernization drive. China's international influence grows day by day.

We vigorously fortified Party building. The whole Party studied Deng Xiaoping's theory of building socialism with Chinese characteristics in progressive depth. New progress was achieved in building the leadership and cadre corps, with a large group of outstanding young cadres taking up positions of leadership. Efforts to improve Party conduct, uphold incorruptibility and combat corruption were intensified, and positive results were achieved in this stage of the work. Primary Party organizations were strengthened, with Communist Party members serving as exemplars and vanguards. New steps were taken to institutionalize and standardize intra-Party activities.

We are fully aware that a number of problems and difficulties still loom on the road ahead and defects and deficiencies persist in our work. Chief among these are that the overall quality and performance of the national economy are fairly low; poor economic structure still creates serious problems, particularly the debility of some SOEs; the people remain dissatisfied with the work styles of the Party and government, social conduct, and public security; corruption, extravagance, waste and other undesirable phenomena still sprout and spread; bureaucracy, formalism, and fraud continue to present serious problems; income distribution is uneven and inequalities in regional development clearly persist, with some urban and rural residents still living in difficult circumstances; and population growth and economic development have placed a great strain on resources and the environment. We must closely attend to these persistent problems and address them in earnest.

Reviewing the work of the past five years, we can say, in general, that reform and development have proceeded well during this period. Our

Party smoothly replaced veteran cadres with younger ones in its collective leadership; maintained the continuity of its line, principles and policies; preserved social and political stability throughout the country; properly handled 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 Eleventh Central Committee. This has made the nation's people gleeful, and won us the universal acclaim of international public opinion. Our experience during these five years demonstrates that the policy decisions made at the Fourteenth Congress were correct and that our Party is capable of staying on top of complex domestic and international situations. The achievements of these five years are the outcome of a united struggle by the entire Party and people throughout the country. They provide an even more substantial foundation and invaluable new experience for our continued progress, and will inspire us with greater confidence and enthusiasm to secure new victories.

### **III. The Historical Position and Guiding Significance of Deng Xiaoping Theory**

During the new period of socialist reform, opening up and modernization, and in our new journey between centuries, we must hold high the great banner of Deng Xiaoping Theory and use it to guide our entire cause and all our work. This is the unshakable conclusion the Party has drawn from past and present realities.

The CPC gives great weight to theoretical guidance. When the Chinese people discovered Marxism-Leninism, the Chinese revolution took on an entirely new appearance. Two historic leaps in integrating Marxism-Leninism with China's realities were made, and both resulted in important theories. The result of the first leap was a theory that has been proved to be correct in practice and combines a body of principles with lessons learned from China's revolution and construction. Its principal theorist was Mao Zedong, and our Party calls this Mao Zedong Thought. The result of the second leap was the theory of building socialism with Chinese characteristics. Its principal theorist was Deng Xiaoping, and our Party refers to this as Deng Xiaoping Theory. These two theories are products of the practical experience and collective wisdom of the Party and the people.

Since its birth, our Party has adopted Marxism-Leninism as its guiding ideology. After the Zunyi Meeting and the rectification movement in



Yan'an, the Party decided at its Seventh National Congress to make Mao Zedong Thought — the integration of the theory of Marxism-Leninism with the practice of the Chinese revolution — its guiding ideology. This historic decision was based on a review of the experiences of the 24 years since the founding of the Party. On the basis of the Third Plenary Session of the Eleventh Central Committee and the Twelfth, Thirteenth and especially the Fourteenth National Party Congresses, the Central Committee proposed that the Fifteenth Congress establish Deng Xiaoping Theory as its guiding ideology in its Constitution by appending the clause, “The Communist Party of China takes Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory as its guide for action.” Our Party reached this historic decision after nearly 20 years of successful practice in reform, opening up and socialist modernization. It demonstrates the determination and conviction of the central collective leadership and the whole Party to comprehensively advance the cause of building socialism with Chinese characteristics, as initiated by Deng Xiaoping, into the new century. It also reflects the consensus and aspiration of the people nationwide.

Experience demonstrates that Deng Xiaoping Theory, which is a continuation and development of Mao Zedong Thought, is the correct theory for guiding the Chinese people in accomplishing socialist modernization through reform and opening up. In present-day China, only Deng Xiaoping Theory, which integrates Marxism with the practices of contemporary China and the characteristics of the times, can determine the future and destiny of socialism. Deng Xiaoping Theory is Marxism for today's China, and a new stage of Marxist development in the country.

The reason Deng Xiaoping Theory ushers in a new stage of development of Marxism in China is because:

First, Deng Xiaoping Theory upholds the principles of emancipating the mind and seeking truth from facts. It advances the achievements of our predecessors, breaks with outmoded conventions in light of our current experience, and opens up a new realm for Marxism. Seeking truth from facts is the quintessence of Marxism-Leninism, Mao Zedong Thought, and Deng Xiaoping Theory. Deng Xiaoping's 1978 speech, “Emancipate the Mind, Seek Truth from Facts and Unite as One in Looking to the Future,” was a declaration that shattered the fetters of the “two whatevers”;<sup>3</sup> opened up a new path for the new period, brought the new theory of building socialism with Chinese characteristics into being when China was at a crucial historical juncture, and confronted the question of which

course the country should take at the end of the Cultural Revolution. The talks Deng Xiaoping gave in southern China in 1992, constituted another declaration of the spirit of emancipating the mind and seeking truth from facts, one that upheld the theory and line formulated since the Third Plenary Session of the Eleventh Central Committee. These talks clarified many important misconceptions that had long shackled people's thinking, and they propelled reform, opening up and modernization to a new stage at a crucial historical juncture when political disturbances at home and abroad posed severe tests. In our new situation, with the new century approaching, we face many daunting tasks that we have never encountered, and Deng Xiaoping Theory requires us to emancipate our minds and seek truth from facts more resolutely and purposefully. It also requires us to make the "three favorables" (whether it is favorable to developing the productive forces in a socialist society, to increasing the overall national strength of the socialist state, and to raising the living standards of the people) the fundamental criterion for judging all our work and to constantly initiate new phases in our cause.

Second, Deng Xiaoping Theory, which is based on the fundamental achievements of the theory and practice of scientific socialism, grapples with the fundamental question of what socialism is and how to build it, incisively delineates the essence of socialism and raises our understanding to a new scientific level. The key to emancipating the mind in the new period is to liberate our thinking on this issue. Setbacks and errors in our country's socialism prior to reform and opening up, and the perplexities encountered in the course thereof were all ultimately the consequence of a lack of clarity on this issue. The restoration of order, all-around reform, and the historic changes that have occurred during the past 20 years — shifting from taking class struggle as the key link to setting economic development as the central task, from being closed or partially closed to implementing reform and opening up, and from a planned economy to a socialist market economy — have been a process of gradually understanding this fundamental question. And this process will continue on into the future through the course of experience.

Third, Deng Xiaoping Theory steadily observes the world from the broad perspective of Marxism, and it has rendered new, scientific judgments based on a correct analysis of the characteristics of the times and the overall international situation, the triumph or defeat of other socialist countries in the world, the success or failure of developing countries to

achieve development, and the state of development and problems confronting developed countries. Profound and rapid changes are occurring around the world, and in particular, swift advances in science and technology are profoundly changing, and will continue to change, current economic and social activities and the appearance of the world. Marxists everywhere must take this seriously. Under these circumstances, Deng Xiaoping Theory formulated the line and the international strategy for our Party. It requires us to understand, carry forward and develop Marxism from a new point of view, and emphasizes that only this is true Marxism, whereas sticking to old ways can only lead to backwardness and even failure. This demonstrates that Deng Xiaoping Theory is clearly geared to the times.

Fourth, in sum, Deng Xiaoping Theory constitutes a new scientific system for the theory of building socialism with Chinese characteristics. It gradually formed and developed under historical conditions in which peace and development have become the themes of the times and during the implementation of China's reform, opening up and modernization, and it is based on a review of the historical experience of the successes and setbacks of socialism in China and the rise and fall of other socialist countries. For the first time it provides us with preliminary but systematic answers to a series of basic questions concerning the development path of socialism in China, the stages of development, the fundamental tasks, the driving forces, the external conditions, the political guarantees, the strategic steps, the Party's leadership, the forces we can rely on, and the reunification of the motherland. It has also guided our Party in formulating the basic line for the primary stage of socialism. It is a fairly complete scientific system that embraces philosophy, political economy and scientific socialism and covers, among other things, the economy, politics, science, technology, education, culture, ethnic relations, military affairs, foreign affairs, the united front and Party building. It is also a scientific system that requires further enrichment and development in all its aspects.

Deng Xiaoping was a great Marxist. He made a tremendous contribution to the independence and liberation of the Chinese nation, the establishment of the socialist system in China, and to the country's reform, opening up and modernization. He dedicated his entire life to the Chinese people, and made their interests the starting point and objective in everything he did. His greatest contribution to the Party, the people and Marxism, and his invaluable legacy to us, was Deng Xiaoping Theory. This theory is embodied in his works and in the important documents inscribed

by the Party and the state since the Third Plenary Session of the Eleventh Central Committee.

Marxism is a science that has always been based strictly on objective facts. Real life, however, is always in flux and the changes over the past century have been so dramatic and profound that our predecessors could have scarcely conceived them. Hence, Marxism must inevitably evolve as time, experience and science progress; it cannot remain static. There is a question concerning how to study Marxism: whether we should learn from the books or use the Marxist stand, viewpoint and method to research and solve China's practical problems. During the rectification movement in Yan'an, Mao Zedong stressed, "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."<sup>4</sup> 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, advancing this fine tradition is precisely what we mean. We must never discard Marxism-Leninism and Mao Zedong Thought. If we do, we will lose our footing. At the same time, we need to center on the practical problems in reform, opening up and modernization and on our various endeavors, and focus on the application of Marxist theory, the theoretical investigation of practical problems, and new practices and developments. It is meaningless to talk about Marxism in abstraction and divorced from a given country's reality or the developments of the times. We would get nowhere if we studied Marxism statically and in isolation, or separated it from its organic development in actual life, and instead set the two in opposition. In contemporary 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, and holding high the banner of Deng Xiaoping Theory means genuinely holding high the banner of Marxism-Leninism and Mao Zedong Thought.

#### **IV. The Basic Line and Platform for the Primary Stage of Socialism**

Since the Third Plenary Session of the Eleventh Central Committee, the Party has correctly analyzed China's conditions and produced the scien-



tific judgment that China is still in the primary stage of socialism. We stress the importance of proceeding from reality in everything we do, and the most important reality is that China is now in the primary stage of socialism and will remain so for a long time to come. When we say we must be clear about what socialism is and how to build it, we mean we must acquire a clear understanding of what socialism is in its primary stage and how to proceed from there. One of the main reasons for our errors while building socialism prior to the Third Plenary Session of the Eleventh Central Committee was that some of our tasks and policies were too advanced for the primary stage of socialism. However, one of the basic reasons for the achievements in reform, opening up and modernization over the past 20 years is that we corrected erroneous concepts and policies that were too advanced for the primary stage of socialism and refuted the erroneous view that we need to abandon the basic system of socialism. In so doing, we are building socialism in a down-to-earth manner instead of deviating from it, so that it is brimming with vigor and flourishing in China. The people's personal experiences increase their support for socialism.

The reason for further emphasizing this point at this current congress is that, as we face the arduous tasks of tackling difficult problems in reform and initiating a new phase, the key to resolving all kinds of conflicts, dispelling doubts, and understanding why we must implement the existing line and policies, and not any others, lies in our having a unified, correct understanding of the basic reality that China is 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 was a great victory for us to embark on the socialist road after the period of New Democracy. But, at the time when China adopted socialism, the level of development of its productive forces lagged far behind those of developed countries. We are therefore destined to remain in the primary stage of socialism for a rather long time, during which we will achieve industrialization and economic socialization, marketization and modernization. This is a historical stage we cannot forgo.

This is the first time in the history of Marxism that the scientific concept of the primary stage of socialism finds clear expression in a party's platform. When talking about building socialism in the primary stage, Deng Xiaoping especially stressed, "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 from which we can learn. We can only learn from experience, feeling our way as we go.”<sup>5</sup> In other words, in order to really build socialism in China, we need to proceed in everything we do from the reality that we are in the primary stage of socialism and not from our subjective desires, foreign models, dogmatic interpretations of isolated ideas in Marxist works or erroneous views masquerading as Marxism.

The primary stage of socialism is the historical stage in which we gradually end underdevelopment and basically achieve socialist modernization. It is the stage in which an agricultural country, where a large percentage of the population consists of farmers relying primarily on manual labor to grow their crops, gradually becomes an industrial country, where nonagricultural workers form the majority, and where modern agriculture and service trades are embraced. It is the stage in which a society where the natural and semi-natural economy accounts for a large proportion of the entire economy gradually transforms into one with a fairly well-developed, market-oriented economy. It is the stage in which a society with a significant percentage of illiterate and semi-literate people and with backward science, technology, education and culture progressively becomes a society with relatively well-developed science, technology, education and culture. It is the stage in which a society with a large proportion of poverty-stricken people and a low standard of living gradually becomes a society where the people are relatively prosperous. It is the stage in which a society with very uneven regional economic and cultural development gradually closes those gaps by way of some regions developing before others. It is the stage in which, by introducing reforms and exploring new methods, we establish and improve our socialist market economy, political system of socialist democratic politics and other systems to the point where they are more mature and vibrant. It is the stage in which a great number of people firmly implant the common ideal of building socialism with Chinese characteristics, strive tirelessly to overcome difficulties, build the country with industry and thrift, and promote cultural and ethical progress along with material progress. It is the stage in which we gradually narrow the gap with the advanced world level 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. Consolidating and developing the socialist system will take several generations, or perhaps even more than ten or even several tens of generations of people working together tirelessly to achieve

over a much longer period of time.

In the more than four decades since the mid-1950s when China entered the primary stage of socialism, especially in the past 20 years, the country has greatly developed its productive forces and gained great headway in all undertakings. In general, however, due to a large population, a weak foundation, and uneven regional development, our country's underdeveloped productive forces have yet to fundamentally improve. The socialist system is still imperfect, the socialist market economy is still immature, socialist democracy and the socialist legal system are in need of further improvement, and decadent feudal and capitalist ideas and the force of habit of small producers still exert a widespread influence on society. All this demonstrates our country's socialist society is still 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 accord highest priority to their development. All kinds of problems exist in China's economy, politics, culture, social activities and other areas, and class conflicts resulting from international and domestic factors will continue to exist in certain areas for a long time. Yet the principal problem is how to meet the ever-growing material and cultural needs of the people with backward social production. This key problem permeates all areas of society and will be with us throughout the primary stage of socialism in China. This requires us to target economic development as the central task for the entire Party and the whole country and ensure that all other work is subordinate to and serves this task. We can soberly observe and deal with social conflicts and effectively resolve them only by focusing on this principal problem and central task. Development is the absolute principle. The key to the solution of all of China's problems lies in our own development.

During the primary stage of socialism, while focusing on the fundamental task of developing the productive forces, we need to engage reform as the driving force in the work of building socialism with Chinese characteristics. Ours is a comprehensive reform, which means that in upholding the basic system of socialism, we are making a conscious effort to adjust all aspects of relations of production and the superstructure in order to adapt them to the level of development of the productive forces in the primary stage and to the historical requirements of modernization. It is a great pioneering undertaking to integrate socialism with a market economy. To do this, it is necessary to actively explore and boldly experiment, and to respect the people's initiative. It is necessary to deepen reform and resolve

deep-rooted conflicts and critical problems that may arise during structural transformation. It is necessary to open China wider and to absorb and draw upon 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 maintain a stable political environment and social order. Without stability, nothing can be accomplished. We must uphold the Party's leadership and the people's democratic dictatorship. We need to promote material as well as cultural and ethical progress, according equal weight to both. We must eliminate all destabilizing factors, firmly stand against bourgeois liberalization, and guard against infiltration, subversion and separatist activities by international and domestic hostile forces. We must balance the intensity of reform, the speed of development and the people's ability to sustain them, while taking advantage of social and political stability to promote reform and development, thereby further securing social and political stability.

At this historical juncture, as we comprehensively advance our cause into the 21st century, we must earnestly note that in their great endeavor to build socialism with Chinese characteristics, the whole Party must unwaveringly adhere to its basic line for the primary stage of socialism and combine the central task of economic development with the two basic points (upholding the Four Cardinal Principles and the reform and opening up policy). This is the most valuable lesson our Party has learned during the past 20 years and it is the most reliable guarantee for the victorious advance of our cause. We need to stay vigilant against Right tendencies, but primarily against "Left" ones. We need to remain clear-headed, overcome all interference and firmly adhere to Deng Xiaoping Theory and the basic line. In accordance with this theory and line, and with the 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 the nature of the socialist economy, politics and culture with Chinese characteristics in the primary stage of socialism as well as the means for developing them further.

- Building a socialist economy with Chinese characteristics means developing a market economy under socialism and constantly liberating and developing the productive forces. To do this, we need to uphold and improve the basic economic system whereby socialist public ownership is dominant and economic entities under diverse ownership forms develop



side by side; we need to uphold and improve the socialist market economy so that the market plays a basic role in allocating resources under state macro-control; we need to uphold and improve a diversity of distribution modes, with distribution according to work as the main method of distribution, and allow some people and regions to prosper first so that they can assist others to progress and gradually achieve common prosperity; and we must uphold and improve the opening up of the Chinese economy and take an active part in international economic cooperation and competition. We must ensure that the national economy develops in a sustained, rapid and sound way, and that the people share in the fruits of economic prosperity.

- Building socialist politics with Chinese characteristics means establishing the rule of law in China and developing socialist democratic politics under the leadership of the CPC, with the people as masters of the country. To do this, we need to uphold and improve the people's democratic dictatorship led by the working class and based on the worker-farmer alliance; we need to uphold and improve the system of people's congresses, the system of multiparty cooperation and political consultation under the leadership of the Communist Party, and the system of regional ethnic autonomy; and we need to promote democracy, improve the legal system and build a socialist country under the rule of law. We need to create a political situation in which there is social stability; an honest and efficient government; and unity, harmony and liveliness among the people of all ethnic groups.

- Building socialist culture with Chinese characteristics means adopting Marxism as our guide with the goal of training citizens to have high ideals, moral integrity, a good education and a strong sense of discipline. It means developing a national, scientific and popular socialist culture geared to the needs of modernization, the world and the future. To do this, we need to persevere in arming the entire Party and educating the people with Deng Xiaoping Theory. We need to strive to raise ideological and ethical standards as well as the educational, scientific and cultural levels of the whole nation. We need to adhere to the orientation of serving the people and socialism and to the principle of letting a hundred flowers bloom and a hundred schools of thought contend, while emphasizing progress and promoting academic and cultural prosperity. We need to promote socialist cultural and ethical progress by grounding ourselves in China's actual circumstances, carrying on the fine cultural traditions handed down from

history and drawing on the achievements of foreign cultures.

The aforementioned basic targets and policies for building a socialist economy, politics and culture with Chinese characteristics form an organic whole and are therefore inseparable. They constitute the basic platform of the Party for the primary stage of socialism. This platform is an important component of Deng Xiaoping Theory and an elaboration of the Party's basic line in the economic, political and cultural fields and encapsulates the major lessons we have learned over the years.

## **V. Economic Restructuring and Economic Development Strategy**

The period from now until 2010 will be a crucial one in which our country must achieve the objectives for the second step of its strategic plan for modernization before embarking on the third step. We must actively promote a fundamental change in the economic system and in the pattern of economic growth, accomplish the goals of the Ninth Five-Year Plan, and attain our long-range objectives through the year 2010 in order 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: how to establish a relatively complete socialist market economy, and how to maintain sustained, rapid and sound development of the national economy. We need to keep reform oriented toward creating a socialist market economy, achieve new breakthroughs in a number of key areas, and make substantial progress in optimizing the economic structure, developing science and technology, and opening up further. We need to pursue a path of balanced economic development with rapid growth, sound performance and constant improvements in overall quality.

### **1. Adjust and improve the ownership structure**

China's basic economic system in the primary stage of socialism involves keeping public ownership in the dominant position while allowing economic entities under diverse ownership forms to develop side by side. The establishment of this system is determined by the socialist nature and the following realities of China in the primary stage of socialism: 1) As a socialist country, China must adhere to public ownership as the foundation of its socialist economic system; 2) in the primary stage of socialism, China needs to develop diverse forms of ownership with public ownership in the dominant position; and 3) any form of ownership that meets the "three favorables" criterion can and should be utilized to serve socialism.

Since the Third Plenary Session of the Eleventh Central Committee, our Party has earnestly drawn lessons from its experiences concerning the issue of ownership. It adopted the principle of keeping public ownership in the dominant position while allowing diverse economic sectors to develop side by side, gradually eliminated restrictions on the productive forces inherent in the irrational ownership structure, and created the situation in which public ownership assumes diverse forms, with diverse economic sectors developing side by side. Continuing to adjust and improve the ownership structure in order to further liberate and develop the productive forces remains a major task in economic restructuring.

We must have a thorough understanding of the significance of the public sector of the economy. The public sector includes not only the state and collective sectors, but also state- and collectively-owned portions of mixed-ownership enterprises. The dominant position of public ownership manifests itself chiefly as follows: Public assets dominate among the total assets of society, and the state sector controls the lifeblood of the national economy and plays a leading role in economic development. This is in terms of the national level, as differences may exist in some localities and industries. The dominance of public assets should be evident in quantitative terms, but more so in qualitative terms. The state sector should play a leading role mainly through its ability to exercise control. We need to strategically adjust the structure of the state sector. The state sector must dominate major industries and key areas affecting the lifeblood of the national economy. But in other areas, efforts should focus on reorganizing assets and adjusting the structure in order to give greater emphasis to priorities and improve the quality of state assets as a whole. As long as public ownership remains the dominant form of ownership, the state will control the lifeblood of the national economy and the state sector will have more control and will be more competitive. Even if the state sector were to account for a smaller portion of the overall economy, this will not affect the socialist nature of China.

The collective sector of the economy is an important component of the public sector and can embody the principle of common prosperity, and extensively absorb funds scattered throughout society, ease employment pressure, and help to increase the accumulation of public funds and state tax revenue. We therefore need to support, encourage and assist the development of diverse forms of the collective sector in both urban and rural areas. This will be of great significance in ensuring the public sector plays a

dominant role.

Public ownership can and should diversify. All governance methods and organizational forms that reflect the laws of socialized production may be boldly employed. We must strive to find ways to achieve public ownership that can greatly promote growth of the productive forces. The joint stock system is a way of organizing capital in modern enterprises. It helps separate ownership from management and increases the operating efficiencies of enterprises and capital. It can be used under both capitalism and socialism. We cannot generally say that the joint stock system is either public or private, for the key to this lies in who holds the controlling interest. If the state or a collective holds a controlling interest, it is clearly a form of public ownership, which is favorable to expanding the area controlled by public capital and enhancing the dominant role of public ownership. Currently, a large number of diverse forms of joint stock partnerships have appeared in both urban and rural areas. They are new things arising from the course of reform. We need to support and guide these partnerships and constantly learn from their experiences in order to improve them. We need to particularly advocate and encourage the collective sector based on the pooling of the labor and capital of workers.

The non-public sector is an important component of our socialist market economy. We need to continue to encourage and guide the self-employed, private businesses and other elements of the non-public sector to facilitate their sound development. This is of great importance for meeting the various needs of the people, creating new jobs and promoting the development of the national economy.

It is necessary to improve the property legal system to protect the legitimate rights and interests of and fair competition among all types of enterprises, and exercise oversight in accordance with the law.

## 2. Accelerate SOE reform

SOEs are the pillars of our national economy. Well-executed SOE reform is of vital importance in building a socialist market economy and consolidating the socialist system.

The goal of SOE reform is to establish a modern corporate structure. We will incorporate large and medium-sized SOEs in accordance with the requirements of clearly established ownership, well-defined powers and responsibilities, separate government administration and enterprise management as well as scientific management to make them corporate entities and competitors adapted to the market. We will more clearly define the



powers and responsibilities of the state and enterprises. The state will enjoy owner's equity in an enterprise based on the amount it invests in it and will bear limited liability for the enterprise's debt obligations. Enterprises will operate independently in accordance with the law and be responsible for profits and losses. The government cannot directly intervene in the operations of an enterprise; enterprises must accept restraints imposed by their owners and should not jeopardize their owner's equity. We will adopt various means for funding enterprises, including direct financing. We will cultivate and develop diverse investment sources in order to promote the separation of government administration and enterprise management and the transformation of the way in which enterprises operate.

We need to integrate SOE reform with reorganization, upgrading and stronger management. In order to improve the state sector as a whole, we will strategically reorganize SOEs by managing large enterprises well and relaxing our control over small ones. We will establish highly competitive large enterprise groups with trans-regional, cross-sectoral, cross-ownership and transnational operations by deploying capital and relying on market forces. We will step up the pace of relaxing our control over small SOEs and invigorate them through such vehicles as reorganization, alliances, mergers, leasing, contract operations, joint stock partnerships and sell-offs. We will promote technological progress in enterprises, and encourage and channel the flow of funds of enterprises and society into technological upgrading in order to create a new mechanism for the development of new market-oriented products and technological innovations. We need to strengthen scientific management; find a way to institute a system of governance and a system of organization and management in enterprises that conform to the laws of a market economy and to national conditions; set up a decision-making, implementation and oversight system; and create an effective incentive and control mechanism. We will improve the leadership of enterprises, make full use of the role of their Party organizations as political nuclei, and wholeheartedly adhere to the principle of relying on the working class.

We need to encourage enterprise mergers, standardize bankruptcy procedures, redirect laid-off workers, downsize to increase efficiency, encourage reemployment projects, and create a competitive corporate-survival-of-the-fittest mechanism. With the deepening of enterprise reform, technological progress and adjustments to the economic structure, personnel mobility and lay-offs are hard to avoid. This will cause temporary

difficulties for a portion of the workforce. But, fundamentally speaking, these measures will be beneficial for economic development and conform to the long-term interests of the working class. The Party and the government will take active measures, rely on all sectors of society, show concern for and take care of the needs of laid-off workers, organize job training, open new avenues of employment and promote reemployment projects. Workers need to change their concept of employment and improve their skills in order to be able to meet the new requirements of reform and development.

We will press ahead with all related reforms. We will build an effective mechanism for the management, oversight and use of state assets in order to preserve or increase their value and to avert losses. We will build a social security system, introduce personal retirement pensions and medical insurance systems by combining social pools with individual accounts, and improve the unemployment insurance and social relief systems in order to provide basic social security. We will establish public accumulation funds for urban housing and accelerate the reform of the housing system.

Deepening SOE reform is an important yet arduous task for the whole Party. We need to fortify our confidence, explore and work boldly, and ensure, by the end of this century, most large and medium-sized backbone SOEs have basically put a modern corporate structure in place and significantly improved their operations, thereby creating a new situation of SOE reform and development.

### 3. Improve the structure and mode of distribution

We will adhere to the system in which distribution according to work is dominant and a variety of modes of distribution coexist. We will combine distribution according to work and distribution on the basis of the factors of production, and give high priority to efficiency with due consideration to fairness. This will be conducive to optimizing the allocation of resources, promoting economic development and maintaining social stability. We will protect legal income in accordance with the law, allow and encourage some people to prosper first through honest labor and lawful business activities, and permit and encourage capital, technology and other key production factors to share in profit distribution. Illegal income will be banned, and those who misappropriate public property or seek gains by resorting to illegal means, such as tax evasion or influence peddling, will be resolutely punished in accordance with the law. We will adjust unreasonable incomes and correct the phenomenon of individuals obtaining extra

income by exploiting monopoly industries and other special circumstances. We will regulate excessively high incomes, improve the personal income tax system and introduce inheritance taxes and other new taxes. We will standardize income distribution in order to reduce income disparities and prevent polarization.

Concentrating our financial strength to revitalize the state's finances is an important condition for ensuring the development of all economic and social undertakings. It is necessary to correctly balance distribution between the state, enterprises and individuals, and also between the central and local authorities. This will gradually increase the revenue share of GNP and the proportion of central government revenue accounting for national revenue. At the same time, it will help to adjust revenue and expenditures to adapt to the changed ownership structure and government functions, and assist in establishing a secure and balanced treasury.

#### 4. Fully engage market forces and improve the macro-control system

We need to accelerate the national economy's adoption of market principles. We will continue to develop all kinds of markets, emphasizing those for capital, labor, technology and other production factors and improve their pricing mechanisms. We will reform the distribution system, improve market regulations, strengthen market management, remove obstacles to market development, and break regional blockades and industrial monopolies in order to quickly build a unified and open market system with orderly competition and to better exploit the basic role of market forces in allocating resources.

The main task of macro-control is to preserve a balance in total supply and demand, curtail inflation, optimize key economic segments and achieve steady economic growth. Macro-control will primarily be achieved through economic and legal means. We will deepen reforms in the banking, fiscal and planning systems in order to improve the means of macro-control and coordination. We will implement appropriately tight fiscal and monetary policies, with an eye on the proper level of control. We will, in accordance with the law, strengthen the oversight of financial institutions and markets, including the securities market, standardize and safeguard financial order, and effectively guard against and defuse financial risks.

#### 5. Strengthen agriculture as the foundation of the national economy, and adjust and optimize the economic structure

Under our economic development conditions, and with due regard to the trend of accelerating global scientific and technological development

and international economic restructuring, we must strategically adjust our economic structure in order to comprehensively improve the quality and performance of the entire national economy and boost our overall national strength and international competitiveness. This is a pressing requirement for national economic development and a long-term task. The general principles are as follows: stay market-oriented and let production respond to changing demand in domestic and foreign markets, optimize the industrial structure by relying on scientific and technological progress, bring about balanced development in regional economies by allowing localities to take advantage of their unique characteristics, and change the pattern of economic growth, thus ending a situation in which we have high input but low output, and high consumption but low efficiency.

We need to continue to give top priority to agriculture in all our economic work, maintain stability in the Party's basic rural policies, deepen rural reform, and ensure that agriculture and the rural economy develop and rural incomes increase. We will increase input through multiple channels, improve agricultural infrastructure and constantly improve production conditions. We will vigorously develop agriculture by relying on science and education, and develop high-yield, high-quality and high-efficiency and water-saving agriculture. We will promote agricultural industrialization; form organically integrated and mutually reinforcing mechanisms in production, processing and marketing; and develop agriculture in the direction of commercialization, specialization and modernization. We will comprehensively develop agriculture, forestry, animal husbandry, sideline production and fisheries and continue to promote township and village enterprises in order to create a sound industrial structure. We will ensure the sound development of small cities and towns. We will ensure the long-term stability of the household responsibility contract system with remuneration linked to output, improve the two-tier operational system that integrates unified and independent management, and gradually expand the collective sector. We will reform grain and cotton purchasing and marketing systems and introduce a rational pricing policy. We will set up and improve a system under which various sectors of society provide services for agriculture, farm produce markets, and a system of state support and protection for agriculture. We must respect the autonomy of farmers in their production and operations, protect their lawful rights and interests, and effectively reduce their burdens to allow them to truly benefit from the Party's rural policies and work.



We need to transform and upgrade our traditional industries, develop new- and high-technology industries, and promote informationization of the national economy. We will continue to reinforce infrastructure and basic industries, intensify the adjustment and upgrading of the processing industry, invigorate key industries and actively cultivate new areas of economic growth. We will combine our efforts to develop new technologies, products and industries with efforts to open up markets and integrate the development of technology-intensive and labor-intensive industries. We will also encourage and guide tertiary industries to accelerate their development.

We need to promote the rational distribution and balanced development of regional economies. The eastern region should make full use of its favorable conditions, strive for an even higher level of development in the course of implementing reform and opening up, and be the first to basically achieve modernization where conditions permit. The central and western regions need to accelerate reform, opening up and development, make use of their advantages in natural resources and develop related industries. The state will increase its support for the central and western regions by giving them priority in infrastructure planning and resource development projects, gradually instituting a standardized transfer payment system, and encouraging both Chinese and overseas parties to invest there. It is necessary to further develop all forms of association and cooperation between the eastern region and the central and western regions. We will give greater attention to ethnic minority areas and actively help them develop their economies. We must resort to all possible means to gradually narrow the development gap between regions. All regions should proceed from their actual conditions, develop their economies in line with distinct local characteristics, accelerate the upgrading of old industrial bases, let the central cities play a role, and further guide the formation of trans-regional economic zones and key industrial belts. We will accelerate the reform of the investment and financing systems, improve state industrial policies, and effectively solve problems such as making all projects, whether large or small, all-inclusive, or the launching of ill-advised or redundant construction projects.

6. Implement the strategies of reinvigorating the country through science and education and achieving sustainable development

Science and technology are a primary productive force, and therefore, their progress is a decisive factor in economic development. We must fully consider the great impact of future developments in science and technol-

ogy, particularly high technology, on our overall national strength, the economic structure of society and people's lives, and make accelerating development in this area a key aspect of economic and social development. In this way, we will truly embark upon the path of developing our economy through scientific and technological progress and an improved workforce. When devising long- and medium-term programs for developing science, we need to proceed from China's long-term development needs, keep the overall situation in mind, stress key areas, do some things while setting others aside, strengthen basic and high-tech research, and accelerate the industrialization of high technology. We need to intensify the development and diffusion 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 must set priorities and import advanced technologies from abroad on a selective basis, with a view to enhancing our own capabilities for independent innovation. As a developing country, China needs to attach greater importance to applying the latest technological achievements to achieve rapid technological progress.

We need to deepen reform of the systems for managing science, technology and education and promote their integration with the economy. We need to get the market and social demand to fully play their role in directing and promoting scientific and technological progress, and we need to support and encourage enterprises to engage in research, development and technological upgrading so that they become major investors in these areas. Qualified research institutes and universities need to enter into different forms of association and cooperation with enterprises in order to solve the problems of disconnection and dispersion of strength inherent in the systems for managing science, technology and education. Innovation, competition and cooperation need encouragement. We will implement an intellectual property rights protection system. Skilled people are the most important resource in scientific and technological progress and economic and social development; therefore, we must institute a system of incentives favorable to training and employing such individuals. We need to actively bring in intellectual resources from overseas, and encourage those studying abroad to return to China to work or to serve their motherland in other ways.

Our country is populous but relatively lacking in natural resources. In the course of modernization, we must implement a sustainable develop-

ment strategy. We need to adhere to the basic state policies of family planning and environmental protection and correctly balance economic development with changes in the population, resources and the environment. We must work to simultaneously exploit and conserve resources, with the latter receiving greater emphasis, and raise utilization efficiency. We must formulate a general plan for developing and improving our land resources and rigorously enforce laws governing the management and protection of land, water, forestry, mineral and marine resources. We will institute a system of paying for the use of resources. We must tighten control of environmental pollution and improve the ecosystem by planting trees and grass, improving soil and water conservation, and combating desertification. We need to control population growth, improve population quality and address problems associated with an aging population.

#### 7. Strive to improve the level of opening up

Opening to the outside world is a long-term basic state policy. Confronted with economic, scientific and technological globalization, we need to go global more actively; improve the pattern of opening up in all directions and at all levels and widen its scope; develop an open economy; enhance our international competitiveness; optimize our economic structure; and improve the quality of our national economy.

With a focus on better results, we need to expand foreign trade in goods and services and optimize the import-export structure. We will adhere to the strategies of competing on the basis of quality and diversifying our markets, and vigorously open up markets abroad; further reduce the overall level of tariffs and encourage the import of advanced technologies and key equipment; deepen reforms in trade and economic relations with foreign countries; improve the agency system and expand the power of enterprises to handle their own foreign trade in order to create a policy environment that fosters competition on an equal footing; and actively participate in regional economic cooperation and global multilateral trade.

We will use foreign capital actively, rationally and effectively; gradually open service industries to the outside world; protect the rights and interests of overseas-funded enterprises in accordance with the law, afford them national treatment, and improve our guidance and regulation; encourage foreign investment in areas that can unleash China's comparative advantages; make better use of both Chinese and foreign markets and resources; improve and enforce laws and regulations governing China's trade and economic relations with foreign countries; and correctly balance opening

up with independence and self-reliance, while safeguarding the country's economic security.

We need to operate the special economic zones and the Pudong New Area in Shanghai more effectively, and encourage them to continue to serve as national models and lead the way in disseminating and triggering institutional innovations, industrial upgrading and increased openness.

8. Continue to improve people's standard of living

Raising the standard of living is the fundamental goal of reform, opening up and economic development. As the economy grows, we need to enable the people to enjoy a moderately prosperous life, and gradually advance toward even better conditions. We will strive to raise both urban and rural incomes in real terms, broaden the scope of consumption and guide it in a rational direction. While improving people's material wellbeing, we will enrich their cultural lives and beautify their environment to enhance the quality of their lives. We particularly need to improve housing, sanitation, transportation and communication, and expand the consumption of services. We will gradually build more public and social welfare facilities. We will improve the level of education as well as medical and health care. We will implement a policy of ensuring a minimum standard of living for destitute urban residents. The state will adopt a variety of measures to increase poverty relief efforts, and strive to basically accomplish the task of providing impoverished rural people with the basic necessities by the end of the century.

Comrades,

The goals and tasks we have set forth for economic reform and development reflect the fundamental interests of the people and can be accomplished only by relying on their initiative, creativeness and hard work. As long as we persevere in adopting correct policies and in properly guiding, protecting and making full use of the initiative of all sectors of society, we will undoubtedly succeed in establishing a socialist market economy and achieving sustained, rapid and sound development of the national economy.

## **VI. Implementing Political Restructuring and Strengthening Democracy and the Legal System**

The deepening of economic restructuring and the cross-century development of the socialist modernization drive require constant adherence



to the Four Cardinal Principles as we continue to press ahead with political restructuring, further extend the scope of socialist democratic politics, improve the socialist legal system, follow the rule of law and build a socialist country under the rule of law.

It is our Party's constant goal to develop socialist democratic politics. Without democracy there can be no socialism or socialist modernization. The essence of socialist democracy is that the people are the masters of the country. State power belongs to the people. China's state system — the people's democratic dictatorship — and its system of state power — the system of people's congresses — are the products of struggles waged by the people and the result of a historical choice. We must uphold and improve this fundamental political system and not copy the Western political system model. This is decisive in upholding the Party's leadership and the socialist system and in achieving people's democracy.

The development of democracy must be closely integrated with a sound legal system so that the country is subject to the rule of law. Establishing the rule of law means that the broad masses of the people, under the leadership of the Party and in accordance with the Constitution and laws, participate in different ways through various channels in managing state affairs, economic and cultural undertakings, and social matters. In this way, they can ensure that all the state's work proceeds lawfully, and that socialist democracy is gradually institutionalized and written into law, so as to make sure that institutions and laws do not change whenever the leadership changes, or whenever the leaders change their views or shift the focus of their attention. Establishing the rule of law is the Party's basic strategy for leading the people in governing the country. It is the objective need for a socialist market economy, an important symbol of the progress of social civilization, and an important guarantee for a country's lasting political stability. The Party has led the people in drawing up the Constitution and laws, and it confines its activities to the areas prescribed by them. The rule of law combines upholding the Party's leadership, giving rein to people's democracy and acting strictly in accordance with the law and provides institutional and legal assurances that the Party's basic line and principles are implemented, and that the Party plays the role of the leadership core at all times by exercising control over the whole situation and coordinating everyone's efforts.

Political restructuring must enhance the vitality of the Party and the state. It must demonstrate the features and advantages of the socialist



system and safeguard national unity, ethnic solidarity and social stability. It must also allow free range for the people's initiative and stimulate social progress and the development of the productive forces. The main tasks of political restructuring for the current and future period are to develop democracy, fortify the legal system, separate government administration from enterprise management, streamline government bodies, improve the democratic oversight system, and maintain stability and unity.

1. Improve the democratic system

As a ruling party, the Communist Party leads and supports the people in exercising state power, holding democratic elections, making democratic policy decisions, instituting democratic management and oversight, ensuring that the people enjoy extensive rights and freedoms in accordance with the law, and respecting and guaranteeing human rights. In developing socialist democracy, institutions are of fundamental, overall, and lasting importance in maintaining stability. We will uphold and improve the system of people's congresses, ensure that they and their standing committees perform the functions of organs of state power in accordance with the law, strengthen their legislative and oversight work, and forge closer links between deputies to people's congresses and the people. We must enact corresponding enabling legislation when making major policy decisions concerning reform and development. We will gradually establish a mechanism to gain an in-depth understanding of public sentiment, which fully reflects public opinion and pools the people's wisdom in order to make decisions more scientifically, democratically and efficiently. We will uphold and improve the system of multiparty cooperation and political consultation under the leadership of the Communist Party. We will uphold the principle of long-term coexistence, mutual oversight, sincerity, and sharing of both good and bad times; strengthen our cooperation with the democratic parties; and consolidate our alliance with people outside the Party. We will continue to help the Chinese People's Political Consultative Conference (CPPCC) standardize and institutionalize its political consultation, democratic oversight and participation in and deliberation of state affairs, turning it into an important channel through which the Party unites with all people from all walks of life. We will consolidate and develop the broad patriotic united front. We will comprehensively implement the Party's ethnic policies, uphold and improve regional ethnic autonomy, strengthen our work with ethnic groups, and consolidate and enhance socialist ethnic relations of equality, solidarity and mutual

assistance in order to promote common prosperity and progress for all our ethnic groups. We will conscientiously implement the Party's policies concerning religions and overseas Chinese affairs. Trade unions, the Communist Youth League, women's federations and other mass organizations should play their part in democratic participation and oversight in managing state and social affairs, and serve as a bridge or link between the Party and the people.

Expanding the scope of primary-level democracy to ensure that people directly exercise their democratic rights, manage their own affairs in accordance with the law, and create their own happy lives is the practice of socialist democracy in the broadest sense. The primary-level organs of state power and self-governing mass organizations in both urban and rural areas need to establish sound systems of democratic elections and inform the public of their administrative work and financial affairs. This will enable the people to participate in the discussions and decisions relating to local public and welfare issues and to exercise democratic oversight over cadres. We need to uphold and improve the democratic management system of enterprises and institutions based on workers' congresses to allow workers to participate in reform and management and protect their legitimate rights and interests. We must resolutely rectify acts such as suppressing democracy and coercion and commandism.

## 2. Improve the legal system

Smooth progress in the undertakings of the Party and the state inevitably requires that there are laws, that they are observed and strictly enforced, and that lawbreakers are prosecuted. We will strengthen legislation, improve the quality of legislation and form a socialist legal system with Chinese characteristics by the year 2010. We must safeguard the dignity of the Constitution and laws, and uphold equality before the law to ensure that no individuals or organizations are above the law. All government bodies must perform their official duties in accordance with the law, genuinely guarantee the rights of citizens, and implement a system of responsibility for law enforcement as well as a system to assess and examine whether those responsibilities are met. We will promote reform in judicial affairs, provide institutional guarantees that judicial organs are in a position to exercise adjudicative and procuratorial powers independently and fairly in accordance with the law, and establish a system for investigating and prosecuting anyone responsible for unjust or erroneous court rulings. We will improve the ranks of law-enforcement and judicial personnel. We will edu-

cate the populace about the law in order to increase their legal awareness. In particular, we will enhance leading cadres' awareness of the importance of the legal system and their ability to perform their duties legally. We must closely integrate improving the legal system with promoting cultural and ethical progress and ensure they advance simultaneously.

### 3. Promote the restructuring of government institutions

Unwieldy organization, overstaffing, failure to separate government administration from enterprise management and serious bureaucratism directly hamper the deepening of reform and economic development, and these issues also affect the relationship between the Party and the masses. These problems urgently demand a solution and careful consideration. As such, a special team should be organized to promptly devise plans to solve them. In accordance with the requirements of a socialist market economy, we need to adjust government functions and separate government administration from enterprise management so that enterprises exercise real power over their production, operations and management. We will carry out institutional reform in accordance with the principles of simplification, uniformity and efficiency, and establish a highly efficient, well-coordinated and standardized administrative system in order to improve services for the people. Departments in charge of comprehensive economic administration will be converted into departments for macro-control, and specialized economic departments will be reorganized and reduced in number. We will strengthen departments that supervise law enforcement and cultivate and expand social intermediary organizations. We will deepen reform of the administrative system; statutorily delimit the structure, functions, size and working procedures of government agencies; strictly control bloated institutions; and resolutely reduce redundant personnel. We will also deepen reform of the personnel system by introducing competition and incentive mechanisms and improving the public servant system to create a contingent of high-quality professional administrators.

### 4. Improve the system of democratic oversight

Our power is conferred by the people; therefore, cadres are their servants and must be subject to oversight by the people and law. We need to deepen reform, improve the legal system with respect to oversight, and establish a sound mechanism ensuring that cadres exercise their authority within the legal framework. Departments administering affairs directly affecting the vital interests of the people need to adhere to an open administrative system to ensure everything is done in a fair, just and open

manner. We will integrate intra-Party oversight with legal oversight and oversight by the masses and let public opinion play a supervisory role. We will strengthen enforcement oversight of the Constitution and laws to safeguard the uniformity of the state's legal system as well as oversight of the implementation of general and specific Party and state policies in order to ensure their actual implementation. We will tighten the oversight of cadres at all levels, especially leading cadres, in order to prevent abuses of power. We must severely punish those law-executors who abuse their power or take bribes.

#### 5. Maintain stability and unity

As reform and opening up deepen and economic relations undergo adjustment, many new situations and changes are arising from the conflicts in economic and social activities. Of these conflicts, those that affect people's immediate interests are prominent. Party committees and governments at all levels must work conscientiously, responsibly and enthusiastically to solve the practical problems people encounter in their lives and work. With regard to conflicts among the people, we need to delve deeply into the facts, carry out investigations and studies, and complete our ideological and political work successfully. As circumstances may differ, we need to employ economic, administrative or legal means to deal with these problems appropriately and prevent them from escalating.

Effective public security is a matter of great significance for safeguarding people's lives and property as well as for reform, development and stability. We need to improve the work of the procuratorial, judicial and public security departments. We must crack down on criminal activities in accordance with the law and resolutely eradicate social evils such as pornography, gambling and narcotics. To improve all facets of public security, we need to combine punishment with prevention and emphasize the latter. We need to intensify education and management, implement the responsibility system and create a sound public security environment.

Building socialist democratic politics is a gradual, historical process that must take China's actual conditions as its starting point and progress under the leadership of the Party in a step-by-step and orderly manner. The more socialism develops, the more democracy will also develop. We need to constantly push forward Chinese-style socialist democratic politics by actively exploring laws governing its development so that it will be more vibrant in the 21st century.



## **VII. Building Socialist Culture with Chinese Characteristics**

Socialist culture with Chinese characteristics, in terms of the main content, is substantively identical to the socialist cultural and ethical progress we have promoted since introducing reform and opening up. Culture must be viewed in its political and economic context, and cultural and ethical progress is linked to material progress. Only through balanced economic, political and cultural development, as well as both material progress and cultural and ethical progress, can socialism with Chinese characteristics exist.

Socialist modernization demands both a thriving economy and a flourishing culture. The progress of modernization in China depends largely on raising the quality of the people and developing of human resources. Faced with rapid scientific and technological development, intense competition in overall national strength, the clash of different ideologies and cultures on a global scale, and the increasing cultural needs of our people as society becomes moderately prosperous, the whole Party must fully understand the importance and urgency of cultural progress for developing the cause of socialism and rejuvenating the nation.

Socialist culture with Chinese characteristics is a major force that unites and inspires the people of all our ethnic groups, and is an important indicator of our overall national strength. It has its origins in 5,000 years of Chinese civilization, is deeply rooted in the practice of building socialism with Chinese characteristics, bears distinctive features of the times, reflects the basic character of our socialist economy and politics, and plays a great role in promoting their development. In building socialism with Chinese characteristics, we must redouble our efforts to improve ideological, ethical, scientific and educational levels throughout the country to provide a powerful ideological driving force and strong intellectual support for our economic development and all-round social progress. To meet the requirements of socialist modernization, we must nurture successive generations of citizens with high ideals, moral integrity, a good education and a strong sense of discipline. This is a long-term and arduous task for cultural advancement.

Creating common ideals and moral pillars throughout our society lies at the root of building socialist culture with Chinese characteristics. We need to steadfastly educate cadres and the masses in Deng Xiaoping Theory. We must constantly and unflinchingly educate them in socialist ethics, with



emphasis on serving the people and the principle of collectivism, and we need to work to reinforce education in democracy, legality and discipline in order to guide our people to foster a correct worldview, outlook on life and sense of values. We will vigorously promote patriotism, collectivism, socialism and a hardworking and enterprising spirit. We will advocate communist ideology and ethics and at the same time we will combine the requirements of being progressive and inclusive, and encourage all ideologies and ethical systems that are conducive to national reunification, ethnic unity, economic development and social progress. We will inculcate the spirit of socialist humanitarianism. Young people are the future of the motherland and the hope of the nation; therefore, we must closely attend to their cultural and ethical development.

Progress in education and science is the foundational project in our cultural progress. Training hundreds of millions of qualified workers and tens of millions of professional personnel suited to the needs of our modernization drive and fully exploiting the advantages of our vast human resources have a direct bearing on the cause of socialism in the 21st century. We must ensure that education receives strategic priority. We need to respect teachers, strengthen their ranks and value education. We will fully utilize the initiatives of all sides and strive to provide nine years of compulsory education for every child, eliminate illiteracy among the young and middle-aged, actively develop various forms of vocational and adult education, and steadily develop higher education. We will optimize the educational structure, speed up institutional reforms of higher education, and judiciously allocate resources for education in order to enhance the quality of instruction and raise the effectiveness of schooling. We need to conscientiously implement the Party's education principle with an emphasis on improving the quality of students and train builders of and successors to the socialist cause with comprehensive moral, intellectual and physical development. We will strive to popularize and raise the level of science and technology, guide people to apply scientific approaches and master scientific methods, and encourage creativity and inventiveness. We need to eliminate ignorance and combat feudal superstitious activities. We will develop philosophy and the social sciences, which are of key significance in retaining Marxism as the guiding ideology of our country, exploring laws governing the development of socialism with Chinese characteristics, and improving our ability to understand the world and change it.

The development of literature and art, the press, publishing, radio,

film and television is an important aspect of cultural advancement. Public information must adhere to the principle of maintaining a Party spirit, persevere in seeking truth from facts and correctly guide public opinion. We need to tighten oversight of the press and publishing, optimize their structures and improve their quality. We need to 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 bloom and a hundred schools of thought contend. While advocating diversity, we must give full expression to the themes of our times to create more outstanding works of ideological and artistic unity.

A healthy cultural environment is an important condition for raising the level of social civilization and advancing reform, opening up and modernization. We need to intensively and persistently carry out mass activities to promote cultural and ethical progress, and strenuously advocate social and occupational ethics and family values. We must promote culture while strengthening its supervision, and promote the sound development of the market for cultural products. We need to promote the construction of cultural facilities. We need to attend more closely to protecting our scientific, historical and cultural heritage and revolutionary artifacts. We need to actively promote the reform and development of health and physical education. We need to advocate healthy and civilized lifestyles and constantly improve the quality of people's cultural life.

Our country cannot develop its culture in isolation from the common achievements of human civilization. Adhering to the principle of having our own culture as our base but utilizing foreign achievements, we need to launch various forms of cultural exchange, drawing on their strengths while introducing our own achievements to the world. We must resolutely resist the corrosive influence of decadent ideas and cultures.

Intellectuals are members of the working class and play an important role in the drive for modernization. We need to implement the Party's policy toward intellectuals and let them fully express their initiative and creativity. Intellectuals need to study hard and better themselves so that they can become disseminators of advanced ideas; pioneers of science and technology; train people to be citizens with high ideals, moral integrity, a good education and a strong sense of discipline; produce excellent intellectual works; and contribute hand in hand with other workers and farmers to the rejuvenation of the Chinese nation.

Chinese culture has a glorious history. In our great socialist modernization drive, we will surely create an even more magnificent socialist culture with Chinese characteristics and make our proper contribution to human civilization.

Comrades,

Having discussed economic, political and cultural tasks, I would now like to expressly discuss national defense development and army building. Strengthening national defense and the army is our basic guarantee for national security and success in modernization. Deng Xiaoping's thinking on army building in the new period is a continuation and development of Mao Zedong's military thinking and a scientific guide to improving our army and national defense. Keeping in mind the general requirements that the People's Liberation Army (PLA) should be qualified politically and competent militarily and have a fine work style, strict discipline and adequate logistics support, we need to press ahead with army building and reform in order to make the army a more revolutionary, modern and standardized military. In its magnificent 70-year history, the fact that our army has withstood many trials and has become stronger and stronger is ultimately due to firm Party leadership. Under the new historical conditions, the army must unwaveringly uphold the absolute leadership of the Party, maintain its ideological and political unity with the Central Committee, obey the commands of the Central Committee in all actions, and never forget its nature and purpose as a people's army. It should adhere to the strategy of active defense, improve its quality and take the path of fewer but better troops with Chinese characteristics. The army should exercise strict discipline, vigorously strengthen its ideological and political work, carry forward its fine traditions, and take the lead in society in promoting cultural and ethical progress. In order to adapt itself to the profound changes in the global military arena, the army should intensify its education and training and upgrade its ability to defend the country under modern technological conditions, especially high-tech conditions. On top of the 1980s troop reduction of one million service personnel, we will further reduce the army by another half a million in the next three years. We need to strengthen the army by relying on science and technology, intensify research in defense-related science and technology, establish a sound system of operations to better adapt defense industries to the socialist market economy, and gradually upgrade weapons and equipment. The army should subordinate itself to and

serve the overall interests of national economic development, strengthen itself through thrift and hard work, and actively support and participate in the country's economic development. Party organizations and governments at all levels and the masses should show concern and support for national defense development and army building. We will intensify defense education to increase 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 service members and martyrs in order to consolidate the unity between the army and the government and between the army and the people. We also need to strengthen the militia and reserves forces, and improve the national defense mobilization system. We need to continue to strengthen the Chinese People's Armed Police Force 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, both at home and abroad. Chinese Communists have adopted the great cause of peaceful reunification of the motherland as their historic task, and have worked tirelessly to achieve it. Deng Xiaoping's scientific concept of "one country, two systems" is a strong impetus to the process of peaceful reunification of the motherland.

Hong Kong's return to the motherland is a hallmark of the great success of the concept of "one country, two systems" and constitutes an important step taken by the Chinese people in the great cause of reunifying the motherland. Since Hong Kong's return, the principle of "one country, two systems," under which the people of Hong Kong administer Hong Kong with a high degree of autonomy, has been implemented conscientiously, and Hong Kong has maintained its prosperity and stability. Facts suggest that the government of the Hong Kong Special Administrative Region (HKSAR) and our compatriots in Hong Kong are certainly able to administer the region well and in accordance with the HKSAR Basic Law.

Macao will return to our embrace in 1999; another grand event for the Chinese nation. All preparations for Macao's return are underway in an active and orderly fashion. Macao's stable transition and smooth transfer of government can certainly be achieved 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, in national reunification, most parts of China will adhere to the socialist system, while Taiwan, Hong Kong and Macao will retain the capitalist systems and ways of life they currently have for a long time to come. This is our basic policy in promoting the great cause of the peaceful reunification of the motherland. It not only embodies the principled position of achieving national reunification and safeguarding state sovereignty, but also fully takes into account the past and present conditions of Taiwan, Hong Kong and Macao, and embodies a high degree of flexibility. Adopting the principle of “one country, two systems” is in the interests of the reunification of the motherland and the rejuvenation of the Chinese nation and is conducive to world peace and development.

Under the impetus of the basic principle of “peaceful reunification and one country, two systems” and other policies, significant progress 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 settling the Taiwan question. However, the growth of the secessionist tendencies in Taiwan and the interference of certain foreign, anti-China forces seriously hinder the process of peaceful reunification, which, of course, have met with determined opposition from the Chinese people, including our compatriots in Taiwan.

We will adhere to the basic principle of “peaceful reunification and one country, two systems” and to the eight-point proposal for developing cross-Straits relations and promoting peaceful reunification of the motherland.<sup>6</sup> We will adhere to the one-China principle and oppose secession, Taiwan independence, the attempt to create “two Chinas” or “one China, one Taiwan” and any interference by foreign forces. We will never allow any forces in any way to change Taiwan’s status as part of China. We will work hard to achieve reunification through peaceful means, but cannot promise to renounce the use of force. This is not directed against our compatriots in Taiwan, but against foreign forces interfering in China’s reunification and against any schemes to bring about Taiwan independence. We will do everything we can to expand economic exchanges and cooperation between the two sides; speed up the establishment of direct mail, transport, and trade links across the Taiwan Straits, and continue to promote mutual visits and exchanges in science, technology, culture and other fields. We



place our hopes on our compatriots in Taiwan endowed with the glorious tradition of patriotism. Except for the handful of people who stubbornly advocate Taiwan independence, all parties and people from all walks of life in Taiwan are welcome to exchange views with us on relations between the two sides and on peaceful reunification.

We hereby renew our solemn appeal: As a first step, the two sides of the Straits should negotiate and agree on officially ending the state of hostilities between the two sides in accordance with the one-China principle. On this basis, the two sides should jointly undertake to safeguard China's sovereignty and territorial integrity and plan the future development of mutual 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. Based on the premise that there is only one China, we are prepared to talk about any matter. All opinions and proposals can be advanced as long as they serve the interests of reunification. The issue of reunification of the motherland should be settled by Chinese people on both sides of the Straits.

Taiwan's future hinges on the reunification of the motherland; secession is absolutely not an option. We are fully determined to settle the Taiwan question, and have the ability to ultimately find a solution. No matter how many difficulties and obstacles beset the road ahead, the complete reunification of the motherland and the comprehensive rejuvenation of the Chinese nation will certainly be achieved. All Chinese people on both sides of the Straits and other sons and daughters of the Chinese nation will proceed on the basis of the fundamental interests of the Chinese nation and advance hand in hand.

## **IX. The International Situation and Our Foreign Policy**

At present, the international tensions as a whole are continuing to ease. Peace and development are the themes of the present times. The trend toward global and regional multipolarity has further developed in politics, the economy and other fields. World forces are undergoing a new division and realignment. Major and profound adjustments are occurring in relations between all the world's powers. Various regional and intercontinental cooperative organizations are more active than ever before. The overall strength of developing countries is growing. The development of this trend toward multipolarity contributes to world peace, stability and prosperity. The voice

of the people of all countries calling for equal treatment and friendly coexistence is growing louder and louder. It has become the main trend of the times to desire peace, seek cooperation and promote development. Factors in safeguarding world peace are gaining strength. For a long period of time, it will be possible to avert a new world war, secure a favorable, peaceful international environment and neighboring environment.

Nevertheless, the Cold War mentality still exists, and hegemonism and power politics continue to pose the greatest threats to world peace and stability. Expanding military blocs and strengthening military alliances is not conducive to safeguarding peace and security. The unjust and inequitable old international economic order still impairs the interests of developing countries, and the gap between rich and poor countries continues to widen. The use of “human rights” and other issues to interfere in the internal affairs of other countries remains a serious problem. Local conflicts due to ethnic, religious and territorial factors crop up from time to time. The world is not yet at peace.

We need to adhere to Deng Xiaoping’s thinking on diplomatic work and firmly pursue an independent foreign policy of peace. In international affairs, we need to determine our position and policies by proceeding from the fundamental interests of the people of China and the world and judge each case on its own merits. We will not yield to any outside pressure or enter into an alliance with any major power or group of countries, nor will we establish any military bloc, participate in the arms race or seek military expansion.

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

We need to work to bring about a just and equitable 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 current trends of peace and development.

We need to respect the diversity of the world. The world today is rich and varied. All countries are entitled to choose the social systems, develop-

ment strategies and lifestyles consistent with their national conditions. The affairs of a country should be decided by its own people, and international issues should be dealt with through consultations by all countries.

We must practice good-neighborliness. This has been the stand we have consistently advocated and is one which will never change. We need to keep the overall objective of maintaining peace and stability in mind, and settle disputes between China and our neighboring countries through friendly consultations and negotiations. If disputes cannot be resolved immediately, we can temporarily set them aside and seek common ground while reserving differences.

We need to further strengthen our solidarity and cooperation with other third world countries. Developing countries share the same fundamental goals of safeguarding their independence and developing their economies. As always, China will join other developing countries in mutual support and close cooperation in all areas to safeguard our legitimate rights and interests.

We need to 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 any differences in their social systems or ideologies. They should seek points of common interest, and expand mutually beneficial cooperation to deal with human survival and development challenges. They should always properly resolve their differences through dialogue rather than confrontation, with their long-term interests and the overall task of promoting world peace and development as their starting point. We are opposed to imposing or threatening to impose sanctions without good reason.

We need to uphold the principle of equality and mutual benefit, and engage in extensive trade, economic and technological cooperation and scientific and cultural exchanges with all countries and regions to promote common development.

We need to actively participate in multilateral diplomatic activities and fully play our role in the United Nations and other international organizations.

We need to develop new types of inter-party exchanges and cooperation with the political parties of all countries that desire contact with our Party, with a view to promoting state-to-state relations on the basis of the principles of independence, complete equality, mutual respect and noninterference in each other's internal affairs.

China is a staunch force safeguarding world peace and regional stability. In carrying out socialist modernization, we need a long-term peaceful international environment, and above all, we need a favorable surrounding environment. China's development will not pose a threat to any other country. Even when it becomes developed in the future, China will never seek hegemony. In the past, the Chinese people long suffered from aggressive invasions, oppression and humiliation at the hands of foreign powers, and we will never inflict such suffering upon others.

The world's future is bright, but the road ahead is winding. The Chinese people are ready to join hands with the people of other countries in working tirelessly to promote the lofty cause of peace and development and to work for a better future for humankind.

## **X. The CPC Facing the New Century**

Upholding, strengthening and improving the Party's leadership and furthering Party building are the keys to holding high the great banner of Deng Xiaoping Theory, fulfilling the tasks set forth at this congress and comprehensively advancing our cause into the 21st century.

The CPC is the leadership core of the people of all our ethnic groups. It leads because, by its nature, it is the vanguard of the working class, a position it secured after undergoing the ordeal of many years of struggle. Never before in China has there been a political organization like our Party, which has gathered together so many progressive elements, created such a tight and broadly based organization, sacrificed so much on behalf of the Chinese nation, and maintained such close ties with the people. As the Party advances, it excels at learning from its experiences and earnestly rectifies its mistakes in order to create and maintain a correct theory and line. 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, the Party can certainly lead them in writing yet another in the 21st.

Party leadership and Party building have always been connected with the historic tasks of the Party and with the theories and lines our Party has formulated for accomplishing these tasks. Guided by Marxism-Leninism, and bearing the Party's political line in mind, the first generation of the CPC collective leadership, with Mao Zedong at its core, successfully launched the great undertaking of Party building, and it established the



vanguard of the working class that led the people in achieving victory in the new-democratic revolution and establishing the socialist system. The second generation of the collective leadership, with Deng Xiaoping at its core, creatively applied Marxism-Leninism and Mao Zedong Thought to present-day China and launched a great new undertaking of Party building centered on addressing the kind of party we should build and how to build it under the conditions of reform, opening up and modernization. Facing the new century, the Central Committee is leading the entire Party in carrying this great new undertaking forward. This undertaking is designed to make the Party a Marxist political party that is armed with Deng Xiaoping Theory; serves the people wholeheartedly; is completely consolidated ideologically, politically, and organizationally; can withstand all types of risks; is always at the forefront of the times; and leads the people of the country in building socialism with Chinese characteristics. On the basis of the general objectives of this great new undertaking, the entire Party needs to comprehensively strengthen itself ideologically and organizationally and improve its work style, constantly improve its leadership and governance capabilities, and guard against corruption and degeneration in order to revitalize its image and to have more indomitable capabilities in leading the people in accomplishing our new historic tasks.

To strengthen the Party ideologically, it is essential to unswervingly arm it with Deng Xiaoping Theory and make full use of its ideological and political strength. Deng Xiaoping Theory provides a new powerful ideological weapon enabling our Party to understand and transform the world. The entire Party needs to focus on learning, be adept at it, and usher in an upsurge in the study of Marxism-Leninism, Mao Zedong Thought, and particularly Deng Xiaoping Theory. Leading cadres at all levels, and especially the several hundred members of the Central Committee and the several thousand cadres at the provincial and ministerial level, bear a particularly important responsibility to hold high the great banner of Deng Xiaoping Theory. They need to take the lead in studying this theory and comprehensively and accurately master its scientific system. They need to have an overall grasp of its basic ideas and spirit, and systematically analyze and understand its relevance to their respective fields of work. We need to continue to intensively educate leading cadres at and above the county level in the Party spirit and conduct, with a focus on the need to stress study, politics and integrity. We will make it common practice throughout the Party to study conscientiously, hold democratic discussions, explore new approaches, and



be realistic and pragmatic. We need to continue to integrate theory with practice, study for the sake of application, acquire a better understanding of Marxist theory, learn to better solve practical problems, and transform our subjective world while transforming the objective world.

To strengthen the Party organizationally, it is essential to make it the core of strong leadership and make full use of its organizational strength. Our Party has 58 million members and 3.4 million primary organizations that form a unified whole in accordance with democratic centralism under the guidance of Marxism, and that work hard to achieve common goals. This is a huge organizational advantage. In reform, opening up and developing a socialist market economy, democratic centralism must improve and develop, not weaken. We need to further enhance democracy, guarantee the rights of Party members, and clear and widen the channels of intra-Party democracy in order to make full use of the initiative and creativity of the whole Party. We need to safeguard the authority of the Central Committee and maintain unity with it ideologically and politically to ensure the smooth implementation of the Party's line and the Central Committee's policy decisions. We need to improve the system of Party congresses and the system that combines the collective leadership of Party committees at all levels with the division of responsibilities among individuals. We need to ensure that local Party committees better play their role as the leadership core of the various organizations at the same level. Leading cadres must take the lead in observing the rules of democratic centralism, protecting overall interests, strictly observing discipline, guarding against making arbitrary decisions and administering matters in their own way, and opposing or defying orders or prohibitions. In accordance with the principle of having cadres who are more revolutionary, younger, better educated and more competent professionally, we need to foster a contingent of highly qualified cadres who can meet the requirements of the socialist modernization drive. This is the key to ensuring continuing successes in our undertakings. With a focus on building the Party ideologically and politically, we need to turn leading bodies at all levels into united, staunch leadership collectives that resolutely carry out the Party's basic theory and line, serve the people wholeheartedly and are capable of guiding modernization. We need to accelerate reform of the cadre and personnel system, enhance democracy, improve assessment, promote exchanges and tighten oversight, to ensure that competent people can emerge. In particular, we need to make significant progress in enabling

both promotion and demotion of cadres. In selecting cadres, we must thoroughly effectuate the principle of choosing those with both political integrity and professional competence, steadfastly appoint people on their merits, oppose nepotism, and prevent and rectify unsound practices. We need to promptly promote to leading positions those cadres who are generally acknowledged as having firmly carried out the Party's line, who have contributed through outstanding achievements, and who are honest and upright. Cadres who deviate from the Party's line, seek personal gain, practice fraud or jockey for promotion should never be made members of leading bodies. It is a strategic task to train and select a large number of excellent young cadres who can shoulder important tasks into the new century. We must lose no time in fulfilling this task. We need to pay great attention to fostering and promoting female cadres, cadres from ethnic minorities and non-Party cadres. We need to improve the cadre retirement system, pay attention to the political concerns and material needs of elderly cadres, and encourage them to continue playing a role. Primary Party organizations are the locus of all the Party's work and the base of its indomitable capabilities. Consolidating and improving these organizations must revolve around the Party's basic line and serve its central task. These organizations should use the spirit of reform to study new situations and problems, and improve their methods, work style and their ways of conducting their affairs. They should also conscientiously educate, supervise and oversee their members and become better able to solve their own problems. They should set their own characteristics as their starting point, earnestly perform their duties as mandated by the Party's Constitution, and strive to become staunch, powerful bastions able to give effect to the Party's line, principles and policies, and to unite with and lead the masses in fulfilling the latter's tasks.

To improve the Party's work style, it is essential for us to stay firm in our purpose of serving the people wholeheartedly and make the most of the Party's advantage of having 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 light of new experiences. Our Party is from the people, rooted in the people and serves the people. Serving the interests of the people wholeheartedly is the starting point as well as the purpose in all our work of building so-

cialism with Chinese characteristics. Party members should listen to the opinions of the masses, show concern for their hardships, and accomplish significant achievements and do good deeds for them. Party cadres, especially leading cadres, must faithfully execute the Party's line, principles and policies without any deviation. They must properly exercise the power entrusted by the people and must never abuse it for personal gain. They must combine responsibility to their superiors with responsibility to the masses, never separate the two or set them in opposition. In their work, they must uphold the mass line, investigate and study actual conditions, and never be bureaucratic, formalistic or coercive. 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 be able to draw upon this inexhaustible source of strength.

The fight against corruption is a severe political struggle vital to the very existence of the Party and the state. Our Party can never be subjugated or vanquished by any enemy. The easiest way to capture a fortress is from within, and we must not destroy ourselves. If we cannot punish corruption effectively, our Party will lose the people's confidence and support. We need to fight corruption and continuously warn against it throughout the course of reform and opening up. We need to be mentally prepared to fight a protracted war against corruption, winning battles one by one. We need to continue to ensure leading cadres are upright, honest and self-disciplined. We need to investigate and deal with major cases of corruption and rectify unsound practices in departments and sectors where they exist. Party committees at all levels must make a clear-cut stand and firmly persevere in this work. We need to address both the symptoms and root causes. In this work, education is the foundation, the legal system is the guarantee, and oversight is the key. In deepening reform, we need to continue efforts to eradicate the breeding grounds of corruption. We will resolutely stop corruption, with Party committees exercising unified leadership, Party and government bodies working hand in hand, discipline inspection commissions organizing and coordinating the work, all departments assuming their respective responsibilities and the masses participating and lending their support. Leading cadres, especially high-ranking ones, should be models of observing discipline and law, readily accept oversight, resist the encroachment of decadent ideas, set an example by working hard, perform their official duties honestly, and lead the people in resolutely fighting corruption. We need to combine the fight against corruption with efforts to purify

Party organizations, and never allow corruptionists in the Party a hiding place.

Running the Party strictly is a guarantee for maintaining the Party's advanced nature and purity and strengthening its cohesiveness and capabilities. At present, we are directing our efforts toward implementing our ultimate platform of finally realizing communism. Those who forget this lofty goal are unqualified as Party members, as are those who do not strive to achieve the Party's platform for the primary stage of socialism. Under the new historical conditions, Party members must be able to meet the requirements of the times and maintain their advanced nature. They should cherish noble communist ideals, take the lead in implementing Party and state policies for the present stage, boldly break new ground, and seize the initiative to make progress regardless of difficulties or setbacks. They should work sincerely in the interests of the people, be the first to endure hardships and the last to enjoy comforts, devote themselves wholeheartedly to public duties and make greater contributions to our cause. They should study Marxism assiduously, become better able to differentiate right from wrong, master the professional knowledge and skills necessary for their jobs, and strive to accomplish first-class results. At critical moments, they should step forward to safeguard the interests of the state and the people, and resolutely combat any acts that harm the people, society or the state. Party committees at all levels should adhere to the principle that the Party polices itself, carry out the principle of running the Party strictly in all aspects of Party building, and firmly rectify lax discipline and weakness within the Party. We should therefore act in rigid accordance with the Party's Constitution and in line with its rules and regulations. We must be strict with Party members, particularly leading cadres, and exercise strict supervision and oversight of them. In intra-Party life we need to stress Party spirit and principles, wage an active ideological struggle, promote healthy trends and oppose unhealthy ones. We need to admit new members in strict accordance with the requirements prescribed in the Party's Constitution and ensure that unqualified members receive due treatment. We must strictly enforce Party discipline, and ensure everyone is held to the same standards of discipline. If our Party upholds strict discipline and is full of vigor and vitality, it will surely advance from victory to victory.

Comrades,

The five years between this congress and the Party's Sixteenth National



Congress will be a period in which we will meet new challenges and achieve new victories, a period in which we will demonstrate with new achievements that our Party is capable of carrying out Comrade Deng Xiaoping's bequest, living up to the people's expectations and opening a new chapter in our cause, and a period in which we will comprehensively implement the Ninth Five-Year Plan and lay the foundation for achieving the long-range objectives through the year 2010. Now we can say with complete certainty that we can achieve on schedule the objective of a moderately prosperous life for our people by the end of this century set by our Party in the early days of reform and opening up. Raising people's standard of living to the level of moderate prosperity in a vast country like China with more than one billion people is of remarkable significance. This will lay a new foundation for the long-term stability of the country and create a new starting point for vigorously carrying out socialist modernization.

The spirit 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 paved a bright road, but the road ahead is not altogether smooth. We will encounter difficulties and risks, foreseen and unforeseen, from within China and from without, in our economic life and in our social and political life. No difficulties and risks can shake our faith in Deng Xiaoping Theory; they can only encourage us to more consciously apply his theory to overcome problems on our victorious advance. Upholding Deng Xiaoping Theory and continuing to enrich and creatively develop it in practice is the solemn historic responsibility of the collective leadership of the Central Committee and the entire Party membership.

The task of this congress is to mobilize the whole Party and the people of all our ethnic groups to unite and work diligently for comprehensive progress in the great cause of building socialism with Chinese characteristics. Unity is in our overall interest, and it is our strength. Our Party should first of all be united, and Party organizations at all levels should strengthen their unity. At the same time, we need to maintain close cooperation between the Party and the democratic parties and our friends in all walks of life, cement close ties between our Party and the masses, and consolidate and develop great unity among the people. This unity is based on our common interest in the comprehensive rejuvenation of the Chinese nation and on our common ideal of building socialism with Chinese characteristics. If the entire Party membership and the people of all our ethnic groups na-



tionwide continue to maintain and strengthen this unity, our cause will be ever-victorious.

Let us hold high the great banner of Deng Xiaoping Theory, closely rally around the Central Committee, and strive unyieldingly with one heart and one mind to comprehensively advance the great cause of building socialism with Chinese characteristics into the 21st century.

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<sup>1</sup> Sun Yat-sen officially coined the slogan “Regenerate China” in the Charter of the Revive China Society when he founded the society in Honolulu in the United States in 1894. “Charter of the Revive China Society,” *Selected Works of Sun Yat-sen*, Chin. ed., People’s Publishing House, Beijing, 1981, p. 14.

<sup>2</sup> “Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai,” *Selected Works of Deng Xiaoping*, Eng. ed., Foreign Languages Press (FLP), Beijing, 1994, Vol. III, p. 365.

<sup>3</sup> A reference to the statement that “we shall resolutely uphold whatever policy decisions Chairman Mao made and unswervingly follow whatever instructions he gave.” This statement first appeared in an editorial titled “Study the Documents Carefully and Grasp the Key Link,” which was published in the *People’s Daily*, the journal *Hongqi* and the *Liberation Army Daily* on February 7, 1977.

<sup>4</sup> “Reform Our Study,” *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1967, Vol. III, p. 24.

<sup>5</sup> “Two Features of the Thirteenth National Congress of the Communist Party of China,” *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 253.

<sup>6</sup> “Continue to Promote the Reunification of the Motherland,” *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 409-12.

## SPEECH AT THE WHITE HOUSE WELCOMING CEREMONY

*October 29, 1997*

Mr. President, Mrs. Clinton, Ladies and Gentlemen,

Please permit me to thank you, President Clinton, for your kind invitation. It is with great pleasure that I have come to the United States for a state visit. I wish to take this opportunity to convey to the great American people the cordial greetings and best wishes of 1.2 billion Chinese people.

Eighteen years ago, Mr. Deng Xiaoping solemnly announced here the inception of a new era in Sino-US relations. Today, the Chinese people have sent me on this mission to the United States to enhance mutual understanding, broaden consensus, develop cooperation, build a future together and promote a new stage of development for Sino-US relations.

The 21st century is approaching, and people around the world are anticipating that the new century will be a century full of hope and our planet will become a home of peace, tranquility and prosperity.

Both China and the United States are countries with important influence in the world. Amid the new global environment, our common interests are not decreasing, but increasing; and the potential for cooperation is growing, not diminishing. Our two countries share broad, common interests and shoulder a common responsibility for major issues concerning human survival and development. People of vision around the world are closely following the course of development in Sino-US relations.

We should view and handle bilateral relations from a historical vantage point and with a strategic vision. Over the past quarter century, our three joint communiqués<sup>1</sup> have facilitated the expansion of exchanges and cooperation in various fields and the appropriate resolution of differences between our two countries. I believe that as long as we continue to abide by the principles established in the three joint communiqués, Sino-US relations will enjoy sound and steady progress.

I hope that the development of Sino-US relations will positively serve to promote mutual respect, peaceful coexistence and common development among countries around the world with different histories, cultures, social systems and development levels.

Let us, Chinese and Americans, join hands and, together with people

around the world, make joint efforts to initiate a new century of peace, stability and prosperity.

Allow me, Mr. President, to thank you once again for your warm welcome.

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<sup>1</sup> The three joint communiqués are: the Joint Communiqué on the normalization of Sino-US relations issued by China and the United States in Shanghai on February 28, 1972, during President Richard Nixon's visit to China; the Joint Communiqué of the People's Republic of China and the United States of America on the Establishment of Diplomatic Relations issued by the Chinese and American governments on December 16, 1978; and the Joint Communiqué of the People's Republic of China and the United States of America issued by the Chinese and American governments on August 17, 1982, concerning gradually reducing American arms sales to Taiwan and finally thoroughly settling the issue over a period of time. These communiqués are referred to as the China-US Shanghai Communiqué, the China-US Communiqué on the Establishment of Diplomatic Relations, and the China-US August 17th Communiqué respectively. They explicitly state and reaffirm the basic principles: "The Government of the People's Republic of China is the sole legal Government of China," "There is but one China and Taiwan is part of China," and "Respect for each other's sovereignty and territorial integrity and noninterference in each other's internal affairs." These communiqués provided the political basis for developing Sino-US relations.

# FULLY GUARANTEE THE PEOPLE ENJOY HUMAN RIGHTS IN ACCORDANCE WITH THE LAW\*

*October 1997-October 1999*

## I

Respect for human dignity and value is a traditional virtue of the Chinese nation. Ancient Chinese sages declared, “Nothing is more valuable in the universe than human beings,”<sup>1</sup> and “There is no greater goodwill than loving your fellows,”<sup>2</sup> and these ideas have had a deep-rooted influence on Chinese society. Today, the people of China enjoy greater human rights than ever before. China is a developing country with more than 1.2 billion people, which means the rights to survive and develop are the most fundamental and most important human rights in China. If people lack the basic necessities, all other rights are difficult to achieve. During the past 20 years the number of people living below the poverty line in China decreased by nearly 200 million, thereby creating the requisite material conditions for people to enjoy human rights more fully.

Human rights are of universal significance. With so many countries in the world, the realization of human rights must rely on the efforts of individual countries; therefore, human rights are fundamentally issues within the scope of national sovereignty. Human rights are a product of history, and their full realization requires an evolutionary process in step with a country’s economic and cultural levels. Collective and individual human rights are inseparable, as are economic, social and cultural rights from civil and political rights. The Chinese government protects human rights in accordance with the law, opposes all violations of the lawful rights of Chinese citizens, and works tirelessly to this end. China has already acceded to 17 international covenants on human rights and recently signed the International Covenant on Economic, Social and Cultural Rights (ICESCR). Divergent views held by different countries on human rights issues ought to be addressed through dialogue rather than confrontation. China is will-

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\* Excerpts on human rights from four articles.

ing to intensify exchanges and cooperation with other countries to jointly promote human rights throughout the world.

The Chinese government has always protected the rights and interests of every ethnic group in accordance with the Constitution. Ethnic minority areas exercise regional autonomy, all ethnic groups are free to use and develop their own spoken and written languages as well as to maintain and reform their own folkways and customs, and Chinese citizens enjoy freedom of religious belief. In China, inter-ethnic relations based on equality, unity and mutual assistance have been continually reinforced, and the process of development and prosperity for all ethnic groups is accelerating.

Here, I would like to emphasize that the establishment and development of the socialist system in China has enabled some of its ethnic minorities to skip stages of social development. For example, before democratic reform in 1959, Tibet was a theocracy under a system of feudal-serfdom with undertones of slavery. The serfs were bond-servants to their masters and simply did not have any human rights. The democratic reform we implemented emancipated and liberated one million serfs by peaceful means. This, like the liberation of black slaves in American history, was a great social change and social progress. Historical advances like these cannot be reversed. Thanks to the support of the central government and the rest of the country, people in Tibet are living in peace and working in happiness, and the region is developing steadily.

(Excerpt from a speech at a luncheon hosted by the America-China Society and five other organizations on October 30, 1997, during Jiang Zemin's visit to the United States.)

## II

The Universal Declaration of Human Rights, adopted 50 years ago, is the first UN document that specifically addresses human rights issues. It plays a positive role in guiding the development of international human rights theory and practice, and in promoting the advancement of the human rights cause around the world. The document's historical contribution lies in its appeal to people throughout the world to pursue the ideal of human rights. After World War II, the people of the world fought imperialism, colonialism and racism more vigorously than ever before. Hundreds



of former colonies and dependencies gained independence, and more than one billion people achieved national liberation, thereby opening up a vast range of prospects for the realization of human rights and fundamental freedoms. The independence and liberation of the Chinese nation, with a quarter of the world's population, was the most globally significant achievement during this trend of historical progress.

Since the founding of the People's Republic of China, and especially since the introduction of the reform and opening up policy, the Chinese government and people have combined the universal principles of human rights with China's actual conditions, made tremendous efforts to promote and protect human rights, and thereby achieved successes that have attracted worldwide attention. China has acceded to 17 international covenants on human rights, including the ICESCR signed in 1997, and the International Covenant on Civil and Political Rights signed in 1998. We will continue to strengthen socialist democracy and the socialist legal system, follow the rule of law, build a socialist country under the rule of law, further advance the human rights cause in China, and fully guarantee the people's lawful enjoyment of human rights and rights to democracy and freedom.

(Excerpt from a congratulatory letter to a meeting held by the China Society for Human Rights Studies on December 10, 1998, to mark the 50th anniversary of the adoption of the Universal Declaration of Human Rights.)

### III

As long as there are different world countries and the people on this planet live in different countries, the human rights issue will remain the internal affairs of individual countries. No matter whether a country is large or small, weak or strong, the human rights cause in any country should be dealt with by the government of that country by relying on its own people. This is a basic principle. No other country or international organization has the right to interfere, except in the event of the subject country soliciting assistance from the United Nations. Every country has the obligation to promote and safeguard the human rights and fundamental freedoms of its people on the basis of the UN Charter's purposes and

principles and in accordance with international human rights documents and its own national conditions and relevant laws. The Chinese government and people deplore manipulation of humanitarian crises as pretexts for wantonly interfering in the internal affairs of a country, and we strongly oppose resorting to armed force in so-called “humanitarian interventions” without authorization by the UN Security Council. To resolve the problems presently facing the international community, including regional conflicts, we must continue to abide by the purposes and principles of the UN Charter and other universally recognized norms governing international relations, respect each other’s sovereignty and territorial integrity, refrain from interfering in other countries’ internal affairs, and resolve international conflicts peacefully. These principles are most decidedly not outdated. In the present situation, they should not be undermined; rather, they should be adhered to more firmly.

(Excerpt from a written response to a question posed by Alain Peyrefitte, Chairman of the Editorial Board of the French newspaper *Le Figaro*, during an interview on October 18, 1999, on the eve of Jiang Zemin’s visit to France.)

#### IV

The Chinese nation has always respected human dignity and value. In ancient times, one of our ancestors proposed, “People are the most important element in a nation,”<sup>3</sup> and another declared, “Man is the most valuable among all the things that heaven fosters.”<sup>4</sup> The development and progress of all societies are dependent on human development and progress, on how well human dignity is safeguarded and how much human values are given expression. The CPC has led the Chinese people in carrying out revolution, construction and reform precisely for the purpose of ensuring that all Chinese people enjoy broad freedoms, democracy and human rights. The immense vitality displayed by China today is a vivid portrayal of the broad freedom and democracy enjoyed by the Chinese people. China’s population reached approximately 60 million in the 1st century. For several thousand years, providing the people with food, clothing, housing and transportation has been the primary human rights challenge for successive Chinese governments. Today’s China is a large developing country with

over 1.2 billion people, and ensuring that the overwhelming majority of its people enjoy the rights to survive and develop must continue to be our top priority; otherwise it is pointless to speak of other rights. China significantly contributes to the advancement of the global human rights cause by guaranteeing that its people enjoy the right to survive and develop. We intimately integrate collective human rights with individual human rights, and economic, social and cultural rights with civil and political rights to achieve balanced development. This strategy is suited to China's national conditions and therefore represents the inevitable development path of its human rights cause. China is concentrating its resources on economic development, promoting all-around social progress, and steadfastly developing socialist democracy while building a socialist country under the rule of law. All this aims to promote the Chinese people's human rights cause. China actively participates in international activities in the human rights field and carries out fruitful dialogue and cooperation with the international community on human rights issues on the basis of equality and mutual respect, and thereby positively contributes to promoting progress in the global human rights cause.

(Excerpt from a speech delivered at Cambridge University on October 22, 1999, during Jiang Zemin's visit to the United Kingdom.)

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<sup>1</sup> *Sun Bin: The Art of Warfare*, "The Moon and Warfare."

<sup>2</sup> *Elder Dai's Book of Rites*, "Royal Speeches." The original passage reads, "There is no greater goodwill than loving your fellows, no greater knowledge than recognizing virtue and talent in others, and no better practice of government than appointing the virtuous and talented to positions of authority. If the ruler of a state masters these three principles, then people everywhere will bow in obeisance and await the ruler's command. Then he can take action."

<sup>3</sup> *Mencius*, Book XIV, "Jin Xin," Part II. The original passage reads, "People are the most important element in a nation; the spirits of the land and grain are the next; and the sovereign is the lightest."

<sup>4</sup> *Liezi*, "Tianrui." This chapter records a conversation Confucius had with Rong Qiqi, who was playing the zither and singing at the time: "Confucius asked, 'Why are you so happy?' Rong replied, 'There are many reasons for my being happy. Man is the most valuable among all the things that heaven fosters. And I am a man. This is one of the reasons for my being happy.'"

## ENHANCE MUTUAL UNDERSTANDING AND STRENGTHEN FRIENDLY COOPERATION\*

*November 1, 1997*

I wish to thank President Neil L. Rudenstine for inviting me to this venerable yet modern American university on this golden autumn day.

Since its founding 360 years ago, Harvard has nurtured a great number of outstanding statesmen, scientists, writers and entrepreneurs, including six American presidents and over 30 Nobel Laureates. Harvard's founding before the United States of America itself attests to its place in American history.

Harvard was among the first American universities to accept Chinese students. The Chinese educational, scientific and cultural communities have always conducted academic exchanges with Harvard. Harvard has thus contributed to enhancing mutual understanding between the Chinese and American peoples.

Mutual understanding is a prerequisite for developing state-to-state relations. Without it, it would be impossible for countries to increase trust and strengthen cooperation. Since the establishment of diplomatic ties between China and the United States, exchanges and mutual understanding between our two peoples have gradually broadened and deepened, but this is not enough. To promote the development of Sino-US relations, China and the United States must develop an even better understanding of each other.

There are many perspectives from which to understand China. Contemporary China is a development of historical China. Ours is a country with more than 5,000 years of civilization, and understanding and learning about China from its history and culture is an important perspective.

I recall when I was in senior secondary school, my teacher was lecturing on calculus. During our first class, he quoted a passage from *Zhuangzi*, "Take a stick one foot long, if you cut away half every day, there will still be something left of it after 10,000 generations."\*\* This graphically enabled me to formulate a conception of limits. It shows that our ancient Chinese ancestors already recognized development and change in things are bound-

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\* Speech at Harvard University during a visit to the United States.



less and their understanding of nature had already reached a considerable level. Chinese people began astronomical observations and geographical investigations before 2,500 BC, and gradually formed a cosmology based on an integration of the universe and humanity. In the course of China's history, our many outstanding philosophers, thinkers, statesmen, strategists, scientists, writers and artists have left us with a tremendous amount of ancient texts. The "hundred schools of thought" and the Taoist and Confucian schools of thought that appeared during the Spring and Autumn Period [770-476 BC] and the Warring States Period [475-221 BC] occupy an important position in world intellectual history. Ancient China made unique contributions in many areas, including astronomy, calendric systems, earth science, mathematics, agriculture, medicine and the humanities. Records of solar and lunar eclipses are found in the oracle bone inscriptions of the Shang Dynasty [17th-11th century BC]. For more than 2,100 years, from the Qin Dynasty to the late Qing Dynasty [221 BC-1911 AD], Chinese astronomers recorded all 27 appearances of Hailey's Comet. During the Eastern Han Dynasty, Zhang Heng [78-139] invented a seismograph to determine the location of earthquakes and a celestial globe that showed the movement of the sun, moon and other celestial bodies. Over 2,200 years ago, pre-Qin mathematicians discovered the Pythagorean Theorem. During the Northern and Southern Dynasties, Zu Chongzhi [429-500] calculated  $\pi$  as 3.1415926. In ancient times, China's silk-weaving, porcelain-making, metallurgy, and shipbuilding reflected the pinnacle of global technology. In the Ming Dynasty, Zhu Zaiyu [1536-1610] initiated the twelve-tone musical scale, which later became the universal standard. Chinese medicine is also unique unto itself. China's four great inventions — papermaking, gunpowder, printing and the compass — were particularly important in changing the face of the world in their time. China had been a world leader in science and technology for 1,000 years, up until the 15th century. These Chinese inventions and creations embody the rationalistic brilliance of the coordination between humanity and nature, and the integration of scientific spirit with moral ideals.

China's history and culture have always been in the midst of development and progress. They have developed through numerous disciplines and schools of thought stimulating and permeating each other, and they have progressed by China and other countries of the world exchanging ideas and learning from each other. Since ancient times, the Chinese people have understood the importance of drawing widely upon others'

strengths for one's own good. The Han and Tang dynasties were both ages of economic prosperity and flourishing international exchanges. Zhang Qian's<sup>2</sup> missions to the Western Regions opened up the world-famous Silk Road. Xuanzang<sup>3</sup> undertook a long journey to South Asian countries and brought back their ancient cultural treasures. In the Ming Dynasty, Zheng He<sup>4</sup> led a fleet on seven voyages to the western oceans, disseminating Chinese culture to distant lands. However, thereafter, especially in the late Qing Dynasty, feudal rulers adopted a policy of seclusion which hampered China's progress and its exchanges with the outside world. Since the Opium Wars, generation after generation of enlightened Chinese people have sought to rejuvenate the nation by assiduously studying the advanced scientific ideas and cultural achievements of Western countries, and combining them with China's realities to press ahead with social change and development. Today, the Chinese people, who are struggling to achieve modernization, have set opening to the outside world as a basic state policy and are carrying out extensive exchanges and cooperation with almost every country in the world, thereby initiating a new phase of opening up in the annals of Chinese history.

Just as sunlight is composed of seven colors, so too is our world full of color and splendor. Every country and every nation has its own historical and cultural traditions as well as strengths and advantages. We should respect and learn from each other and draw upon each other's strengths to offset our respective deficiencies and achieve progress together.

Over its long course of development, China has formed fine historical and cultural traditions. These traditions have been sublated or developed as times have changed and society has progressed, and today they exert a profound impact on the current values and way of life of the Chinese people as well as on China's development path. Here, I would like to make the following observations which I hope will give you a better understanding of China.

First is the tradition of solidarity and unity. The Chinese nation is a large family comprising of 56 ethnic groups. Since time immemorial, people of all these ethnic groups have established close-knit political, economic and cultural links and jointly developed our motherland. China became a large unified country more than 2,000 years ago. Its longstanding culture became an enduring bond maintaining ethnic harmony and national unity. Solidarity and unity are deeply engraved in the national consciousness of the Chinese people. Despite instances of temporary disunity cropping up

historically, ethnic solidarity and national unity have always been the historical mainstream of the Chinese nation and an important guarantee for China's development and progress. The founding of New China marked an unprecedented degree of unity for the Chinese nation, and a new type of relationship based on equality, solidarity and mutual assistance between different ethnic groups has developed. People of all our ethnic groups enjoy full rights and freedoms according to law. Ethnic minority areas exercise regional autonomy and have experienced continuous economic and social development. All this has laid a solid political foundation for consolidating national unity.

Second is the tradition of independence. Our ancestors have always regarded the spirit of independence as the foundation of the nation. China is one of the cradles of human civilization, and has maintained its cultural traditions over a period of several thousand years without interruption. Though modern China suffered repeated humiliations at the hands of imperialist powers and its national power waned, a century-long struggle by the entire nation has enabled China to stand up again as a giant. This fully attests to the indestructible strength of the Chinese people's national spirit of independence. Today, in searching for a suitable development path, we are proceeding from our own national conditions to address economic, political and cultural development issues, rather than copying the model of another country. In handling international affairs, we adopt independent positions and policies. The Chinese people cherish their friendship and cooperation with other peoples, but also cherish their right to independence won through protracted struggle.

Third is the peace-loving tradition. Chinese thinkers of the pre-Qin era propounded the tenet that "Benevolence and good-neighborliness are a country's treasures."<sup>5</sup> This reflects the aspiration the Chinese people have harbored since remote antiquity for a peaceful world and amicable relations with other peoples. Today, the Chinese people are committed to modernization and need a long-term peaceful international environment and a good surrounding environment. China's foreign policy is peace-oriented. We will establish and develop friendly relations and cooperation with all countries in the world on the basis of the Five Principles of Peaceful Coexistence, especially the principles of mutual respect, equality, mutual benefit, and noninterference in each other's internal affairs. We will never inflict upon others the suffering we once experienced as a result of bullying and humiliation. Our development and progress do not pose a threat

to anyone. We will never seek hegemony, even if we acquire the levels of prosperity and power in the future that could otherwise make it possible. China will always remain a staunch force safeguarding world peace and regional stability.

Fourth is the tradition of constantly strengthening oneself. Based on their observation of the changing nature of the universe and all earthly things, ancient Chinese philosophers put forward the idea that “The movement of heaven is full of power; thus the superior man constantly strengthens himself.”<sup>6</sup> This idea has become an important source of inspiration spurring the Chinese to work hard for change and innovation. The development of China’s ancient civilization was the result of the Chinese people struggling tenaciously and constantly strengthening themselves. Over the past century, the Chinese people engaged in a difficult and valiant struggle to extricate themselves from the hardships of semi-colonial and semi-feudal rule. Sun Yat-sen, the pioneer of China’s democratic revolution, was the first to use the slogan, “Rejuvenate China.”<sup>7</sup> He led the Revolution of 1911, which overthrew the millennia-old autocratic monarchy in China. Under the guidance of Mao Zedong Thought, the CPC led the Chinese people in achieving national independence and the people’s liberation and in building China into a socialist country with initial prosperity. Today, guided by Deng Xiaoping Theory, the Chinese people are firmly pressing ahead with reform and opening up, and have made achievements in their modernization drive that have captured the world’s attention. China is now in a period of its fastest and soundest development in a century.

Reform and opening up are a contemporary concentrated embodiment and a creative development of the Chinese nation’s spirit of constantly strengthening oneself and of reform and innovation. We call our reform and opening up socialist because they involve the self-improvement and self-development of China’s socialist system. Our experience over the past 20 years abundantly attests to the fact that, in carrying out reform and opening up, we are heading in the right direction, our conviction is firm, our steps are steady, our progress is gradual and our success is tremendous. Although we have encountered many difficulties and dangers along the way, we have overcome them smoothly. Not only have we avoided causing great social unrest, but we have also emancipated and developed the productive forces to a great extent, and preserved social stability and all-around social progress.



We are comprehensively carrying out reforms with full confidence. Economically, we will speed up the establishment of a socialist market economy, and achieve industrialization, economic socialization, marketization and modernization. Politically, we will endeavor to develop socialist democratic politics, follow the rule of law, build a socialist country under the rule of law, and ensure that the people fully exercise their rights to manage state and social affairs. Culturally, we will actively develop a national, scientific, socialist culture for the people — a culture that is geared to the needs of modernization, of the world and of the future. We will implement a strategy of reinvigorating China through science and education, and continuously improve the nation's ideological and moral standards, and scientific and cultural levels. In short, we will build China into a prosperous, strong, democratic and culturally advanced, modern country.

China is a country with a vast territory, a large population and a long history, and its contributions to humanity should be significant. The Chinese people have waged intrepid struggles for 100 years. They have implemented a series of great reforms to make their country strong and prosperous. They have worked to strengthen ethnic solidarity, achieve national reunification and promote the lofty causes of world peace and development. In the final analysis, they have done all this for one purpose: to achieve the great rejuvenation of the Chinese nation and make more and even greater contributions to humanity.

In brief, the social system and development path that China has chosen, the domestic and foreign policies that it has pursued, and the objectives it has identified for the next century are all based on both present realities and historical sources. They therefore conform to the course of the historical development of the human race and the trend of the times, and also reflect the characteristics of the Chinese nation. They not only serve the fundamental interests of the Chinese people, but are also conducive to world peace, stability, prosperity and progress. This is the key to understanding the present and future China.

Friendly exchanges between the Chinese and American peoples date back more than 200 years. In 1784, the American merchant ship *Empress of China* made the long voyage to China. In 1847, Rong Hong and others came to the United States as the first group of Chinese students to study here. Many Chinese participated in building the United States, while many Americans sympathized and helped with the national liberation cause in China. Their moving contributions are forever recorded in our hearts.

The Chinese have always admired the Americans for their practicality and creativity. My visit to IBM, AT&T and Bell Labs yesterday gave me some knowledge of the latest achievements in contemporary science and technology. Science and technology are progressing rapidly, and such progress has increasingly profound impacts on global political and economic patterns as well as people's social lives. If we persevere in reform and innovation, we will be able to turn our ideals into reality. In our course of further opening up and achieving modernization, we emphasize learning from and absorbing all the fine cultural achievements of the American people.

Friendly cooperation between the peoples of the United States and China has a significant impact on the world. The United States is the most developed capitalist country, and China is the largest developing country. China is a country with more than 1.2 billion people. Its continued stability and rapid development are of vital importance to promoting the stability and development of the Asia-Pacific region and the world at large. China is a huge market and has a great demand for development, and the United States holds advanced science and technology as well as enormous material power. The economies of the two countries are therefore eminently complementary. The combination of China's potential market with foreign advanced technology and superior capital reserves will present numerous development opportunities and inspire vigorous development. China and the United States share broad common interests and shoulder common responsibilities on many important questions crucial to human survival and development, such as maintaining world peace and security, preventing the proliferation of weapons of mass destruction, protecting the environment for human survival and combating international crime. All this provides an important basis for further developing friendship and cooperation between our two countries. We must bear the overall interests of Sino-US relations firmly in mind and settle our differences so we can continue moving toward our goals of promoting mutual understanding, expanding consensus, developing cooperation and building a future together.

During my current visit to the United States, President Clinton and I had an in-depth exchange of views and reached a broad consensus on the future development of Sino-US relations. We both agreed that in order to promote the lofty cause of world peace and development, China and the United States should strengthen cooperation and work to build a constructive strategic partnership oriented toward the 21st century. This marks a

new stage in the development of Sino-US relations.

Harvard University has always regarded Chinese studies as important. The late Professor John Fairbank was a well-known Harvard scholar who devoted his entire life to the study of Chinese history and culture. In order to promote the study of China's past and present, I would like to present Harvard with a set of newly published *Twenty-Four Histories with Mao Zedong's Commentaries*. The *Twenty-Four Histories* is an important collection of classical works on Chinese history spanning several thousand years. Throughout his life, Mr. Mao Zedong made numerous comments and annotations to this collection, thereby bequeathing us a rich intellectual heritage for understanding Chinese history and from which to draw useful lessons.

I am pleased to learn that President Rudenstine will visit China next year. I look forward to meeting you again in Beijing.

I greatly appreciate the motto inscribed on one of the gates to Harvard. It reads, "Enter to grow in wisdom. Depart to serve better thy country and thy kind." Young people in China also have a motto, "Keep your motherland in your heart and serve your people." I hope that in the cause of building our own countries and promoting world peace and development, the youth of China and the United States will come to understand each other better, learn from each other, enhance their friendship and strive to create a better future.

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<sup>1</sup> Zhuangzi, "The World."

<sup>2</sup> Zhang Qian (?-114 BC), a native of Chenggu, Hanzhong (now eastern Chenggu County, Shaanxi Province), was a high official in the Western Han Dynasty who held positions such as Director of the Messenger Office. In order to forge an alliance with the ethnic groups in the Western Regions (the area west of Yumen and Yangguan passes) to resist the Xiongnu, Zhang twice traveled to the Western Regions at his emperor's command, first in 139 BC (138 BC according to some) and again in 119 BC, reaching as far as Central Asia. He strengthened the relations between the Central Plains and the Western Regions, and spurred the opening up of the Silk Road.

<sup>3</sup> Xuanzang (600/2-664 CE), also known as Tripitaka Master and the Tang Monk, was born in the Sui Dynasty in Goushi, Luozhou (now Goushi, Yanshi, Henan Province). He was a leading monk in the Tang Dynasty, a translator of Buddhist scriptures, and a founder of the Weishi Sect. He became a monk at the age of 13 and sought guidance from a number of learned masters. He was confused by the disparities in their teaching and resolved to journey to the west to bring back the original scriptures. In 629 (627 according to some), he traveled to India to study Buddhist scriptures, and returned to Chang'an (now Xi'an) in 645. He translated 75 volumes of Buddhist scriptures, a total of 1,335 fascicles, and also wrote *Great Tang Records of the Western Regions*, a book recounting his travels.

<sup>4</sup> Zheng He (1371-1433), a native of Kunyang (now Jinning), Yunnan Province, was a navigator during the Ming Dynasty. He entered palace service in the early years of the dynasty and later became Grand Eunuch. Between 1405 and 1433, he led large fleets on seven expeditions as an envoy to Asian and African countries. He visited more than 30 countries and regions in Southeast Asia and along the

coasts of the Indian Ocean and the Red Sea (waters then known as the western oceans), venturing as far as the east coast of Africa and Islam's holy city of Mecca. Zheng's exploits were recorded in Chinese history as Zheng He's explorations of the western oceans. His long voyages promoted economic and cultural exchanges between China and Asian and African countries.

<sup>5</sup> *Zuo Zhuan*, "The Sixth Year of the Reign of Duke Yin."

<sup>6</sup> *The Book of Changes*, Hexagram 1, "The Creative."

<sup>7</sup> "Hold High the Great Banner of Deng Xiaoping Theory and Comprehensively Advance the Cause of Building Socialism with Chinese Characteristics into the 21st Century," note 1, p. 50, this volume.



## MAKE THE THREE GORGES PROJECT A WORLD-CLASS PROJECT\*

*November 8, 1997*

Today, the Yangtze River has been successfully dammed for the world-renowned Three Gorges Key Water Control Project. This is a major event in our country's modernization and a magnificent feat in the history of humankind's attempts to transform and utilize nature. This will indeed provide great encouragement for the people of all our ethnic groups, who are confidently carrying out reform, opening up and modernization.

More than 70 years ago, Dr. Sun Yat-sen, the great pioneer of China's democratic revolution, proposed utilizing the water and hydroelectric resources of the Three Gorges.<sup>1</sup> After the founding of New China, comrades Mao Zedong and Deng Xiaoping, and other proletarian revolutionaries of their generation, devoted considerable effort to developing the Three Gorges Project. Several generations of our country's scientists contributed their hard work and wisdom to this undertaking. Since the inception of reform and opening up, our economy has developed rapidly and our overall national strength has increased greatly, providing ripe conditions for the construction of this historically unprecedented project of the century. The dream of so many generations of Chinese to exploit and utilize the resources of the Three Gorges is becoming a reality today. This again vividly demonstrates that a superiority of the socialist system is its ability to concentrate resources to accomplish large undertakings.

Since ancient times, the Chinese nation has carried out historic activities on a grand scale to surmount, exploit and utilize nature. The legends of Jingwei, the drowned maiden, reincarnated as a bird, filling up the sea with twigs and pebbles; the Foolish Old Man, who removed the mountains; and the story of Yu the Great taming the floods, give voice to the indomitable fighting spirit of the Chinese people of high antiquity to transform and triumph over nature. The Dujiang Weirs, built more than 2,000 years ago in Sichuan, and the Grand Canal, built during the Sui Dynasty, played important roles in our country's economic and social development. The

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\* Speech at the ceremony marking the damming of the Yangtze River for the Three Gorges Project.

water control and hydroelectric project we are building today on the Three Gorges of the Yangtze River, which is the largest such project in the world and will bring the most wide-ranging overall benefits, will play an important role in stimulating China's national economic development. The project will benefit the people of today as well as future generations. It embodies the great spirit of the Chinese nation breaking new ground through hard work and tirelessly improving oneself, and it reveals the great boldness by which the Chinese people are transforming heaven and earth and creating a better future in the course of reform and opening up.

The damming of the river marks the successful completion of Phase I of the Three Gorges Key Water Control Project and the launch of Phase II. All enterprises and agencies participating in the project need to effectively tighten their supervision, ensure project quality, and continue to do a good job tackling research problems and conducting experiments to ensure that the first set of generators begin delivering power in 2003. In the process of building the Three Gorges Project, we must always act in accordance with the laws of the socialist market economy, while working vigorously to foster a spirit of socialist unity and cooperation. We need to adhere to an independent and self-reliance policy while actively developing international exchanges and cooperation. We need to mobilize the enthusiasm of foreign investment enterprises and utilize their advantages in capital and technology; but more importantly, we must give full play to all the advantages and potential of Chinese enterprises, enabling them to contribute more to the project and spurring them to a new level of development.

Effectively relocating people displaced by the Three Gorges Project is the key to the project's progress and success. Relocating a million people is arduous and meticulous work. Party committees and governments at all levels in the Three Gorges reservoir region need to learn from and reap-apply their positive experiences, and do so soundly from beginning to end. We need to adhere to a development-oriented relocation policy, make the most of the development opportunities that the project provides, correctly balance relocation and development, put into effect suitable arrangements for the work and living conditions of displaced persons, and guide them down the road toward prosperity. All departments of the central authorities and provinces and municipalities assigned to provide one-to-one assistance to counterparts where relocation is occurring need to keep up their good work. We can be fully confident that the completion

of the Three Gorges Project will transform this region into one marked by economic prosperity, with a superior environment, and where people live in peace and work in happiness.

During the construction phase of the Three Gorges Project, it is extremely important to preserve the basin's ecological environment. We must make great efforts to afforest the reservoir's two shores, especially along the upper reaches of the Yangtze River, strengthen overall control of the river, and constantly improve the ecological environment in order to avert soil erosion. This is an important precondition for ensuring long-term stability and sustainable development in the reservoir region and in the Yangtze River basin as a whole. This is a great undertaking, from which present efforts will create long-term benefits. We must work hard and unrelentingly year in and year out, and guard against carelessness at all times. In short, we need to take all factors into consideration, take a long-term view, formulate scientific plans, adopt practical measures, and achieve balanced economic, social and ecological development.

The Yangtze River basin is one of the cradles of Chinese civilization, and a rich and splendid cultural heritage remains in the reservoir region. We need to carry out cultural preservation work in this region conscientiously and in accordance with the principles of setting priorities for what should be protected and what sites should be excavated.

Leading cadres at all levels participating in the Three Gorges Project and working in the reservoir region need to cultivate a spirit of selfless devotion and incorruptibility, lead the masses in working hard and breaking new ground with a pioneering spirit, and make the Three Gorges Project a world-class water control and hydroelectric project, while also training a large contingent of outstanding personnel.

Sound construction of the Three Gorges Project is a great historic responsibility and our supreme honor. In accordance with the guiding principles of the Fifteenth National Congress of the CPC, let us hold high the great banner of Deng Xiaoping Theory and work hard together to contribute ever more to advancing the construction of the Three Gorges Project and achieving the great causes of socialist modernization and the rejuvenation of the Chinese nation.

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<sup>1</sup> In his "Plan for National Reconstruction," written between 1917 and 1919, Sun Yat-sen pointed out, "The Yangtze River above Yichang enters the gorges which run about a hundred miles up to the Sichuan depression.... To improve the Upper Yangtze, the rapids should be dammed up to form locks

to enable crafts to ascend the river as well as to generate water power.” (*Selected Works of Sun Yat-sen*, Chin. ed., People’s Publishing House, Beijing, 1981, p. 265.) In one of his lectures in the “The Three People’s Principles” series at Guangzhou National Normal College in 1924, Sun said, “The hydroelectric potential of the Kuixia Gorge on the upper reaches of the Yangtze River is even greater. After making an investigation of the Yichang-Wanxian section of the river, some people have concluded that this section has an electricity generating capacity of over 30 million horsepower, much more than that of any other country.” (*Ibid.*, p. 852.)



## DEEPEN FINANCIAL REFORM AND GUARD AGAINST FINANCIAL RISKS\*

*November 19, 1997*

Finance has a very important position and role in modern economics. Comrade Deng Xiaoping once incisively noted, “Finance is very important because it is the core of the modern economy. Handling financial affairs well is the key to success in this sphere.”<sup>1</sup> Since the introduction of the reform and opening up policy, and thanks to the continual development of China’s socialist market economy, an increasingly wide range of financial activities have permeated every aspect of our social and economic life, our financial system holds enormous economic resources, and finance is playing an increasingly important role in regulating the economy. Improving our financial work and ensuring safe, efficient and stable financial operations are the basic conditions for sustaining rapid and sound economic development. Financial instability certainly will affect economic and social stability and hinder the entire course of reform and development. Therefore, more than ever, we need to pay greater attention to financial work and do a better job of financial reforms and development.

An assessment of the overall situation indicates that if we are to successfully carry out reform and development and maintain stability now and in the immediate future, then we must further deepen financial reform, rectify the financial order and guard against and defuse financial risks. Finance plays an indispensable role in deepening economic restructuring. To further adjust and optimize the ownership structure, find diverse and effective forms of public ownership, accelerate SOE reform, and press ahead with instituting a market economy, we must establish a system that encompasses a variety of financial institutions at different levels, and cultivate and develop financial markets, especially capital markets. Finance also plays an important role in promoting economic development. To strategically adjust and optimize the economic structure, improve overall economic quality and results, and ensure rapid and sound economic development, we must deepen financial reform and make full use of the important role finance plays in

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\* Excerpt from the speech “Unify Our Thinking and Understanding, Genuinely Strengthen Leadership, and Effectively Deepen Financial Reform and Guard Against Financial Risks,” given at a national conference on financial work.

allocating funds, steering capital flows and providing intermediary capital services. It is also necessary to strengthen financial work in order to maintain social stability while carrying out reform and development. Finance affects every household and all aspects of society. If we cannot guarantee the payment of deposits, or there is serious inflation or turmoil in the financial markets, social stability will be affected. For this reason, we must rectify the financial order, improve the financial control system, strengthen financial supervision, and ensure safe, efficient and steady financial operations. Our success in controlling inflation over the past few years has been crucial to our success in carrying out reform and development and maintaining stability. At present, inflation has fallen substantially, but the problem of financial risks is increasingly prominent. Correctly resolving financial problems is the key to success in promoting reform, development and stability. In short, under these new circumstances, only by improving our financial work can we ensure that reform, development and stability unite with and stimulate each other and smoothly achieve all the tasks for reform, opening up and modernization set forth at the Fifteenth National Party Congress.

The plans the central leadership has made to further deepen financial reform, rectify the financial order, and guard against and defuse financial risks are an important policy decision made on the basis of sizing up the situation, foreseeing problems, grasping the overall situation and making the best use of the situation. The national economy is experiencing sustained, rapid and sound development, and the macroeconomic environment is relatively free of restraints. All sectors of society urgently demand that we intensify reform and fundamentally resolve deep-seated conflicts in the economic and financial spheres. All this provides favorable conditions for our work. We must be firmly resolved, rally our confidence, press ahead in the face of difficulties, innovate boldly, take advantage of current favorable opportunities and conditions, work effectively, and strive for timely completion of all the important tasks set forth in the Notice of the CPC Central Committee and State Council on Deepening Financial Reform, Rectifying the Financial Order and Guarding Against Financial Risks.

1. In accordance with the requirements for establishing a socialist market economy, we must accelerate and deepen financial reform and ensure that our banks perform all the functions of genuine banks. At the Fifteenth Congress it was pointed out that we need to keep reform oriented toward creating a socialist market economy and achieve new breakthroughs in a number of key areas. Financial restructuring is an important aspect

of economic restructuring. The main task in financial restructuring is to have banks perform all the functions of genuine banks. Since the onset of reform and opening up, Comrade Deng Xiaoping has clearly pointed out, on a number of occasions, the need for banks to function as such. In 1986, he stressed, "Great advances should be made in the reform of the banking system. Banks should perform all the functions of banks. Yet ours have not been banks in the true sense of the word; they have only issued currency and held reserves."<sup>2</sup> After years of efforts to reform, especially in recent years, the management system and operating mechanisms of China's banks have undergone great changes, the People's Bank of China has begun to execute the functions of a central bank, and our country's specialized banks are gradually becoming commercial banks; however, in general, they are still far from discharging all the functions of banks. In our banking system, the People's Bank of China has the functions of macro control and overseeing banking,<sup>3</sup> while the state-owned banks are the country's main banks and play the dominant role. A modern banking system can genuinely take root in our country only if we deepen reform and have banks perform all the functions of genuine banks.

The reform of the management system of financial institutions, such as banks and securities firms, and the refinement of the Party's leadership arrangement for the financial system are a fundamental reform and institutional innovation of China's financial system. The fundamental starting point and main purpose of this reform are for the People's Bank of China to carry out the functions and responsibilities of a central bank in accordance with the law, fully institute a unified legal-person system in state-owned commercial banks, and accelerate the commercialization process, with the ultimate aim of having them perform all the functions of genuine banks. This kind of reform draws on the management systems of foreign banks and securities firms, considers our country's actual conditions, and accords with the requirements for establishing a socialist market economy. Our Party has always adhered to the important principle of having both central and local authorities exercise initiative. We must also apply this principle in deepening financial reform. Reforming the existing banking and securities management systems and installing a new banking system not only reflect the laws of a market economy and the inherent requirements of financial operations, but they also take full account of the initiative of both central and local authorities. While strengthening the unified, centralized administrative system for our state-owned banks and securities

business, these reforms also emphasize the provision of a wide range of financial services for local economic development and the development of small and medium-sized enterprises. We must improve this system, which encompasses a variety of financial institutions at different levels, and step up the creation of local banks and other financial institutions as well as energetically yet steadily develop the capital market and appropriately expand the avenues and proportions of direct financing. Doing so will not only help preserve the country's centralized macro-control powers and improve the implementation of national financial policies, but will also stimulate sound local economic and financial development.

The core issue in having China's banks perform all the functions of genuine banks is the need to correctly understand and handle the relationships between governments, enterprises and banks. It should be noted that financial risk factors are increasing, largely by administrative intervention and disorder caused by a lack of credibility in society. The Law on the People's Bank of China clearly stipulates that the People's Bank of China and its branches must independently execute their functions and responsibilities in accordance with the law. Local Party committees, governments and departments at all levels must abide by this provision. The most serious problem we face today is that some local governments consider branches of the People's Bank of China in their jurisdictions to be their subordinate agencies. They assign these branches the tasks of raising funds and approving the establishment of financial institutions, and require the heads of the branches to attend meetings and activities irrelevant to the functions and responsibilities of the central bank, thus diverting their energy away from strengthening banking supervision. This situation must change. It must be noted that, in a socialist market economy, commercial banks are independent corporate enterprises that deal in that special commodity: money. Their relationship with the government is a government-business relationship, and it should be handled in accordance with the principle of separating government administration from the management of commercial banks. Local Party committees, governments and departments at all levels must fully respect banks' decision-making powers when it comes to bank operations. The relationship between banks and enterprises is a relationship of credibility. Party and government cadres at all levels and enterprises must understand this basic fact and principle: Banks' capital comes chiefly from people's savings and it must be returned to them with interest. The view that, since banks are



state-owned, loans need not be repaid, is entirely mistaken and absolutely cannot be permitted. We must resolutely rectify the present widespread phenomenon of willful interference in the normal operations of state-owned banks. The law must clearly provide that no enterprise may resort to any pretext to suspend or evade its obligations to repay bank debts. In short, we must deepen reform in order to create new kinds of relationships between governments and banks and between banks and enterprises that comport with the laws of the socialist market economy.

2. We need to effectively strengthen the financial legal system and standardize and safeguard the financial order of the socialist market economy. The rule of law is an objective requirement for developing the socialist market economy as well as an important guarantee for achieving lasting political stability in our country. Managing financial affairs on the basis of law is an important aspect of implementing the rule of law as a basic strategy. Improving financial laws and strictly enforcing financial laws and discipline are fundamental requirements for establishing a sound financial order and ensuring safe, efficient and steady financial operations. Financial order is currently in disarray and financial dangers and risks are growing. The main reasons for this are that the financial legal system is imperfect and the phenomena of laws being ignored, laws not being strictly enforced, and breaches of law not being investigated are widespread; furthermore, the regulatory system and the internal control mechanisms for the financial sector, including securities, are imperfect, management is disorderly, discipline is slack, and some rules and regulations exist in name only. Without a compass and ruler, one can never draw proper circles and squares. Without strengthening the financial rule of law, it will be difficult to create a financial order that meets the needs of the socialist market economy. If we permit or even connive at indiscriminately creating financial institutions, doing financial business or raising funds in pursuit of immediate and narrow interests, then we will be exposing ourselves to financial risks. We must therefore strengthen the financial rule of law and financial supervision, rectify and safeguard the financial order in accordance with law, and conduct all financial operations on the basis of standard procedures and in accordance with the law. We must effectively strengthen law enforcement and severely crack down on financial crimes in accordance with the law. Every locality should promptly try a number of “textbook cases” and adjudicate them publicly to exert a powerful deterrence for financial criminals and strictly enforce financial laws and discipline.

At present, the international financial markets are full of hot money, financial speculation is rampant, and financial crises are occurring repeatedly. We must continue actively yet steadily to further open the financial sector to the outside world, but we must also stay on high alert to guard against external financial risks, and prevent international hot money, financial speculation and fluctuations in interest and exchange rates from impacting our financial markets, including our securities markets.

3. We must effect a fundamental transformation of the economic system and the pattern of economic growth in order to create a favorable economic environment for a virtuous financial circle. The economy determines the financial situation, which in turn is a general reflection of the economy. Over the past 20 years, deep economic reforms and sustained rapid economic growth have greatly stimulated the swift development of our country's financial industry. However, shortcomings in the former planned economy, such as the failure to separate government administration from enterprise management and regional and departmental barriers, have not been thoroughly eliminated. In addition, the phenomenon of blindly launching projects without ensuring that there is enough capital to complete them or considering returns on investment, as well as an irrational economic structure and poor economic performance, continue to plague our economic development. These conflicts and problems seriously hinder the establishment of a virtuous financial circle. Many economic problems have gradually transferred to the financial sector, and they are an important reason for increased financial risk. Only by striving to fundamentally transform the economic system and the pattern of economic growth will we be able to create good economic conditions and a favorable environment to completely solve problems in the financial sector.

To this end, we must continue to implement appropriately tight fiscal and monetary policies and maintain a stable macroeconomic environment. At the same time, we must also accelerate economic restructuring, especially by deepening the reform of enterprises to boost their vitality and efficiency, enact reforms to create an investment system that separates government administration from enterprise management, and actively yet prudently develop the capital market. We need to put more effort into adjusting the economic structure; strictly control the launch of new projects; strictly avoid making every project, whether large or small, all-inclusive; and stop building unjustifiable and redundant projects. We also need to significantly raise the quality and benefits of economic growth and prevent the

emergence of economic bubbles. All of this requires the joint efforts of all regions and departments to do a solid job well in all aspects.

Economic activities need to create good conditions for financial operations, and finance needs to better serve economic development. In the course of deepening financial reform, rectifying the financial order, and preventing and defusing financial risks, banks and other financial institutions need to further improve their conceptions of how they do business and expand the scope and raise the quality of their services. At the same time as the financial industry accelerates internal reforms and institutes intensive management practices, it must also energetically support the development of agriculture and the rural economy, SOE reform and development, local economic development, and the development of economic entities under diverse ownership forms. Likewise, it must promote the adjustment and optimization of the economic structure and stimulate sustained, rapid and sound economic development.

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<sup>1</sup> “Remarks Made During an Inspection Tour of Shanghai,” *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 353.

<sup>2</sup> “On the Reform of Enterprises and of the Banking System,” *ibid.*, p. 193.

<sup>3</sup> Beginning in 1998, some of the financial regulatory functions of the People’s Bank of China gradually shifted to other functional departments. In September 1998, regulation of the securities industry was transferred to the China Securities Regulatory Commission. In November of the same year, the China Insurance Regulatory Commission was created to undertake unified, nationwide regulation of the insurance market. In April 2003, the China Banking Regulatory Commission was created to assume unified regulation of banking financial institutions, financial asset management companies, trust and investment companies and other financial institutions set up with the approval of the banking regulatory authorities of the State Council. At present, on the basis of the functions conferred on it by the Law on the People’s Bank of China, the People’s Bank of China still has regulatory responsibility over nine kinds of institutions and areas of business, such as the interbank lending market, as well as the responsibility to maintain financial stability. It also administers the State Administration of Foreign Exchange, and is responsible for supervising markets and products involving foreign exchange and institutions, enterprises and individuals engaging in foreign exchange transactions.

## APEC'S MISSION IS TO PROMOTE ECONOMIC COOPERATION\*

*November 25, 1997*

Humankind is about to enter the 21st century. As we draw upon our past experiences and face the future, we need to develop a concept and method of cooperation that conform to the trends of our times.

APEC is the most influential economic forum in our region and one of the most dynamic organizations for economic cooperation in the world. Its operational method is essentially unique. It fully respects the diversity of its members and acknowledges the differences in their levels and stages of development as well as the consequent differences in their interests and needs. It emphasizes flexibility, measured progress and openness; adheres to the principles of equality and mutual benefit, negotiated consensus, seeking common ground and reserving differences, independence and voluntary participation; and implements the combination of unilateral and collective actions.

Experience demonstrates ever more clearly that the APEC approach is consistent with the realities of the region; is conducive to striking a relatively good balance between the different rights, interests and needs of APEC members; allows all members to optimize their capabilities; and promotes common development. Implementing this approach provides an important guarantee for strengthening cooperation among APEC members.

APEC's sole mission is to promote economic cooperation, and the scope of discussions should not extend to non-economic fields, such as social, political and security matters. APEC should concentrate wholeheartedly on promoting economic cooperation while upholding the principle of doing some things while setting others aside.

Trade and investment liberalization for any APEC member is relative and conditional, and we must fully consider the differences between APEC members and their actual circumstances, and observe the principles of independence, voluntary participation, reciprocity, mutual benefit and negotiated consensus. When identifying sectors for early liberaliza-

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\* Speech at the 5th APEC Economic Leaders' Meeting in Vancouver, Canada.



tion, we should also uphold the principle that each member has freedom of choice, makes their own decisions and participates voluntarily. In addition, differences between the two timetables<sup>1</sup> should be acknowledged so members can consider both their own interests and those of other members in order to facilitate common development. Members with developed economies should be called upon to use their economic and technological advantages to help members with developing economies on the bases of equality, mutual benefit, and complementarity of advantages, while refraining from jeopardizing their own interests. This is the only way more opportunities for cooperation will be created for both developed and developing members.

Economic and technological cooperation is closely linked to trade and investment liberalization and these two areas should promote each other. The rapid and vigorous development of modern science and technology has become the most decisive factor propelling the development of the productive forces, and it exerts a profound impact on the world's economic and social life. Efforts to strengthen scientific and technological exchanges, and technological cooperation and technology transfers, will not only help members with developing economies increase their economic and technological strength, but will also impart to members with developed economies the stamina to sustain economic development. This will both narrow the development gap between members and greatly facilitate the process of trade and investment liberalization. To this end, I would like to make the following four proposals.

1. APEC members should fully open their markets for trading technology, promote technological cooperation and technology transfers among members, eliminate artificial barriers to trade, and abolish discriminatory policies and practices.

2. APEC should adopt the necessary measures to encourage and speed up the transfer of new and high technologies between all of its members, particularly members with developing economies, to promote the economic and technological progress of members with developing economies.

3. All APEC members should focus on the protection of intellectual property rights and work to rationalize the IPR system. The protection period for technical patents should be appropriate and the transfer conditions should be fair.

4. APEC should formulate an agenda for cooperation in the science and technology industries for the 21st century. The agenda should include

objectives and principles as well as practical measures and steps. It should also combine market orientation with government controls, research and development with the application of results, and all-encompassing progress with specific cooperative projects in order to effectively launch the Asia-Pacific region on the course of economic and technological cooperation.

The recent financial turmoil in Southeast Asia has affected many regions of the world and aroused concern throughout the international community. Nevertheless, there are a lot of positive lessons that we can draw from this and previous financial crises around the world.

Normal and safe operation of the financial system is crucial to overall economic stability and development. To maintain proper financial order and prevent financial risks, we not only need to adopt correct economic development strategies and maintain a rational economic structure, but we also need to improve the financial system, strengthen financial regulations, and according to the actual situation, keep foreign debt well structured and at an appropriate level, and gradually open capital markets and financial services.

Strengthening regional and global financial cooperation, maintaining the proper international financial order, jointly preventing the impact of excessive speculation of international hot money and creating a favorable financial environment will benefit all countries. China has a positive attitude toward strengthening Asian regional financial cooperation and is willing to participate in discussions regarding mechanisms related to cooperation.

Southeast Asia has encountered temporary difficulties in its economic development given the current turmoil in the financial markets. Nevertheless, we are confident that by learning from experience and instituting appropriate adjustments, this region will further demonstrate its vitality for economic development and have a bright future.

Since 1993, China has voluntarily and repeatedly reduced its tariffs, lowering them by 60% in five years. Since October 1 this year, China's average tariff level fell to 17%. The Chinese government has decided to lower its average tariff on manufactured goods to 10% by 2005. In addition, China has decided to accede to the Information Technology Agreement\* and will begin negotiations on relevant issues. We believe that such practical moves on our part will promote the development of economic and technological cooperation as well as trade and investment liberalization in the Asia-Pacific region.

Finally, I warmly welcome you all to Shanghai in 2001 for the convening of the 9th APEC Economic Leaders' Meeting. We will prepare fully for the meeting.

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<sup>1</sup> This reference to two timetables concerns the different time requirements for developed countries and developing countries in APEC to achieve trade and investment liberalization. On November 15, 1994, the 2nd APEC Economic Leaders' Meeting, held in Bogor, Indonesia, passed the APEC Economic Leaders' Declaration of Common Resolve, commonly called the Bogor Declaration, which set targets for achieving trade and investment liberalization in the Asia-Pacific region. Owing to differences in the level of economic development between APEC members, two different timetables were adopted for the specific steps to achieve trade and investment liberalization. APEC members with developed economies must complete liberalization no later than 2010 and members with developing economies, no later than 2020.

<sup>2</sup> The Information Technology Agreement is the Ministerial Declaration on Trade in Information Technology Products concluded by 29 countries and separate customs territories at the First Ministerial Conference of the WTO on December 13, 1996. The purpose of this agreement is to eliminate, through a series of steps, customs duties on information technology products. It took effect on April 1, 1997. In its negotiations for entry to the WTO, China promised to become a participant in this agreement, and it began reducing relevant duties on January 1, 2002. On April 24, 2003, the 35th session of the WTO Committee of Participants on the Expansion of Trade in Information Technology Products unanimously approved China as a participant in the agreement.

## ACHIEVE CROSS-CENTURY STRATEGIC DEVELOPMENT GOALS FOR MODERNIZING NATIONAL DEFENSE AND THE ARMY\*

*December 7, 1997*

The modernization of national defense and the army is an important matter of great interest to the whole Party and the people of the entire country. I often think that in this time of peace and under these new historical circumstances we should be more foresighted and take a strategic perspective in order to make a good plan for modernizing national defense and the army. The Fifteenth National Party Congress made strategic arrangements for essentially executing this modernization in three stages during the first 50 years of the next century.<sup>1</sup> The modernization of national defense and the army is an important component of China's modernization drive, and it must be coordinated with national economic development. It must keep up with developments in the domestic and international situations, but we cannot spend so much on it that it impacts overall national economic development. We need to have a strategic scheme for modernization that is coordinated with our national economic development strategy, comprehensively grasp this modernization process, do all we can within our power, and gradually push forward. The internal structure of the modern army is very complex, and army building is a massive systems engineering project. We must envisage a relatively long time span to reach a decision on it scientifically. The United States, Russia, Japan and other countries have formulated plans for army development up to 2010 and are now working on long-term development plans beyond 2020. They employ large-systems thinking to guide army building in order to gain military superiority in the 21st century. The modernization of our army must also be guided by a long-term master plan. We cannot take a step and see where we are before taking another. Guided by the spirit of the Fifteenth Congress, we need to carefully formulate a strategy for modernizing national defense and the army from now until the middle of the next century that is based on the overall objectives Comrade Deng Xiaoping set forth of creating a powerful, modern, standardized, revolutionary army; meets the general re-

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\* Excerpt from a speech at an enlarged meeting of the Central Military Commission.



quirements of being qualified politically and competent militarily and having a fine work style, strict discipline and adequate logistics support; and takes as its basis the ability to win local wars fought under modern technological conditions, especially high-tech conditions.

I think the cross-century development process for modernizing national defense and the army is basically the same as that of China's modernization drive, and it can generally be divided into three steps.

The first step takes place from now until 2010. In these ten plus years, we should strive to fulfill all the requirements of our military strategy for the new period and lay a firm foundation for the modernization of national defense and the army. The main tasks are to solve the problems of the army's size, organization and staffing, and policies and institutions; reduce the army to an appropriate size; make its organization and staffing more scientific; formulate and develop complete policies and institutions that augment the socialist market economy; adjust and improve the national defense mobilization system and raise the training of military personnel to a new level; and acquire an advanced array of major weapons and equipment in order to form a lean and effective weapons and equipment system suitable for high-tech operations and possess the deterrence and combat capabilities necessary to conduct military operations in the new period.

The second step will take place in the second decade of the 21st century. As our economic strength grows and we correspondingly increase military expenditures, we will raise the quality of the army at an accelerated pace, increase the development of high-tech weapons and equipment appropriately, improve weapons and equipment systems, comprehensively raise troop quality, and further optimize organization and staffing, all to significantly advance the modernization of national defense and the army.

The third step, after another 30 years of hard work, is to fully modernize national defense and the army by the middle of the 21st century.

The key to achieving the objectives for the three steps of the strategic plan for modernizing national defense and the army lies in the first step. In these ten plus years spanning the turn of the century, we must maintain a good pace of development to narrow the gap between ourselves and the world military powers, and gather our strength to be ready for future development. We must work out a sound program for modernizing the army by 2010 on the basis of the Outline Plan for Army Building in the Ninth Five-Year Plan Period. Our program must suit both our own national and military conditions as well as keep up with world military

developments and effectively promote the comprehensive development of our army to make it more revolutionary, modern and standardized. Under this overall plan, we need to have a relatively long-term specific program for carrying out national defense research, developing equipment, training personnel, and strengthening rapid deployment forces as well as our reserve forces. After the program is formulated, it must be conscientiously implemented, and all major initiatives and all aspects of army-building work need to be guided by the program and aligned with the direction and objectives it has defined.

First, we will unwaveringly implement the policy of improving the army's quality and take the path of fewer but better troops with Chinese characteristics. This is a valuable lesson we have learned in our decades of experience in modernizing the army and the only correct choice we can make to achieve modernization. When Comrade Deng Xiaoping headed the Central Military Commission, he led several large-scale efforts to restructure and streamline the army, including a reduction of one million troops in 1985, thus reducing its size by half and again choosing the path of fewer but better troops, with the emphasis on troop quality. As the worldwide military situation has evolved, reducing quantity and raising quality has become the common trend of development for the world's major army forces. China is a big country, and our army has low mobility; therefore, it must be maintained on a certain scale. However, as things stand, it is still too large. The political report of the Fifteenth National Party Congress stated that we will reduce the army's size by another 500,000 troops in the next three years. This is a major initiative taken by the Central Committee and the Central Military Commission for raising troop quality. All units must resolutely complete their restructuring and streamlining tasks in accordance with the Central Military Commission's requirements. While reducing troop size, we also need to give priority to tackling the problems of streamlining the army's organizational structure and reducing the scale of its logistics support. In the past, when we restructured and streamlined the army to abolish some units and reduce troop size, we did not make corresponding reductions in organizations, logistical support facilities or materials stockpiles. This wasted large quantities of human, material and financial resources and seriously limited the funds available for maintaining our combat capability. To solve this problem, we must stiffen our resolve to restructure and streamline the army, to merge and eliminate units and do away with anything not needed for future military struggles.

Though raising troop quality is an important step toward achieving the ultimate goal of raising combat capability, it is even more important to train officers and enlisted personnel to cultivate a high degree of political awareness and military competence, develop modern weapons and equipment, and optimally integrate personnel and weapons through scientific organization and rigorous training. All members of the army, especially high- and mid-ranking leading cadres, must enhance their understanding of the great importance of raising troop quality, set raising troop quality as the basic guiding principle of modernizing the army, accord it even greater prominence, and make it a part of all of their work.

Second, we must pay attention to key areas and focus our efforts on solving critical problems. Ultimately, modernizing national defense and the army is very expensive. The nature, conditions and military strategy of our country all dictate that we must modernize national defense and the army in a uniquely Chinese way. We cannot do everything the way Western developed countries do, nor is there any need to. They can modernize their way, and we will modernize our way. In recent years, the Central Committee and State Council have adhered to the policy of emphasizing both developing the economy and strengthening national defense and have done everything in their power to meet the needs of strengthened national defense. However, state finances are strained, and military spending can only gradually increase as our economic strength grows. Consequently, while modernizing the army, we must identify what is of greatest importance and therefore needs to be done first, and do some things while setting others aside. Comrade Mao Zedong said, "You can't have a policy if you don't have a focus."<sup>2</sup> While developing national defense-related scientific research and military weapons and equipment, we must be determined to solve the serious problems of large-scale operations, far-flung battle fronts, dispersion of strength, and low-quality and redundant development. These problems have accumulated for years, and if not addressed, we will end up spending more and accomplishing less with little hope of modernizing our army. We need to effectively strengthen centralized, unified leadership, increase cooperation, concentrate our energies to make breakthroughs in a number of key technologies, and make significant technological progress. Every branch of the armed services must make strengthening their rapid deployment forces the highest priority, increase their funding and give greater policy consideration to them in order to quickly raise their level of modernization and turn them into the core force for fighting local wars,

handling emergencies and carrying out the tasks of military struggle in the new period. Rapid deployment forces should take the lead in exploring modernization and share their successful experiences with other army units for their development and reform. I want to emphasize here that people's war will still have an important place in future high-tech wars. People's war provides the best assurance of victory against the enemy, and we must never forget this.

Third, we need to take every opportunity to carry out military reform. Since the Third Plenary Session of the Eleventh Central Committee, military reform has achieved outstanding success in many important areas, and we need to fully appreciate its significant role in strengthening the army and increasing its combat readiness. Nevertheless, we must clearly realize there are a number of serious conflicts and problems confronting army development that affect and restrict our efforts to improve the army's quality, that are detrimental to raising combat capability and that dampen troop morale. It is therefore imperative that we deepen reform. Military reform is especially urgent in light of the serious challenges posed by global military developments and the new circumstances created by the quickened pace of economic restructuring since the Fifteenth National Party Congress. We need to make the most of the opportunity presented by the fact that a major war is unlikely for a rather long time and promptly carry out military reform. Adhering to the basic principle and system of the Party exercising absolute leadership over the army and the Central Military Commission exercising centralized, unified army command, we must solve the serious conflicts and problems that stop us from improving quality, with the goal of raising our combat capability; create leadership, command, management and logistics support systems and operating mechanisms suited to the needs of future military struggles and the development of a socialist market economy; achieve better overall results in army building; make leadership and command more effective; and raise the army's combat capability.

The first basic task in military reform is to further adjust and reform organization and staffing. We have adjusted and reformed these areas several times in the past, successfully solving the problem of overstaffing and streamlining agencies and troops, but there are a number of significant structural problems that remain unresolved and some important relationships have not yet been straightened out. Present organization and staffing do not meet the needs of army building under the new situation or the requirements for fighting a high-tech local war. We must reconfigure the



organization and staffing of the army on the basis of a troop reduction of 500,000 personnel. We need to thoroughly study the tremendous impact high-tech warfare has on the army's organization and staffing, the strong and weak points of its current organization and staffing, the lessons to be drawn from past adjustments and reforms in these areas since the founding of the People's Republic, and the direction in which other major militaries around the world are headed in these areas. We then need to set forth principles and a general line of thinking on adjustment and organization and staffing reform. At the same time, as we adjust and reform organization and staffing, we also need to successfully adjust and reform our policies and systems. This is necessary not only for improving organization and staffing, but is also an important aspect of running the army in a socialist market economy. Some of the army's current policies and systems were formed under a planned economy, and they thus lag behind the development of the socialist market economy. In recent years, some officers and enlisted personnel have not been sufficiently stable ideologically, and various problems have arisen concerning the troops, the causes of which are attributable partly to ineffective education and supervision and partly to faulty policies and systems. The problem of how to create good policies and systems that are conducive to increasing morale among officers and enlisted personnel, make the army more appealing, and strengthen its cohesiveness while the country is developing a socialist market economy, is one that we must actively explore and strive to solve. In adjusting and reforming policies and systems, we need to focus on systems pertaining to military service; commissioned and non-commissioned officers; cadres and personnel; and pay, benefits, and subsidies; and the outsourcing of military logistics services affecting the living conditions of service personnel. The PLA's Headquarters of the General Staff, General Political Department and General Logistics Department need to conscientiously study and solve the problem of policies and systems. In recent years, great achievements have come about in national defense and military legislation. We need to continue to devise rules and regulations on the basis of this foundation and gradually establish a sound system of laws and regulations for national defense and military matters. Because military reform encompasses a wide variety of areas, including military, political and logistic work, we need to adopt an overall approach, coordinate all the reforms in these areas and make them mutually reinforcing. It is necessary to actively press ahead while also ensuring that the reforms we adopt are sound and viable. The

timing and intensity of the implementation of all our reforms must fully take into consideration the need to maintain the overall stability of the army and the country.

Fourth, we need to give high priority to scientific and technological progress and speed up the training of high-quality military personnel. We are carrying out military modernization under the conditions of a rapidly developing global scientific and technological revolution and against the backdrop of profound changes occurring in the world military arena. These changes are based on and centered on IT. The development of modern science and technology, especially high technology, plays a tremendous role in stimulating the modernization of the army. On the one hand, this situation poses severe challenges, and if we are shortsighted and respond too slowly, we will fall far behind the tide of world military development. On the other hand, it presents a historic opportunity, and if we approach it correctly and take effective measures, we can make tremendous progress in military modernization. We need to give weight to the guiding role of military theory, and enrich and develop China's theory of military science, best represented by Mao Zedong's military thinking and Deng Xiaoping's thinking on army building in the new period. We need to implement the principle of strengthening the army through science and technology and set scientific and technological progress as the basis for raising combat capability. We need to raise the technological content of weapons and equipment, and emphasize the use of modern technology, especially high technology, in our preparations for war, training and logistics support. Skilled personnel are the foundation of a thriving army, and the creation of a large group of high-quality personnel through training must be the cornerstone of the modernization of our army. We have always stressed that the decisive factor in victory or defeat is people, not weapons, and that no matter how developed your weapons and equipment are, it is always people who play the key role in battle. You can never look only at weapons and ignore people. Giving advanced weapons and equipment to high-quality personnel is like giving a tiger wings. At the same time, as we expeditiously teach the troops high-tech knowledge and give them military training, we need to put great effort into education at military academies. Education there needs to be improved and the level of personnel training there is low, making it difficult to raise the quality of cadres. We need to create a new kind of military academy; determine an appropriate size and number of academies; raise the level of training for officer candidates; reform the

curricula; increase knowledge regarding high technology, new weapons and equipment, and modern military command; and train personnel who combine political and military knowledge and have an understanding of military command and specialized technology. The army needs to gradually shift the training of officer candidates onto the path of combining military training with civilian education, and select high-quality personnel to train from a larger pool of candidates.

Here, I particularly want to stress that we need to have a strong sense of historical responsibility and a high-spirited outlook. After nearly half a century of hard work since the founding of the People's Republic, we have made great achievements in modernizing national defense and the army, but much still needs to be done and we have a long road ahead of us. Carrying forward modernization is an important task, one that has historically fallen on our shoulders. You cannot accomplish anything in this world without having some spirit. To accomplish the great mission of modernizing China's national defense and army, it is all the more important that we foster a revolutionary spirit of working hard to break new ground and accomplish significant achievements. Recalling the 1950s and 60s, we developed atomic and hydrogen bombs and artificial satellites with such a weak material and technological foundation and under such arduous conditions, yet managed to succeed in a very short period of time because we had a powerful revolutionary spirit. We need to maintain the high level of energy, revolutionary spirit, and all-out commitment that we had during the war years, and organize and lead the national defense and army modernization effort the way we organized and led the war effort. We need to unswervingly implement Comrade Deng Xiaoping's idea of modernization as the central task, and concentrate on researching and carrying out modernization of our national defense and army. We must all take infinite pains and dedicate ourselves completely to this task. At present our purpose is clear, the road ahead is open, and although we must overcome many difficulties, we now have numerous favorable conditions that we either completely or partially lacked in the past. We have Deng Xiaoping's thinking on army building in the new period as our guide, the Central Committee's firm and correct leadership, the guarantees that the socialist system provides, and the strong support of the people nationwide. We have the confidence, capacity and wherewithal to succeed. In another 50 years, when we reach the centennial of the founding of the People's Republic, we will have completely achieved modernization of our national defense and army through the tire-

less efforts of two or three generations of our compatriots.

There is one further point I need to emphasize. Throughout the course of energetically modernizing and reforming the army, we must not ease up on ideological and political development even for a moment. There are two important questions concerning army building in the new period that I always bear in mind: First, in the complex international environment, can our army keep up with world military development trends and win a high-tech war that might break out in the future? Second, as we open to the outside world and develop the socialist market economy, can our army maintain its nature, character and style as a people's army, and always remain a revolutionary force under the absolute leadership of the Party? I have already spoken extensively on the latter question. The entire army has done a huge amount of very successful work on the fundamental task of ideological and political development. However, this is a subject of the times that is both an urgent task of the moment and a long-term undertaking that we must work at tirelessly.

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<sup>1</sup> "Hold High the Great Banner of Deng Xiaoping Theory and Comprehensively Advance the Cause of Building Socialism with Chinese Characteristics into the 21st Century," I "Looking Back and Looking Ahead at the Turn of the Century," p. 4, this volume.

<sup>2</sup> "Summary of Conversations with Local Leaders During an Inspection Tour Around the Country," *The Writings of Mao Zedong Since the Founding the People's Republic of China*, Chin. ed., Central Party Literature Publishing House, Beijing, 1998, Vol. XIII, p. 249.



## IMPLEMENT THE OPENING UP STRATEGY OF INTEGRATING “BRINGING IN” WITH “GOING GLOBAL”\*

*December 24, 1997*

Utilizing foreign capital is an important aspect of opening up. Since instituting reform and opening up, particularly in recent years, we have promoted sustained economic development and increased our country's overall strength and international competitiveness by actively absorbing foreign capital and assiduously studying and drawing on advanced foreign technology and managerial expertise. By exploration and practice, we have accumulated considerable valuable experience in using foreign capital, including learning to take advantage of opportunities to aggressively attract foreign capital through a variety of means, and to steadfastly and organically integrate the use of foreign capital with our domestic economic development strategy.

Worldwide competition in economics, science and technology, and overall national strength is becoming increasingly fierce. The current Southeast Asian financial crisis has affected many parts of the world. This presents both new opportunities and challenges in our work of utilizing foreign capital. We need to make more efforts to extend opening up in all directions, on all levels and on a wider scale as well as raise our foreign capital utilization to new heights. We need to continue implementing the principle of using foreign capital actively, reasonably and effectively in order to improve economic quality and results and increase our overall national strength and international competitiveness. We need to maintain the steady growth of foreign investment in China on the basis of optimizing its structure and focusing on quality and efficiency. We need to actively guide foreign investment toward agriculture, new- and high-technology industries, infrastructure construction, and set up export-orientated projects. We need to increase guidance of enterprises with overseas investments, strengthen supervision of them in accordance with the law and constantly improve the investment environment. We also need to strike an appropriate balance between opening up and being independent and self-reliant in order to ef-

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\* Speech to delegates at a national conference on utilizing foreign capital.

fectively safeguard national economic security.

Here, I would like to mention another important issue: Not only do we need to actively attract foreign enterprises to invest and set up factories in China, we also need to actively guide and organize strong domestic enterprises to “go global” by investing and building factories in foreign countries and making use of their markets and resources. We need to broaden our horizons and look at not only European and American markets, but also markets in the huge number of developing countries. Productivity and the requirements for products and technology in developing countries are lower than in developed countries, but their markets are very vast. While vigorously expanding exports, we must simultaneously put great effort into researching and planning how to pursue economic and technological cooperation abroad. “Bringing in” and “going global” are two closely linked and mutually reinforcing aspects of our basic state policy of opening up, and neither can be dispensed with. We must be clear on this guiding thought. At present, international competition is fierce and we cannot deviate from this course whether we look at the present task of invigorating SOEs or consider China’s long-term economic development. I discussed this issue after I returned from my visit to Africa.<sup>1</sup> We need to further step up research and planning in this area and organize the implementation of policies to achieve significant results in the next two to three years. The key is to provide leadership and progressively organize and support a number of leading, large and medium-sized SOEs to go global and become the first wave in the opening of foreign markets for Chinese investment abroad. This is a major strategy for both our opening up and our economic development.

Beginning in the 1980s, we have been studying how to attract foreign investment and make better use of it. Our understanding of how to do this work has gradually deepened. The recent Southeast Asian financial crisis has further enhanced our comprehension of how to utilize foreign capital. Good financial order is an important condition for opening wider to the outside world and attracting foreign investment. We will not devalue the renminbi, and our ability to continue to attract foreign investment is due mainly to the following reasons.

First, China is a vast market with a population of 1.2 billion, which provides considerable room to maneuver. We need to pay attention to developing the rural market. We need to effectively integrate our attraction of foreign capital, development of foreign trade and economic restructuring

with the needs of the vast rural market. This is very important for allowing us even more room to maneuver.

Second, we have taken a very cautious and gradual approach toward financial reform and opening up. Since instituting reform and opening up, we have formulated a policy of vigorously attracting foreign investment. We have studied the issue of whether or not to let the renminbi freely convert, and we presently allow conversion under current accounts. But on one point we stand fast: We cannot indiscriminately open our capital markets. In short, we need to be clearheaded and maintain our vigilance. Currently, public opinion abroad generally holds that we are following a prudent course and that we have a good grasp of the tempo and intensity of opening up.

Third, we have abundant foreign exchange reserves, which stand at nearly US\$ 140 billion, and our capacity to make international payments has increased significantly. It was very difficult to reach this point, and the fact that we have done so is a reflection of our strength. An abundance of foreign exchange reserves is in itself a source of great prestige.

Fourth, in the course of nearly 50 years of development since the founding of the People's Republic, we have acquired considerable overall scientific and technological strength, and we have great potential for further growth. Overseas Chinese and people of Chinese origin have distinguished themselves in many parts of the world, and I believe this also benefits us.

Fifth, our labor costs are still relatively low. Although many Southeast Asian countries have recently devalued their currencies, our labor costs are still generally lower than theirs. We still have cost advantages when it comes to expanding exports and attracting foreign capital.

Sixth, our country is politically stable. This is a very important and fundamental factor. Some African countries comprise what were originally clusters of tribes, and nowadays every faction has its own party; this is a source of considerable political instability. By my count, I have hosted the heads of state of more than 40 countries since 1989, and most of them have experienced varying degrees of political unrest. No country can develop economically if it is in a constant state of political upheaval. How can a country's economy thrive in the turmoil of war? Stability is a fundamental prerequisite for development. The whole world is turning its gaze on us now in the belief that China is stable. The main reason foreign investors value our huge market so highly is because our country is socially and politically stable.

In short, if we make the most of the above advantages, we can ensure that we constantly open wider to the outside world. Opening up is an important component of Deng Xiaoping Theory. We must open up if we want to modernize China and rejuvenate the Chinese nation. Opening up carries risks, but if we pay attention to promptly reviewing our experiences, the road ahead will widen as we go. I hope all of you study harder, work effectively, do your work more scientifically and with greater foresight, avoid blind action and one-sidedness, and work better at opening up and utilizing foreign capital.

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<sup>1</sup> Jiang Zemin visited six African countries from May 8 to 22, 1996. On July 26 of the same year, during an inspection tour of Tangshan, Hebei Province, he clearly stated, “We need to intensify research on how SOEs should ‘go global’ in a prioritized and organized way in order to accomplish the great mission of making good use of international markets and foreign resources. Developing countries constitute a vast market with enormous development potential. We need to set our sights a bit farther, focus on the future and the long term, and energetically strengthen our economic and technological cooperation with these countries, including making use of their markets and resources to launch joint ventures and cooperative projects.”



## PROCEED IN A REALISTIC AND PRACTICAL MANNER<sup>\*</sup>

*January 24, 1998*

Emancipating our minds and seeking truth from facts are aspects of our ideological line. CPC members and members of all the democratic parties alike must be intimately acquainted with the realities of reform, opening up and modernization; constantly adapt their thinking and understanding to changing, objective realities; and take actual situations as their starting point in everything they do. In this way, we can maintain creative vitality as we forge ahead.

The Fifteenth National Party Congress formulated grand cross-century development goals for China's reform, opening up and modernization. It will not be easy to achieve them, and it will take enormous effort to do so. In formulating development goals, guiding principles and strategic arrangements, the Fifteenth Congress firmly adhered to the principle that relations of production must correspond to the productive forces. This is a basic tenet of Marxism. The congress comprehensively explicated China's problems in the primary stage of socialism and noted that we must proceed from reality in everything we do, and that the most important reality is that China is now in the primary stage of socialism and will remain so for a long time to come. When we are formulating our line, principles and policies, we must ground them on this most important reality. A journey of a thousand miles begins with a single step. Western developed countries, such as the United States, have already entered, or are now entering, the stage at which economic development relies primarily on new- and high-technology industries, but at present we have very few such industries. Beijing and coastal cities such as Shanghai and Guangzhou are experiencing rapid economic growth, but our vast rural areas have a low level of development, many areas are poverty-stricken, and the development gap between the central and western regions and the eastern coastal region is still very large. In short, the overall development level of the productive forces is relatively low and we have a long way to go before entering the

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<sup>\*</sup> Excerpt from a speech at a reception the Central Committee held for non-Party members to celebrate Chinese New Year.

developed stage. If we do not proceed from the reality that China is in the primary stage of socialism when deliberating and planning for these problems, we will get nowhere. All of you here are familiar with China's course of development since the founding of the People's Republic. You know the mistakes we made in building socialism and everyone is keenly aware that relations of production must correspond to the level of the productive forces and requirements for their development, otherwise we will fail.

We must have lofty ideals. Our Party's loftiest ideal is to achieve communism. However, in considering problems and dealing with practical matters, we cannot be idealistic and overambitious. Instead, we must proceed in a realistic and practical manner. Throughout the ages, people have pursued the ideal of a better future, and they have come up with a wide variety of conceptions and depictions of what constitutes an ideal society. For example, in the West, ancient Greece had Plato's *Republic*,<sup>1</sup> later Thomas More<sup>2</sup> wrote *Utopia*, and there were other doctrines of utopian socialism. The depictions of an ideal society in ancient China mostly manifested themselves in the concept of Great Harmony and the ideal world that embodies it. If we identify the birth of this thinking in China with "The Conveyance of Rites" chapter in *The Book of Rites*, written by disciples of Confucius, then this thinking possibly appeared in China slightly before Plato. Marxism exposed the laws governing the development of human society and propounded the thesis that socialism will inevitably supplant capitalism. In doing so, it transformed socialism from utopian thinking into science. Socialism will have to undergo a long and arduous path in order to ultimately realize communism. Similarly, we cannot be impatient in building socialism with Chinese characteristics. Some events in the course of socialist construction, particularly the Great Leap Forward, were the result of being overly idealistic, losing contact with national conditions and overstepping our stage of social development, and we suffered accordingly. We have learned our lesson. The line, principles and policies we are now following accord with reality, enjoy the people's wholehearted support and have borne great results.

In formulating our line, principles and policies, and promoting the development of our cause, we must steadfastly integrate the basic tenets of Marxism with China's concrete realities. This is something comrades Mao Zedong and Deng Xiaoping always stressed. Recently, I read some of Comrade Mao Zedong's unpublished speeches that enabled me to gain a profound understanding of how adept he was at doing this while

leading the Chinese revolution. Without Comrade Mao Zedong, it would not have been possible for the Chinese revolution to succeed so quickly. Everyone must concede this. He integrated the basic tenets of Marxism with the specific conditions of China and found the correct path for winning the Chinese revolution. Of course, he made mistakes in his latter years. Why? The fundamental reason is that he departed from the principle that theory and practice must be integrated and united, which he had previously always upheld, and his subjective understanding became divorced from objective reality. Comrade Deng Xiaoping's greatest contribution was successfully integrating the basic tenets of Marxism with the concrete realities of contemporary China, formulating the theory of building socialism with Chinese characteristics, and guiding us onto the correct path of reform, opening up and modernization. In the future, we must continue in this fashion, steadfastly integrating theory with practice, and constantly strengthen the theoretical guidance of our practical work while enriching and developing theory.

At present, world economic, scientific and technological development is progressing rapidly, and competition is becoming increasingly fierce. Countries everywhere, especially Western developed countries, are stepping up the use of modern science and technology to promote economic and social development. For example, in the United States, industry accounts for only 25% of the economy; agriculture accounts for only 1.6%; and service industries account for more than 70%, a great portion of which comes from the information industry. Some people think that the transformation from an agricultural to an industrial society is a giant leap forward for the productive forces, and the transformation from an industrial to an information society is another giant leap. The United States and other Western developed countries are making the transition from industrialization to informationization. Socialist societies develop and change in accordance with their own laws, and capitalist societies develop and change on the basis of theirs. In the past we thought that production under socialism was based on central planning while production under capitalism was planless. Things should not be viewed so simplistically. In his "A Critique of the Draft Social-Democratic Programme of 1891," Engels said that after the emergence of trusts, which dominate and monopolize whole branches of industry, capitalist production is no longer completely planless. In the past we always said that we Communists were the best at ideological work. This is true; this is a fact. However, this is not to say that capitalist countries do

not do any ideological work. The bourgeoisie recognizes the importance of engaging in ideological work and maintaining good relations with the working class in order to safeguard its social system and ease social class conflict; otherwise, it would not be able to hold onto power, sustain social production and generate profits. I heard the story of a foreign businessman who came to China to set up a joint venture. The joint venture needed to reduce its workforce. This businessman spent three months talking with more than 300 workers individually, asking them what they thought and what difficulties they had. This story moved me deeply. Why did he spend so much time talking with the workers individually? Some heads of Chinese enterprises would not dare to do this. Capitalism is undergoing adjustment, improvement, development and change in order to protect its interests. This matter is worthy of study.

When confronted with a new situation and new tasks, it is urgently important to study harder. People are not born with knowledge. If you do not know something, you need to learn it. The more you know, the more you become aware of your ignorance. If you do not learn, how will you know? I have always stressed that our provincial Party committee secretaries, provincial governors and heads of ministries and commissions need to read more and study more. If you neglect to read and study, there will be a lot of problems you will not grasp. If you do not understand them, how can you be a qualified leader? We need to constantly read Marxist books and never cease studying other knowledge. Today's world is an open world, and we cannot develop our country behind closed doors. Modern economic activities, especially international economic and financial activities, are very complex and undergo a myriad of changes in an instant. Participation, management and control are very difficult. Without study and without practice, it is hard to stop all manner of problems from cropping up. No matter whether in economics, politics or culture, everything changes in accordance with inherent laws. We can only advance our cause if we correctly understand and master these laws, and apply them properly.

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<sup>1</sup> Plato (427-347 BC) was one of the most important ancient Greek philosophers. He created the first system of objective idealism in Western philosophy. His *Republic* holds that an ideal state should be ruled by a philosopher king and that reason should hold absolute sway there.

<sup>1</sup> Thomas More (1478-1535) was a British statesman and humanist during the Renaissance and an important representative of early utopian socialism. His *Utopia* attacked the cruel exploitation during the period of primitive capital accumulation and depicted an ideal society without private property, exploitation or poverty.



## DO OUR ECONOMIC WORK WELL AND INCREASE OUR TOLERANCE AND RESISTANCE TO RISK<sup>\*</sup>

*February 26, 1998*

Since last July, a financial crisis has swept through a number of countries in Southeast Asia and the Republic of Korea. Japan has also experienced financial turbulence. This situation developed quickly and has had a broad impact and grievous consequences. In dealing with this crisis, the Central Committee calmly analyzed the situation and adopted some important measures. We continued to maintain the stability of our country's favorable state of economic and social development, and there has not been a big impact. This was not easy, but we achieved a great victory.

Because this financial crisis has occurred in some neighboring countries with which China has close economic ties, it will inevitably have some impact on us. Our exports, utilized foreign investment, and other economic factors will all feel its impact to varying degrees. We have announced that we will keep the renminbi exchange rate stable, a move welcomed by the international community, but doing so will be very difficult and will come at a price. Making the most of our advantages, conscientiously solving the various new problems we face, reducing and offsetting the impact of this financial crisis on our country, and continuing to move ahead with reform, opening up and modernization, are pressing tasks for all Party members and a big test.

Leading cadres at all levels, especially high-ranking ones, must bear two things in mind when analyzing and coming to grips with this financial crisis and its effects. They must look not only at the negative effects it has on China's economic development, but also at the opportunities it offers for economic development. We can only take the right measures by looking at both the positive and negative sides of the crisis. The Central Committee believes that our general principles should be to stay confident, have a clear idea of the situation, take preventive measures, respond coolly, work hard with concentrated effort, and maximize gains while minimizing losses. We can calmly deal with the impact of this financial crisis as long as we act on

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<sup>\*</sup> Excerpt from a speech at the Second Plenary Session of the Fifteenth Central Committee.

the basis of these principles.

At the Fifteenth National Party Congress we were reminded that we confront severe challenges as the new century approaches, but more significantly, we face exceptionally favorable circumstances and opportunities. This judgment is absolutely correct. Although this financial crisis has inflicted some detrimental effects on us, we have solid economic and social foundations and advantageous conditions for continuing progress. We must all be perfectly clear and fully confident on this point.

Since the founding of New China and especially during the 20 years of reform and opening up, we have acquired a relatively solid material and technological foundation, and our economy has undergone a long period of rapid growth. We have already formulated a theory and line as well as principles and policies suited to China's realities in the new period, and we are on the correct path of building socialism with Chinese characteristics. The Fifteenth Congress has made comprehensive strategic plans for China's cross-century development and created a new central collective leadership capable of managing all kinds of complex situations. Provided all Party members unwaveringly implement the Party's basic theory and line, closely rely on the masses and are adept at promptly adjusting and improving concrete policies and measures in light of changing circumstances, we are certainly capable of continually winning new victories in reform, opening up and modernization.

We must continue to closely monitor developments in the Asian countries experiencing the financial crisis as well as other regional and global effects that may occur. Leading cadres at all levels must prepare both their thinking and their work for a worsening situation. Preparation averts disaster. We need to carefully estimate the various difficulties and risks we might encounter, and consider and prepare for each possibility. We cannot let ourselves be lured into thinking that we can sit back and relax because the disturbances are occurring elsewhere. Of course, neither should we panic if we experience some effects from the crisis.

This financial crisis is a profound revelation and a learning experience. There are at least three points meriting our consideration. First, to develop its economy, any country, and especially a large country, must have a firm material and technological foundation, a sound economic structure and strong basic industries; otherwise, it will not be able to withstand difficulties and risks. Second, the economic ties between countries are becoming increasingly close, and their influence on each other is constantly increas-

ing. No country can close its doors and carry out modernization in isolation, and it is impossible to avoid the trend of economic globalization and fierce and complex international competition. The most important thing is to boldly and deftly participate in international economic and technological cooperation and competition within the framework of economic globalization, make full use of the favorable conditions and opportunities this situation provides to achieve development, while staying alert for and promptly dealing with potentially harmful influences and hazards, and steadily open to the outside world. This is particularly important for developing countries like China, whose economic and technological strength falls short of Western developed countries. How to maximize gains while minimizing losses and how to hold the initiative are always the big questions before us. Third, economic development is the foundation of comprehensive social progress, but it cannot occur in isolation. While concentrating our energies on economic development, we must also attend closely to improving democracy and the legal system and to promoting cultural and ethical progress, and constantly work harder to combat corruption and promote incorruptibility. Our work in these areas is extremely important and closely connected to economic development. If we do not do this work well — if we do not improve the legal system and political corruption and a poor social climate persist — then this will directly affect overall economic development. The financial crisis in these Asian countries sounds an alarm to the world over these three issues. We should conduct thorough research on these issues on the basis of our actual circumstances and further plan our work accordingly.

In response to this financial crisis, doing our domestic economic work well is the most fundamental thing we can do to increase our tolerance for and resistance to risk. There are three very important matters we need to accomplish in this year's economic work. First, we need to constantly improve efficiency and optimize our economic structure in order to maintain steady, rapid and sound economic development. This will enable us to maintain fiscal balance, to ease employment pressure and to further improve people's lives. We need to expand domestic demand and exploit the great potential of the domestic market in order to maintain the momentum of development, while simultaneously accelerating economic restructuring and the transformation of the economic system and the pattern of economic growth. Second, we need to expand exports by all possible means and increase imports appropriately. The state has already adopted support

policies to encourage international trade and attract foreign capital. All localities and departments should actively tap the potential of enterprises, strengthen management, accelerate implementation of the strategies of diversifying our markets and competing on the basis of quality, maintain and expand existing foreign markets, and strive to open up new ones. They also need to focus on introducing advanced technology and equipment and accelerating the technological upgrading in enterprises. Third, we need to keep the renminbi exchange rate stable. This not only has a bearing on the people's confidence and on economic and social stability, but also provides an effective support for Hong Kong's financial stability and contributes significantly to the economic stability of Asia and the world. We have sufficient foreign exchange reserves, a vast domestic market, a solid industrial base, science and technology and workforce advantages, relatively low labor costs, and most especially, social and political stability. These are all reliable conditions for keeping the renminbi exchange rate stable.

The Central Committee and State Council have already formulated a plan to achieve these three objectives. This plan requires all localities and departments to accomplish the following work: to further strengthen the agricultural foundation for another good harvest this year; to increase spending on water conservancy facilities and infrastructure projects like railways, roads, communications and the environment; to increase the pace of technological transformation in enterprises and develop new- and high-technology industries; to accelerate the reform of the urban housing system and expand construction of ordinary housing; to promote the sustained, sound development of township and village enterprises, with an emphasis on small and medium-sized enterprises; to steadily attract foreign investment and guide its direction wisely; to maintain balance of payments and strengthen foreign exchange management; to increase revenue, decrease expenditures and control deficits; to strengthen financial oversight and prevent and defuse financial risks; and to promptly implement reemployment projects and strive to maintain social stability.

Here, I would like to emphasize several points.

First, China's top priority has always been to ensure adequate food for its more than 1.2 billion people. Stabilizing and strengthening the agricultural foundation and reaping a good harvest every year are extremely important for maintaining sustained, rapid and sound economic development. If problems arise in agriculture, this will influence not only development across the whole economy but also social stability. In the current environ-



ment, the whole Party must be more conscious than ever of the importance of agriculture. We need to stabilize the Party's basic rural policies, increase spending on agriculture, expand the application of agricultural technology, effectively reduce farmers' burdens, genuinely improve cadres' work styles, and further improve the good situation in villages.

Second, solving the problems laid-off workers face of changing their lives and finding new jobs has a direct bearing on whether SOE reform will succeed or fail. Party committees and governments at all levels must give this problem high priority, enthusiastically help laid-off workers solve their living problems, carry out reemployment projects well by drawing on the resources of all sectors and ensure completion of the Central Committee's objectives for SOE reform. Our country has a large population, and providing employment for the workforce is a long-term and arduous task. Especially given the present intensification of SOE reform and the resulting temporary increase in laid-off workers, Party committees and governments at all levels need to expand avenues for reemployment. Reemployment work is a task of the utmost importance that must be done promptly and successfully, and no carelessness will be tolerated.

Third, we need to make great efforts to develop new- and high-technology industries and accelerate the creation of our own technological innovation system. This is critical for China's development in the 21st century. Global competition today is centered on knowledge innovation and the industrial application of new and high technologies. Doing this work poorly will directly affect our future economic development potential and our economic competitiveness; therefore, we must give high priority to science and technology education, and to cultivating talent.

Fourth, we need to accelerate the development of rural markets. More than 800 million Chinese live in rural areas. Rural China is a vast market with huge growth potential. We cannot simply fix our eyes on markets in large and medium-sized cities. There are some products for which there is low demand in cities, but high demand in rural areas. The key is to encourage enterprises to produce affordable products that rural people need. This should be an important principle guiding expansion of the domestic market for the present and well into the future.

Fifth, we need to accelerate development in the central and western regions. This principle has long been clear; the problem is to implement it more quickly. We need to make good use of the opportunity provided by the current adjustment and restructuring of state-owned industrial enter-

prises to improve infrastructure and resource exploitation in the central and western regions while simultaneously elevating the development level in the eastern region. We must also work harder to channel foreign investment toward the central and western regions. This will help to expand domestic demand and further stimulate the markets for the means of production and consumer goods.

Sixth, while actively expanding exports, we need to provide guidance and progressively organize and support a number of superior SOEs with a competitive edge to go global by making investments and operating factories abroad, particularly in Africa, Central Asia, the Middle East, Eastern Europe and South America. We need to both “bring in” and “go global.” These are the two closely linked and mutually reinforcing aspects of our basic state policy of opening up, and neither is dispensable.

Seventh, all Party members, primarily leading cadres at all levels, need to set an example in abiding by the principles of arduous struggle and building the country through diligence and frugality. All industries need to plan and budget operations carefully and reduce spending as much as possible to concentrate more money on developing the country and supporting SOE reform and development.

All comrades must be fully aware that there are numerous uncertainties in the international situation, and that all kinds of foreseeable and unforeseeable risks may occur. The key is whether we can tolerate and resist them. The fact that we have withstood this financial crisis shows that the foundation we have created during 20 years of reform and opening up has given us a significant capacity for doing so. However, we must realize that we still have many weaknesses and that this capability still lacks sufficient strength. The more firmly we hold high the great banner of Deng Xiaoping Theory, the more sustained our economic development is, the deeper our reform and opening up become, the more effective our work of improving democracy and the legal system, promoting cultural and ethical progress, and combating corruption and promoting incorruptibility is, the stronger our tolerance and resistance to risk will be. In short, if we persevere in reform and opening up, continue to forge ahead with a pioneering spirit, and constantly become better able to tolerate and resist risk, there will be no way to defeat us.

## GOALS AND PRINCIPLES FOR THE REFORM OF GOVERNMENT DEPARTMENTS\*

*February 26, 1998*

The plan for reforming the departments of the State Council passed at the Second Plenary Session of the Fifteenth Central Committee is an important measure for achieving the strategic arrangements formulated by the Party's Fifteenth National Congress. The Central Committee formulated this reform plan with a strong resolve and on the basis of thorough consideration and widely solicited opinions. I believe that the plan is ambitious yet prudent.

Government departments are part of the superstructure, and they should conform to the needs of the economic base. The economic base is constantly developing; therefore, the superstructure should continually adjust and improve. This is a general law of development in human society. We are a socialist country, and we should proceed from China's national conditions and the protection of the fundamental interests of the people, and take the initiative to adjust and reform its superstructure in order to fully leverage the advantages of the socialist system.

The reform of government departments is an important task in the reform of the Party and state leadership system and a major component of political restructuring. In his important speech "On the Reform of the System of Party and State Leadership" in 1980, Comrade Deng Xiaoping pointedly noted the necessity of organizational restructuring. In 1982, he also indicated that streamlining organizations constitutes a revolution. If we fail to carry out this revolution, we will not have the support of the people.<sup>1</sup>

It is already very clear that the present layout, functions and organization of our country's government departments are not suitable for developing a socialist market economy. A lack of separation between government administration and enterprise management, the duplication of functions, overstaffing, inefficiency and gross bureaucracy are some of the problems hindering the development of the productive forces, harming the Party's relationship with the masses, and imposing a heavy burden on the

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\* Excerpt from a speech at the Second Plenary Session of the Fifteenth Central Committee.

country and the masses. This situation has reached the point where things must change. If organizational restructuring is not carried out to eliminate these problems, SOEs will have trouble adapting to market requirements; our socialist market economy will have difficulty taking root; we will be unable to accelerate reform, opening up and modernization; and it will be hard for us to stay competitive in the face of increasingly fierce international competition. Now, not only is organizational restructuring inevitable, but the conditions for it are present and the time is ripe. We must firmly see it through.

The overall objectives of this reform are to adapt to the needs of economic development and all-around social progress, establish a highly efficient, well coordinated and standardized administrative system, improve the state public service system, create a contingent of competent and professional administrators for the state, and raise the level of services to the people. There are four major principles: 1) to transform government functions and separate them from those of enterprises in accordance with the requirements for developing a socialist market economy; 2) to adjust the government's organizational structure and streamline administration in accordance with the principles of simplification, uniformity and efficiency; 3) to adjust the duties and jurisdictions of government departments and clearly differentiate their functions in accordance with the principle of identical powers and responsibilities; and 4) to place the administrative system on a firmer legal footing to meet the requirement that the country be ruled and the government be run on the basis of the law.

We need to adhere to the principle of working actively and steadily in instituting this reform of government departments. First, we need to be completely determined. Now that the reform plan has been adopted, we must resolutely implement it in its entirety without deferring relevant matters. Second, the work must be done carefully. This reform will affect the vital interests of a large number of cadres; therefore, we must engage in careful and thorough ideological and political work to maintain cadre morale and ensure that nothing is done carelessly, sporadically or haphazardly. In addition, state fiscal discipline must be strictly maintained throughout the reform process to firmly check the unauthorized disposal, transfer or distribution of departmental funds or property in order to effectively prevent the loss of state assets. The interests of all must not become the interests of some, still less become private interests. Third, we need to do everything in our power and adopt all effective means to help laid-off cad-



res find new jobs in accordance with the requirements of letting them retain their original rank when they secure new positions, offering them job-oriented training, strengthening enterprises and optimizing their structures. Cadres in government departments are hard working and have significantly contributed to national economic development and all-around social progress. Most of them are competent and have strong work skills. They are valuable assets of the Party and country, and we must accord them proper treatment, so they can continue to contribute to reform, opening up and modernization.

This reform will change the leading positions or jobs of many leaders at the ministerial level and cadres at the department chief level. This is a matter of considerable significance for the individuals involved and one that will require them to start over and adapt to a new situation. Most of you comrades have received many years of education in the Party, have undergone the test of a long period of practice, have a high level of Party spirit, and bear in mind our overall interests. I believe that you can definitely grasp the overall situation, accept the organizational arrangements, and correctly deal with the changes in your leading positions or jobs. Some leaders will need to leave their present work and take new jobs as a result of changes in the economic system and reform of the leadership system. The development of the Party and the people's cause necessitates this. Our country has a several thousand-year history as a feudal society and regard for official rank and social status is deeply ingrained. I hope that you will not be affected by such things, but will take concrete action to set an example in eliminating these antiquated notions from society, disregarding personal fame and fortune, serving the people wholeheartedly.

After the reform of the State Council, institutional reform at the local levels of government will be carried out. All local governments need to organize their reform carefully and implement it energetically in accordance with the State Council's unified plan. Party departments, other state agencies and mass organizations also need to carry out reforms in accordance with the principle of simplification, uniformity and efficiency, and strive to improve their services to the people.

Since the founding of the People's Republic, we have carried out reforms of government departments a number of times, and each time achieved success of varying degrees but, overall, the results have not been ideal. We scale down government departments and they swell; we downsize them again and they expand again, and so on. We have never solved this

problem at its root. When we had a planned economy, the government directly supervised enterprise production and operations, principally through administrative measures. Government administration was indivisible from enterprise management, and the government took on too much work. In this situation, it was easy for the number of government departments and their personnel to swell again after downsizing. The situation is different now. We are presently accelerating the establishment of a socialist market economy. Great changes have taken place in the organizational structure and business operations of enterprises, and the principle of separating government administration from enterprise management has long been clear. All this provides the conditions for solving this longstanding, important and intractable problem at its root. Our country's economy is now much larger than in the past, and all kinds of enterprises, law enforcement and regulatory bodies, intermediary agencies and other social service organizations need to hire more employees. This means employees laid off pursuant to the government department reforms may receive many more employment opportunities than in the past. Many people who leave government agencies will find a way to continue to apply their talents in new positions needed to develop the socialist market economy, and still play an important role. Therefore, as long as we unify our thinking, plan meticulously, work effectively, and pool our common wisdom and efforts, we should be confident we can make the reform of government departments a success.

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<sup>1</sup> Cf. "Streamlining Organizations Constitutes a Revolution," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1995, Vol. II, p. 389.

## LEADING CADRES NEED TO INCREASE THEIR POLITICAL DISCERNMENT AND ACUITY\*

*April 12, 1998*

*April 12, 1998*

Members of the Political Bureau, Secretariat and Central Military Commission:

Two years ago we emphasized that leading cadres, especially high-ranking ones, need to stress politics, and now it seems that that was an opportune time to raise this issue, but the need to stress politics has not received sufficient attention and understanding within the Party as a whole, and it is therefore necessary to emphasize it again. I recently reviewed two reports that yet again indicate the extreme importance of leading cadres increasing their political discernment and acuity.

One of these report states that the Wolong District of Nanyang, Henan Province, has built a memorial to honest and upright officials, at which statues representing a number of feudal officials were erected together with ones to comrades Mao Zedong, Zhou Enlai and Liu Shaoqi, and nine marshals of the People's Republic. The memorial prompted congratulatory letters from a number of our officials as well as members of the Taiwan authorities. It was reported that one of our leading cadres wrote in praise of the medical skills of a certain doctor and that this was included in the congratulatory messages at the memorial. In short, building a memorial to honest and upright officials is not the proper way to commemorate proletarian revolutionaries. Can these so-called honest and upright feudal officials really be compared to our older generation of proletarian revolutionaries and their noble characters? How can it be that we Communists could engage in the feudal rite of offering sacrifices to ancestors, include members of the Taiwan authorities in such activities here to join in, and practice the religious rites of expiating the sins of the dead? If this is the way things are, what has the revolution we Communists carried out come to? This situation speaks for itself: The political ideas in

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\* Letter to members of the Political Bureau of the Central Committee, the Secretariat of the Central Committee and the Central Military Commission.

the minds of many cadres are very weak, and they are ignorant of the Party's reform and opening up, religious and united front policies. Although this incident occurred in just one locality, it reflects a widespread problem: Many cadres do not give politics enough consideration and they cannot distinguish right from wrong. This is worthy of a conscientious review so that we may learn by analogy.

The other report recounts clandestine conspirators plotting in an attempt to use press and publishing channels to create an atmosphere around the tenth anniversary of the so-called Tiananmen Square incident of June 4, 1989. I constantly repeat the proverb, "The tree craves calm, but the wind will not subside." This is particularly apt in reference to the international and domestic situations we now face. The Party and government have already reached a correct verdict on the political disturbances that occurred in late spring and early summer of 1989, but foreign hostile forces and some people in China constantly seek to overturn it. These people in China have adopted a position that aligns them with forces in the West. Under the pretense of commemorating the 20th anniversary of reform and opening up, their intention is to stir up trouble and sow dissension in an effort to throw the country into turmoil. This year is the 20th anniversary of the Third Plenary Session of the Eleventh Central Committee. The Central Committee attaches great importance to this anniversary, and has already decided to commemorate it in grand style. But those aligned with the West slanderously claim that we "downplay the historical significance of the session." They also claim to be "mentally prepared for a long struggle" and even raise the issue of "establishing statutory procedures for appointing people to the highest levels of power in the Party." Do not Party and government leaders take office in accordance with procedures set forth in the Party and national constitutions? Where do those people actually want to take China? I think their fundamental purpose is to create chaos in our country and, in the midst thereof, seize victory and repudiate the Communist Party's leadership and the socialist system. They also use the Monkey King's trick of getting into the stomach of Princess Iron Fan. A number of these fifth columnists have already infiltrated our ranks, and they have secured positions of importance and are preparing to get even with us ten years afterwards. Their numbers are few, but they have significant capability. Does this situation not deserve our full attention and highest vigilance? Our comrades need to be clearheaded and stand on the frontlines of the struggle. Of course, in fighting these people, we need to attend to our



4, methods and tactics. Our Party has always stressed the need to test cadres. In the past, this test came on the battlefield, but they will also encounter a variety of tests in today's peaceful environment. Our organization departments need to closely examine the performance of leading cadres at all levels in actual combat. Do they fight courageously? Or do they avoid conflict and worry about what they have to gain or lose? In short, Communist Party members and leading cadres must adhere to principles in all situations and be able to pass tests at crucial moments. We need to continue to hold high the great banner of Deng Xiaoping Theory and adhere to the line, principles and policies the Party has followed since the Third Plenary Session of the Eleventh Central Committee. Practice has proven us right. All Party members, especially high-ranking cadres, must firmly keep in mind the profound lessons of the political disturbances of 1989 and the radical changes that unfolded in the Soviet Union and Eastern Europe.

Everything is possible under the sun. These sorts of situations will arise from time to time. When they do, the most important thing is that our leading cadres discover them promptly and deal with them correctly. We cannot ignore this kind of situation, nor can we let ourselves be frightened by phantoms and paralyzed by fear. Rather, we need to identify problems in their nascent stage and nip them in the bud. We need to work proactively and adopt effective measures to firmly eliminate problems at the outset. This is our general principle. The rustling of leaves is the first sign of a rising wind. Some incidents start out small, but if we lower our guard and fail to promptly and resolutely put a stop to them, and instead allow them to accumulate force, develop and spread, then it will bring severe damage.

Do not imagine that Western countries do not pay attention to politics. They do. Their governments, political parties, mass media, schools and churches inculcate their people with their values throughout the day. They also spare no efforts in informing the world about their worldview and views on human rights and democracy. Why? To safeguard and consolidate their social system, ideology and national interests. Would Western countries permit people to freely spread Communist ideology without any constraints and to organize forces to overthrow their form of government?

Our Party leads a country with a population of 1.2 billion people, maintains political stability and unity, and constantly presses ahead with reform and development. We could not do this without stressing politics. Of course, our emphasis on politics is never divorced from the central task of economic development. We stress Marxist politics, a politics that upholds

and guarantees reform, opening up and modernization, and safeguards the fundamental interests of the masses. We need to further strengthen ideological and political work throughout the Party and the country, improve organizational and administrative work as well as work concerning the masses, adopt the principle of giving positive guidance, energetically foster healthy trends, carry forward our themes and overcome evil with good. With firm political guarantees, our reform, opening up and economic development can progress smoothly.

Stress on politics needs to be specific and translated into action. It needs to be instilled in every field of endeavor and every aspect of our work; we cannot just mouth empty slogans. Idle political talk harms the Party and the state. Leading cadres at all levels in the Party and government, regardless of whether their primary work involves politics, economics or another field, need to combine political rectitude with professional competence, to stress politics, and to do ideological and political work as well as organizational and administrative work with the masses. A political advantage of our Party is its adroitness in the ideological and political work as well as the organizational and administrative work it does in leading and uniting with the masses. This is also a fundamental work principle that we absolutely cannot discard. If we were to abandon it, chaos would follow and we would suffer serious setbacks. I believe this is something the whole Party must keep firmly in mind.

As for the problem of the memorial to honest and upright officials, a team has already been sent to Nanyang to investigate the situation. I will report the results to the Central Committee after the team returns to Beijing.

Please give careful consideration to the above remarks.

Jiang Zemin

# PROMOTE FURTHER DEVELOPMENT OF TOWNSHIP AND VILLAGE ENTERPRISES\*

*April 21, 1998*

Township and village enterprises are a great creation of our country's hundreds of millions of rural residents as well as a tremendous accomplishment our Party has made in leading reform and opening up. Since the adoption of the reform and opening up policy 20 years ago, our country's township and village enterprises have sprung up and developed rapidly, and they have already become pillars of the rural economy and an important component of the national economy. The development of these enterprises plays an important and irreplaceable role in stimulating national economic growth, supporting agricultural development, raising rural incomes, absorbing surplus rural labor, strengthening the rural collective economy and supporting social programs in the countryside. Township and village enterprises are currently facing some difficulties and problems, the most outstanding of which are decreasing productivity and declining development rates. This deserves our close attention.

## **1. Recognize the important position and function of township and village enterprises from the perspective of overall national economic and social development**

To achieve our economic growth targets, we must give full play to the role of township and village enterprises. A large portion of new growth in the national economy is created by them. At present, the output value of these enterprises already comprises one fourth of our country's gross domestic product, one third of our total exports, and nearly two thirds of rural value-added. Well-run village and township enterprises are essential for achieving national economic development goals. These enterprises are an important source for raising rural incomes. When rural incomes rise, rural markets can open. In this sense, well-run township and village enterprises also have the benefits of invigorating SOEs and initiating a virtuous cycle in the whole national economy.

From the perspective of long-term agricultural and rural develop-

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\* Excerpt from a speech in Jiangsu Province during an inspection of township and village enterprises.

ment, we can increase spending on agriculture and support its modernization, solve the problem of surplus rural labor, increase rural incomes, and ensure long-term social stability in the countryside only by energetically developing township and village enterprises. Developing these enterprises is the only way to achieve agricultural modernization and bring moderate prosperity to the rural population. The development and changes in rural Jiangsu Province demonstrate the success of this path. We are now in a period of accelerated transition to an industrialized society, and with such a large rural population it is unrealistic for us to expect to complete national industrialization by depending solely on government investment and on cities assimilating the rural population. We must take the path of developing township and village enterprises. This is the path of industrialization with Chinese characteristics. Developing township and village enterprises is an important strategy and a fundamental long-term principle for carrying out modernization in a country like ours, where the rural population accounts for the majority of the total population. Leading cadres at all levels must have a strategic vision for this.

## **2. Understand the situation facing township and village enterprises and increase our confidence in their success**

We need to recognize that, on the one hand, thanks to 20 years of development, township and village enterprises already have a solid foundation, a contingent of employees who have undergone training in industrial culture, a large number of model enterprises, a set of operating mechanisms that meet the needs of a market economy, and more importantly, hundreds of millions of rural residents who have great enthusiasm for developing township and village enterprises, all of which create favorable conditions for further accelerating enterprise development. On the other hand, township and village enterprises genuinely face a number of new conditions and problems: Many enterprises have no market for their goods, production is declining, and they have little capacity for sustaining development. Some of the difficulties and problems these enterprises now face have built up over a long course of development. Some of these are unavoidable in the course of developing a market economy, while others relate to the quality of the various enterprises themselves. We therefore need to analyze the situation thoroughly. Township and village enterprises have their own characteristics and strengths. Their most important characteristic is their market-orientation and their greatest strength is their flexibility.



Of course, they have inherent inadequacies, the most critical of which are obsolete technology and equipment, and sloppy management. In the face of fierce market competition, the problems of unsuitable structures, weak innovative capabilities and poor product quality are increasingly exposed. This is an important factor in the difficulties some of these enterprises now face. We can surely enter into a new phase in the development of township and village enterprises as long as we earnestly analyze beneficial conditions, take specific measures to solve immediate problems, strenuously press forward, constantly innovate, foster strengths to make up for weaknesses, and find new ways to excel. The enterprises in Jiangsu I have visited on this trip are mindful of staying flexible and taking advantage of their flexibility. They also attach importance to upgrading their technology, developing new products and opening new markets. They are developing fast, and are profitable and very vigorous. It is very inspiring to visit them. Their experiences show that township and village enterprises can be well run and are promising.

### **3. Promote the fundamental transformation of the economic system and the pattern of economic growth and further accelerate the development of township and village enterprises**

The development environment of township and village enterprises has already undergone great changes under the conditions of the market economy. In their future development, these enterprises cannot continue down the path of low-quality redundant construction, rely on extensive expansion, or depend entirely on favorable government policies. They must make full use of their advantages, and take the path of carrying out reform and opening up, making institutional innovations, relying on science and technology and strengthening management. Put simply, they must complete the fundamental transformation of the economic system and the pattern of economic growth.

First, we need to deepen the reform of township and village enterprises, give full play to their flexibility, and keep public ownership in the dominant position while allowing economic entities under diverse ownership forms to develop side by side. This is a basic economic system in our country's primary stage of socialism. We must adhere to this system when reforming and developing township and village enterprises. Over the years, townships, villages, groups of families or individual families have operated these enterprises — a system known as “four wheels mov-

ing together.” Economic entities under a variety of additional ownership forms such as the joint stock system and joint stock partnership system are now developing side by side, and this has mobilized the enthusiasm of hundreds of millions of rural residents and all sectors of society. We need to continue to adjust and improve the ownership structure and further create a situation in which public ownership assumes diverse forms and economic entities under diverse ownership forms develop side by side. In carrying out the reform of township and village enterprises, we need to meet the criteria of the “three favorables”<sup>1</sup> and always uphold respect for practice and the masses. We need to encourage exploration and regularly review our experiences. Our fundamental goal is to invigorate enterprises, mobilize the enthusiasm of investors, operators and producers, and ensure that collective assets maintain their value and appreciate. Concerning innovations in the forms of asset organization of township and village enterprises and their methods of operation, we need to proceed from reality, act according to local conditions, and avoid taking a one-size-fits-all approach. We need to respect the people’s wishes and we cannot be imperious and inflexible.

Second, we need to adjust the industrial and product structure, and raise the quality and profitability of township and village enterprises. We need to adjust and optimize the industrial structure on the bases of market needs, government industrial policy, and local resources, with special care given to developing leading enterprises that process farm and sideline products and integrate agriculture with trade and industry. We need to do these things in order to combine the development of township and village enterprises with the industrialization of agricultural operations. Township and village enterprises need to upgrade their technology and develop new high-quality products that have a ready market. They need to seek to thrive on the basis of quality and develop through innovation. We need to encourage superior enterprises and products to take the lead in breaking locality and ownership boundaries, and create enterprise groups so township and village enterprises can improve their economies of scale and become more competitive in the market. We need to encourage an appropriate level of concentration of these enterprises in small towns; small factories should not dot the countryside. An appropriate level of concentration can have benefits such as reducing land use, controlling pollution and maximizing infrastructure use as well as stimulating the development of tertiary industry. The disparity in rural development

between the central and western regions and the eastern region is primarily attributable to disparities in township and village enterprises. We need to accelerate the development of these enterprises in the central and western regions, promote cooperation between the three regions, and encourage labor-intensive processing industries in the coastal areas to gradually relocate to the central and western regions.

Third, we need to speed up scientific and technological progress, strengthen business management, and strive to improve the individual quality of township and village enterprises. Here, I especially want to emphasize a problem concerning their technological upgrading. The reason some of them enjoy such thriving vitality and hold such a strong position in fierce market competition is that they have a keen regard for science and technology as the primary productive force, and constantly develop and use new technology and develop new products. We need to intensify the technological upgrading of township and village enterprises, upgrade equipment, improve technology, adjust and optimize the mix of technologies, and encourage enterprises to become larger and produce better-quality, higher-grade products. We need to introduce advanced appropriate technology, improve enterprises' technological development and innovation capacity, and greatly increase the technological content of products. Many township and village enterprises accomplish more with less by cooperating with universities, colleges and research institutes and by recruiting highly qualified personnel; these practices merit promotion. We need to encourage graduates of polytechnic colleges and technical secondary schools and technical personnel laid off from urban enterprises to play a role in township and village enterprises. We should support technological upgrading projects that have a market and produce results, while at the same time strengthening enterprise management, developing a set of scientific, institutionalized and standardized management practices, and improving management for better returns. We need to rely on science and technology to raise the utilization rate of resources, cut down on the use of arable land, protect the environment and maintain sustainable development. Jiangsu has adopted the slogan, "We want not only mountains of gold and silver, but also clear water and green hills." This shows a sense of responsibility to future generations.

Fourth, we need to work hard to exploit markets and develop an outwardly oriented economy. Township and village enterprises have never participated in a planned economy. They need to look to the market to find

raw and semi-finished materials, capital and an outlet for their products. In the past, their existence, independent of the planned economy, was a headache; now it is an advantage. They need to make the most of this advantage, actively use domestic and international markets and resources, and compete both domestically and internationally. The rural market has a large capacity and great potential. We have a saying, "The waterfront pavilion gets the moonlight first." Township and village enterprises should take advantage of their proximity to the countryside, make capturing the rural market a top priority and produce reasonably priced goods that are popular with the rural population. Whoever leads the way in opening up the rural market will have vast scope for significant development; however, they also need to actively open up international markets and develop exports to earn net foreign exchange profit. Qualified enterprises can invest abroad, conduct processing operations and stimulate exports.

Fifth, we need to accelerate personnel training to produce a corps of well-qualified township and village enterprise managers. The crux of inter-company competition is competition in personnel. An important reason some township and village enterprises cannot adapt to market competition is that they undergo rapid development, but management quality cannot keep up. The intensity of personnel training needs to increase, and we need to develop a set of mechanisms for encouraging people with outstanding talent to reveal themselves, methods for training them and policies for encouraging them to contribute their skills and intelligence. We need to strengthen leading bodies in enterprises and give priority to training a large number of enterprise managers who understand the market economy and have endured hardships and withstood tests on the frontlines. Enterprise leaders need to study harder than ever before, promote the fine tradition of hard work and strive to improve their own quality.

#### **4. Strengthen leadership and promote sustained, rapid and sound development of township and village enterprises**

Party committees and governments at all levels need to give an important place on their agendas to accelerating the development of township and village enterprises. They need to conscientiously implement the principle of actively providing support, rational planning, adapting their guidance to circumstances, and exercising management in accordance with the law. They need to formulate and implement policies and measures to stimulate the development of township and village enterprises and strengthen guid-



ance on their reform. Relevant departments need to take an interest in the development of township and village enterprises and provide necessary support in the areas of credit, exporting, market financing, foreign capital utilization and technological upgrading projects. They need to effectively reduce the burdens on township and village enterprises, strictly eliminate non-tax fees and firmly put an end to the unwarranted pooling of funds and the arbitrary imposition of an array of fees and fines. Township and village enterprises bear the costs of social programs in the countryside and assume the task of supporting agriculture. Their burden is already heavy and we cannot go to them for help in other areas.

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<sup>1</sup> The “three favorables” are criteria put forward by Deng Xiaoping for judging right or wrong and success or failure in all of our work by whether it is favorable to developing the productive forces in a socialist society, to increasing the overall national strength of the socialist state, and to raising the living standards of the people. Cf. “Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai,” *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 360.

## DRAW UPON AND CARRY FORWARD THE GLORIOUS TRADITIONS OF THE MAY 4TH MOVEMENT\*

*May 4, 1998*

The Reform Movement of 1898 occurred a hundred years ago in China at a historical juncture, when imperialist powers invaded China and our nation's very survival hung in the balance. At that time, a group of patriots called for strengthening the country through education. It was against this historical backdrop that Peking University came into being. As you know, at a time when our country could not control its own destiny, it was obviously difficult to strengthen the country through education alone. Nevertheless, the establishment of Peking University and other institutions of higher education marked the beginning of modern education in China, and also manifested the Chinese people's fervent desire to seek new knowledge in order to save the nation from the perils it faced on the threshold of the 20th century.

During the course of the 20th century, the fate of the Chinese nation experienced an historical turning point and dramatic changes. During the first half of the century, under the leadership of the CPC, the Chinese people struggled indomitably for national independence and liberation and finally succeeded in founding New China. In the second half of the century, under the Party's leadership, they went through a period of hardship while exploring the means for bringing prosperity and strength to the country, and finally adopted the correct path of building socialism with Chinese characteristics. The great cause of reform, opening up and modernization is now showing the world a bright future for the complete rejuvenation of the Chinese nation.

Through the last century, Peking University has advanced with the times and become a university renowned both at home and abroad. It has a glorious revolutionary tradition, it was the center of the New Culture Movement and the birthplace of the May 4th Movement, and it took the lead in disseminating Marxism and ideas of science and democracy in China. The principal founders of the CPC, famous early activists,

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\* Speech at a celebration of the centennial of Peking University.

pioneers of the New Culture Movement and well-known progressive scholars either worked or studied here at one time. When Comrade Mao Zedong worked here, as a result of reading works disseminating Marxism and acquiring a detailed understanding of the October Revolution, his thought rapidly developed a Marxist orientation. Peking University occupies an important position in our nation's education, academic activities and culture. It has trained generations of talent for the motherland, achieved many great accomplishments in the social and natural sciences, and contributed enormously to our country's revolution, construction and reform.

Mr. Lu Xun once said, "Peking University is constantly innovating, stands in the vanguard of the reform movement, and is working to set China on a course for progress and a better future."<sup>1</sup> The glorious traditions of patriotism, progress, democracy and science Peking University has created in the long course of its development and struggle and the fine academic atmosphere of constant study, realism, innovation and betterment it possesses vividly reflect the Chinese national spirit of constantly improving oneself and breaking new ground, and form an important source of its eternal vitality. This kind of fine tradition and spiritual drive will carry on forever.

At this moment, I cannot help but think about my time as a university student more than 50 years ago. Back then, China was in desperate straits; the country was devastated and the people lacked the means of survival. The Chinese people were carrying out a struggle to resist foreign invasion, overthrow reactionary rule and liberate themselves. Although the environment was harsh and they lived in difficult conditions, large numbers of patriotic, progressive young people studied furiously, sought truth and threw themselves wholeheartedly into the people's revolution. A half-century has passed since then, but I still benefit from the scientific and cultural knowledge I gained, the moral values that I learned, and the ideals of life that I developed back then as a student. The time students spend at college has a profound effect on their lives, and I hope that you students, now in the flower of youth, cherish this time dearly.

The 21st century is almost upon us. Under the leadership of the Party, the people of all our country's ethnic groups are steadfastly holding high the great banner of Deng Xiaoping Theory, comprehensively building socialism with Chinese characteristics, and resolutely turning our great motherland into a prosperous, strong, democratic, culturally advanced and

modern socialist country. In order to achieve this magnificent goal, we must stay closely focused on the central task of economic development and untiringly implement the strategy of rejuvenating the country through science and education.

In the contemporary world, science and technology are progressing at lightning speed; signs of the appearance of a knowledge economy are stirring; and competition in national strength is increasingly intense. Comrade Deng Xiaoping repeatedly taught us that science and technology are the primary productive force and that we must respect knowledge and talent. His important thinking on these matters is the theoretical foundation for implementing the strategy of rejuvenating the country through science and education. The whole Party and all of society need to recognize the major role that knowledge innovation and talent development play in economic development and social progress, and we need to genuinely make rejuvenating the country through science and education a common understanding and an actual practice of the entire nation.

Our universities should become a powerful force for rejuvenating our country through science and education. Education should be closely integrated with economic and social development and provide knowledge and talent to support modernization. This is the direction of education reform and development as we enter the 21st century. Everyone needs to continue to emancipate their minds, deepen reform and gear themselves to the needs of modernization, the world and the future. We must strive to create a new, vibrant phase in personnel training and knowledge innovation in the fields of education and scientific research.

To achieve modernization, our country needs a number of world-class universities. They should be a cradle for training high-quality, creative talent; a vanguard that discovers unknown worlds, seeks objective truth and provides the scientific basis for solving the major problems faced by humanity; an important force for creating new knowledge and translating scientific and technological results into real, productive forces; and a bridge where the best of our national culture and the advanced cultural achievements from the rest of the world can communicate and learn from each other.

Today is Youth Day. Seventy-nine years ago, patriotic youths at Peking University launched the epoch-making May 4th Movement. At root, the spirit of this movement is the patriotic spirit of the Chinese nation. All young people in China today need to draw upon and carry forward the



movement's glorious traditions, energetically undertake the historic mission of rejuvenating our nation, and accomplish great deeds worthy of the times and the people.

Here, I would like to express several hopes I have for Peking University students, students at all other universities and all the youth of China.

I hope you steadfastly integrate the study of science and culture with the strengthening of ideological cultivation. First of all, you need to study hard and gain a mastery of modern science and culture. This is an important prerequisite for being an accomplished person. In addition to having expertise in a particular field, you also need to have a broad range of knowledge and use all the outstanding cultural achievements created by human society to enrich and elevate yourselves. Combining the search for knowledge with self-improvement is a fine cultural tradition of the Chinese nation. Without good ideological and moral character, you cannot properly dedicate the knowledge you learn to your motherland and the people, and it will be hard for you to accomplish much of anything. Cultivating yourself ideologically and refining your character, and adopting a correct worldview, outlook on life, and sense of values when you are young, will have great, long-lasting effects on your struggles and successes throughout your life.

I hope you steadfastly integrate book learning with social practice. Healthy maturation requires learning not only from books, but also from social practice and consciously engaging yourself into the intense activity of reform, opening up and modernization. People's social practice is a source for constantly refreshing and developing their knowledge, the touchstone for testing truth, and an effective way for young people to grow soundly. Young people need to resolve to go where they are most needed by the motherland and the people and where conditions are difficult. They need to strengthen their will, temper their character, put what they have learned into practice and continue to learn from experience. One learns about life through hardship and acquires skills through practice. This is a distillation of the experience of countless people's path to success throughout the ages.

I hope you steadfastly integrate realizing your personal values with serving the motherland and the people. Young people are full of dreams and ambitions and yearn for a bright future. This is a distinctive feature and one of the strong points of youth. But you must be aware that personal ambition cannot be achieved in isolation and that you can fully re-

alize your personal values only if you integrate your ambitions intimately with the needs of the times and the people, and use your knowledge and ability to serve our motherland and the people. If you separate yourselves from the times and the people, nothing will be accomplished. The reform, opening up and modernization we are carrying out on a magnificent scale sets a broad stage on which the youth of all of our ethnic groups can showcase their talents and realize their ambitions. You are fortunate to be growing up in this age. Today's youth need to learn humbly from the earlier generations of revolutionaries and the masses and let the brilliant luster of youth shine forth through their wholehearted dedication to the motherland.

I hope you steadfastly integrate your pursuit of lofty ideals with a willingness to work hard. Young people need ideals, and they also need the unshakable conviction that they will realize these ideals with a fighting spirit that is earnest, down to earth, and indomitable. Building socialism with Chinese characteristics and rejuvenating the Chinese nation is a formidable undertaking. Our country is now in the primary stage of socialism and will remain there for a long time to come, and we will inevitably encounter all kinds of difficulties and challenges on the road ahead. Young people must fully understand our country's conditions, firmly and unflinchingly prepare themselves mentally, and not become blindly optimistic when things are going well or become disheartened and pessimistic when they encounter difficulties. It is difficult to start anything new, but hard work leads to success. Throughout history, victory and success have always gone to those with lofty ideals, firm convictions, and those who struggle hard.

After another half century of arduous work, when we reach the centenary of the People's Republic, our country's socialist modernization will be basically accomplished. At that time, the dream of countless people with high aspirations of rejuvenating the Chinese nation will become a reality; the Chinese people will lead a prosperous and civilized life in a moderately developed country, and the Chinese nation will contribute more to humanity.

The future of our motherland is infinitely bright, and the young people's future is infinitely bright too. The motherland and the nation place their hopes in the hands of the youth. I hope all our youth and all the people of our country unite with one heart and one mind under the guidance of the Party's basic theory and line, boldly break new ground, and progress

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toward the new century, the glorious goal of modernization, and the great rejuvenation of the Chinese nation.

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<sup>1</sup> “Peking University in My Eyes,” *The Complete Works of Lu Xun*, Chin. ed., People’s Literature Publishing House, Beijing, 2005, Vol. III, p. 168.

## TASKS FOR WORK RELATED TO TAIWAN IN THE NEW CIRCUMSTANCES\*

*May 11, 1998*

Settling the question of Taiwan and attaining complete reunification of the motherland is the lofty ideal of the people of all of our country's ethnic groups and a great historic task our Party must accomplish. Since the Central Committee adopted the basic principle of "peaceful reunification and one country, two systems" and other related policies, we have made great progress in our work related to Taiwan, and great changes have taken place in cross-Straits relations and the situation in the Straits.

After thorough analysis of the situation facing the question of Taiwan, the Central Committee has determined the key goals for our work related to Taiwan in the near future: to continue to contain the efforts of secessionist forces advocating Taiwan independence and the Taiwan authorities to create "two Chinas" or "one China, one Taiwan" in the international arena, and ensure that Taiwan's status as an integral part of China does not change; to significantly increase cross-Straits economic cooperation and the HKSAR's and Macao region's economic cooperation with the Taiwan region; to hold high the banner of political negotiations on the basis of the one-China principle and formally bring to an end the state of hostilities across the Straits; to strive to make further progress toward the establishment of direct mail, transport and trade links between the two sides of the Straits; and to focus on our work related to the Taiwan people, while also doing a good job in our work related to Taiwan's political parties and prominent figures from all walks of life.

### **1. We need to resolutely uphold the one-China principle.**

Upholding the one-China principle is the foundation and prerequisite for developing cross-Straits relations and achieving peaceful reunification as well as the most powerful weapon for opposing any attempt to separate Taiwan from China and opposing any foreign interference in the Taiwan question. It is also an important matter of principle concerning our country's sovereignty and territorial integrity, and we definitely cannot afford to

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\* Excerpt from a speech at a Central Committee meeting on work related to Taiwan.



vacillate on this issue.

There is only one China in the world, and Taiwan is an inseparable part of China. The government of the People's Republic of China is the only legitimate government of China, and the only legitimate representative of China in the international arena. This is a principle that must be adhered to in establishing and developing diplomatic relations with all countries. In order to promote the development of cross-Straits relations and progress toward peaceful reunification, we propose that, before reunification is achieved, the one-China principle must be upheld in all matters concerning cross-Straits relations. That is, we must insist that China's sovereignty and territorial integrity are indivisible. This is the basic premise and political foundation for cross-Straits political negotiations. As long as the indivisibility of China's sovereignty and territorial integrity is acknowledged, all other matters may be set aside for gradual resolution through cross-Straits negotiations.

**2. We need to further increase cross-Straits economic and cultural exchanges and visits by individuals, and establish the “three direct links” as soon as possible.**

In the long run, increasing cross-Straits economic and cultural exchanges and visits by individuals will be beneficial for promoting peaceful reunification. In our economic work concerning Taiwan, we need to fully implement the relevant Central Committee principles and policies, continue to implement the policy of giving Taiwan investors a right of preemption if all other conditions are equal and appropriately relaxing restrictions, continue to adopt effective measures to attract investment from Taiwan, and protect the legitimate rights and interests of Taiwan businesses in accordance with the law. Establishing the “three direct links” has already become a necessity for Taiwan's economic development, and we should make full use of these advantageous conditions to speed up their establishment. We need to unite with Taiwan compatriots and work with them to promote the outstanding traditions of Chinese culture. We need to adopt effective measures to counter Taiwan independence activities carried out by secessionist forces, and safeguard and develop relations between our Taiwan compatriots and the mainland. We need to maintain and seek to increase the current volume of cross-Straits visits by individuals, while remaining highly vigilant against political infiltration by the Taiwan authorities.

**3. We need to greatly enhance our work related to the Taiwan people.**

Winning the hearts of the Taiwan people is an important basis for achieving the reunification of the motherland. Doing our work related to the Taiwan people well in order to win over and unite with Taiwan compatriots so that they join with us to achieve the complete reunification of the motherland will always be an important goal in our work related to Taiwan. No matter what form reunification takes, it must have wide support among the Taiwan people; otherwise, it will meet considerable resistance and maintaining long-term political stability in Taiwan after reunification will be difficult. All Party members, especially high-ranking cadres, need to fully realize the great importance of this work.

Our Taiwan compatriots have a glorious patriotic tradition. Nevertheless, we must also recognize that many Taiwan compatriots have misgivings about reunification to varying degrees and many others advocate maintaining the status quo owing to a number of complex historical and practical reasons, including the period of Japanese colonial rule of Taiwan, especially the Kominka Movement;<sup>1</sup> the violent suppression of the 228 Incident<sup>2</sup> by the Kuomintang (KMT), suppression of the Taiwan people and long history of anti-Communist propaganda; and the United States' adherence to its policy of interfering in the Taiwan question. Our work related to the Taiwan people needs to be targeted, and we need to strive to understand the thoughts and hopes of our Taiwan compatriots and clear up their suspicions and doubts. We need to clearly enunciate this basic principle so that our Taiwan compatriots understand: If Taiwan leaves the motherland, it will certainly fall under the control of meddling foreign forces and slip into a precarious situation. We need to make sure our Taiwan compatriots understand that reunification will not change Taiwan's present social system and their way of life, and that all of their rights and interests will be fully respected and protected. We need to make great efforts to gradually create and invigorate a force in Taiwan's society capable of blocking Taiwan independence, opposing secession and promoting the development of cross-Straits relations. We must strive to win support for reunification among the vast majority of our Taiwan compatriots on the basis of the basic principle of "peaceful reunification and one country, two systems."

In short, our work related to the Taiwan people is the most concrete, practical and effective work we can do. This work is not just the work of comrades of the central leadership, but also the leaders of the departments under the Central Committee, and the ministries and commissions of the

State Council as well as heads of provinces, autonomous regions and municipalities directly under the central government. Not only do all Party members need to do it, but we must also mobilize and organize all social forces to do this work and to constantly achieve results.

**4. We need to continue to hold high the banner of cross-Straits political negotiations.**

Our Party has always advocated solving the question of Taiwan through negotiations, and it has gradually enriched, improved and developed its advocacy of cross-Straits negotiations. In the present situation, we can temporarily set aside the issue of peaceful reunification and first discuss formally ending cross-Straits hostilities under the one-China principle. We will strive through negotiations to persuade the Taiwan authorities to cease their secessionist activities and their activities in the international arena to create “two Chinas” or “one China, one Taiwan,” and make plans for developing cross-Straits relations before reunification, with reunification as the goal. This position upholds the principled position of peaceful reunification through negotiation and is highly practicable and feasible. It is also capable of eliciting broad support from our Taiwan compatriots and the understanding of the international community. Of course, bringing about cross-Straits political negotiations will involve a difficult and complex struggle.

We need to hold high the banner of political negotiations and actively promote the process of political negotiations between the mainland and Taiwan. Carrying out such negotiations will help to promote the development of cross-Straits economic relations and various nongovernmental exchanges; achieve the “three direct links”; further contain the activities of secessionist forces advocating Taiwan independence; and win over the hearts of the Taiwan people as well as international public opinion. At present, we can first strive to hold procedural consultations preparatory to political negotiations to decide the agenda, name and location for formal negotiations and related issues. Even if no decisions are reached at first, at least we can create a mechanism to discuss political questions; this will facilitate our work related to the leaders of the Taiwan authorities.

**5. We need to firmly oppose and contain activities aimed at creating “two Chinas” carried out by Taiwan independence secessionist forces in the international arena.**

Over the years, our diplomatic work, including Taiwan-related diplomacy, has made overall progress, and the basic situation is that we are stronger than Taiwan and have the upper hand. The Taiwan authorities will not abandon their so-called “pragmatic diplomacy,” and we need to maintain the highest vigilance. We need to intensify international publicity on the one-China principle and expose the essence of Taiwan’s “pragmatic diplomacy” as damaging to China’s sovereignty and territorial integrity. We need to contain and prevent other countries from developing substantive relations with Taiwan. We will continue to firmly oppose arms sales to Taiwan by the United States. We will continue to oppose the attempts of the Taiwan authorities to find a way to participate in United Nations activities, and we will not permit Taiwan to join United Nations organizations or other international intergovernmental organizations whose membership is restricted to sovereign nations. We also need to firmly combat the efforts of the Taiwan authorities to establish diplomatic relations with countries that China enjoys diplomatic relations with and oppose dual recognition. In short, we absolutely cannot allow Taiwan independence secessionist forces any international space in which to carry out secessionist activities aimed at creating “two Chinas” or “one China, one Taiwan.”

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<sup>1</sup> The Kominka Movement was a vain attempt by the Japanese colonialists during their occupation of Taiwan to erase the national consciousness of our Taiwan compatriots and the influences of Chinese culture, and to enslave our Taiwan compatriots and turn them into loyal subjects of the Empire of Japan. In 1937, the Japanese colonial authorities carried out the Kominka Movement on a large scale in coordination with its war of aggression against China. The movement’s primary methods were to forcibly spread the use of the Japanese language, prohibit the use of Chinese or local dialects in everyday life, and halt the publication of Chinese language newspapers and periodicals. The Japanese forced the people on Taiwan to adopt a Japanese lifestyle and Japanese names, and forbid them from wearing Chinese clothes or celebrating traditional Chinese holidays. They closed Chinese temples and substituted worship at Japanese shrines for the ancestor worship the Taiwan people had practiced for generations. They intensified ideological education in order to make Taiwan people subjects of the Japanese Emperor, forced Taiwan students to submit to Japanese civic training, vilified China, obliterated the conception of China as their motherland from the minds of Taiwan youth, and taught the Taiwan people to revere the Japanese emperor and be loyal to Japan. They strengthened control over ideology and culture, forced Taiwan writers to write and magazines to publish imperial literature, and forbade the performance of traditional Chinese operas. The Kominka Movement met with stiff opposition and resistance by our Taiwan compatriots throughout. China achieved victory in its War of Resistance Against Japanese Aggression in 1945, whereupon Taiwan reverted to China and the Kominka Movement ended in failure.

<sup>2</sup> The 228 Incident was a patriotic and democratic movement by our Taiwan compatriots against the reactionary KMT rule. After victory in the War of Resistance Against Japanese Aggression, Taiwan reverted to China and our Taiwan compatriots rejoiced in returning to the motherland. However, the KMT authorities took over Taiwan and exercised dictatorial rule over its people. Official corruption



was rampant, military police ran amok, food panics swept the island, prices soared, and unemployment was rife, all of which led to great dissatisfaction among the Taiwan people. On February 27, 1947, anti-smuggling officers of the Taiwan Tobacco and Wine Monopoly Bureau and police officers in Taipei savagely beat cigarette vendors and opened fire on a crowd, killing one bystander. The next day, the residents of Taipei staged a shopkeepers strike and held a demonstration to present a petition to the government demanding punishment of the perpetrators and compensation for the victims. This immediately turned into a large-scale, province-wide armed uprising. The rebels proposed to conduct political reform and to eradicate autocracy and corruption. The KMT authorities mobilized the army to suppress the uprising.

## TALENTED PEOPLE ARE THE KEY TO INNOVATION\*

*June 1, 1998*

In today's world, rapid progress is being made in science and technology, as exemplified by information technology, the transformation of advances in new and high technologies into actual productive forces is being increasingly accelerated, and the first signs of an emerging knowledge economy indicate that mankind's economic and social life is about to undergo massive change. Countries throughout the world are rapidly formulating development strategies for the new century and competing to occupy the high ground in science, technology, industry and the economy. Faced with this situation, we must conform to the trend and ride on the momentum.

The key to meeting future scientific and technological challenges is persistent and bold innovation. I have said before, innovation is the soul of a nation's progress, and an inexhaustible force driving a country's prosperity. Today I would like to further state that scientific and technological innovation is increasingly an important basis for and symbol of the liberation and development of contemporary productive forces. The Chinese nation is an industrious and intelligent nation as well as a nation abounding in the spirit of innovation. I hope you academicians of the two academies, and scientists and engineers working in all fields, further carry forward the great innovative spirit of our nation, speed up the development of a scientific and technological innovation system for contemporary China and enhance our overall scientific and technological innovative capabilities. This is vital for achieving our grand cross-century development goals and the great rejuvenation of the Chinese nation.

I repeatedly stress scientific and technological innovation out of consideration for the requirements of our country's modernization drive and the rapid development of science and technology worldwide. I was a leader in the Ministry of Electronics Industry in the early 1980s. At that time,

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\* Excerpt from a speech at a meeting with Chinese and foreign academicians of the Chinese Academy of Sciences and the Chinese Academy of Engineering attending the Ninth Academician Conference of the Chinese Academy of Sciences and the Fourth Academician Conference of the Chinese Academy of Engineering.

we dreamt of China producing its own integrated circuits, beginning with 64K and 256K. Now, the level of the world's integrated circuit industry has risen spectacularly. Last year, while visiting the United States, I visited Bell Labs. They informed me they had already reduced the width of wires in integrated circuits to 0.25 microns, and could possibly reduce it to 0.05 microns between 2010 and 2012. Scientific and technological progress is truly endless. Demonstrated mathematically, the universe is infinitely large and the microcosm is an infinitesimal part of it. *Zhuangzi* records a similar way of thinking at that time, "Take a stick one foot long, if you cut away half every day, there will still be something left of it after 10,000 generations."<sup>1</sup> Last year, while delivering a speech at Harvard University, I quoted this passage to show that in ancient times, the Chinese already knew that development and change in things are boundless and their understanding of nature had already reached a considerable level. The first lesson our teacher gave us, during my second year calculus class in senior secondary school, was a lecture on the thinking of *Zhuangzi*, and it graphically enabled me to formulate a conception of limits. The facts of scientific and technological development in today's world corroborate this thinking. A few years ago people talked about the information superhighway, then they talked about the knowledge economy, and recently American Vice President Al Gore spoke of a Digital Earth. Science and technology truly are developing at an amazing speed.

If our country is going to keep pace with world scientific and technological progress, we must do everything possible to speed up knowledge innovation and the industrialization of new and high technologies. Human talent is the key to innovation. One group of outstanding young people must rise to prominence on the heels of another, and we must train a large number of young scientists and engineers. Many of our country's major scientific and technological achievements would not have been possible without the lifelong, painstaking work of our older generation of scientists. At the same time, many young scientists and engineers continue to grow and mature with the help of the older generation of scientists, and now have a leading role and comprise the main force driving our country's scientific and technological progress. This is a very gratifying situation.

A general survey of the history of scientific and technological development in the world reveals that many important discoveries and inventions were made by scientists in their prime, when a person's thinking is most agile. This is a general rule. Nicolaus Copernicus<sup>2</sup> propounded his helio-

centric model of the universe when he was 38. Isaac Newton was 22 and Gottfried Wilhelm von Leibniz<sup>3</sup> was 28 when they each separately invented calculus. I read Newton's *Mathematical Principles of Natural Philosophy*, which he wrote when he was only 43. Charles Robert Darwin<sup>4</sup> was only 22 when he began his circumnavigation of the globe, after which he wrote *The Origin of Species*. Thomas Alva Edison<sup>5</sup> invented the phonograph and the electric light bulb when he was 30 and 32, respectively. Alexander Graham Bell<sup>6</sup> was 29 when he invented the telephone. Madame Curie<sup>7</sup> was 31 when she discovered the three radioactive elements radium, thorium and polonium, for which she won the Nobel Prize, and she won a second Nobel Prize at age 44 when she discovered polonium, radium and isolated pure radium. Albert Einstein<sup>8</sup> was 26 when he formulated the special theory of relativity and 37 when he formulated the general theory of relativity. His handwritten manuscript of his paper expounding the special theory of relativity is in an Israeli library, and I have a copy of it given to me by the President of Israel. My German is not very good and I cannot completely understand his argument, but I can see that he made a number of corrections to the manuscript. This shows that in formulating a correct line of thought and propounding a scientific principle, a scientist needs to undergo a process of repeated reflection, research and revision. Tsung-Dao Lee was 30 and Chen-Ning Yang<sup>9</sup> was 34 when they predicted that parity is not conserved in weak interactions. James Dewey Watson was 25 and Francis Harry Compton Crick<sup>10</sup> was 37 when they discovered the double-helix structure of DNA. I pay close attention to scientific and technological progress, and I try to understand scientific inventions regardless of whether they are historical or modern, or domestic or foreign. Nowadays, no matter whether in bioengineering or cosmology, in macroscopic or microscopic research, development and change occur rapidly and new inventions emerge in an endless stream. There are heavens beyond the heavens. Members of the scientific community should write a number of books introducing world-famous scientists, scientific discoveries and technological innovations in order to disseminate basic scientific and technological knowledge among cadres and ordinary people, especially young people.

This principle applies not only to the natural sciences. Many outstanding social scientists and statesmen made their greatest achievements when they were young. *The Communist Manifesto* was published when Karl Marx was 30 and Frederick Engels was 28. Marx wrote the "Preface to *A Contribution to the Critique of Political Economy*" 11 years after the publication of



*The Communist Manifesto* when he was only 41. When he attended the First National Congress of the CPC, Comrade Mao Zedong was 28, while Chen Duxiu<sup>11</sup> was only 42 when elected Secretary of the CPC Central Bureau at the congress, and previously had long been a distinguished professor at Peking University. When the People's Republic was founded, Comrade Mao was only 56 and Comrade Deng Xiaoping was 45. In addition, many of our country's great scholars achieved success and won recognition while still in the flower of youth. In the Western Han Dynasty [206 BC-AD 25], Jia Yi<sup>12</sup> died when he was 32. Comrade Mao praised his "Strategy for Maintaining Public Order" as "the finest political treatise produced during the Western Han Dynasty."<sup>13</sup> Wang Bo<sup>14</sup> wrote the famous classical poem "Preface to the Pavilion of Prince Teng," which contains the famous verse, "The clouds at sunset drift along with a solitary duck in flight / The autumn stream mirrors the color of the sky." His literary talent and artistic conception are outstanding. When I was at school, my classical Chinese teacher told us that Wang Bo wrote the poem when he was only a teenager; however, Wang's alleged youthfulness was probably overstated. He actually wrote this poem in Nanchang while he was passing through during a trip to the south to visit his father. Later, on that same trip, he drowned and died at the age of 27.

The reason I mentioned these examples today is to illustrate a basic truth: Scientific and technological progress and the advancements of all social programs depend on constant innovation, innovation depends on talent, and it particularly depends on talented young people constantly coming to the fore.

Our reform, opening up and modernization are constantly moving forward and it is extremely important to keep promoting younger staff into the ranks of cadres and professional groups. Last year, when we held the Fifteenth National Party Congress, while considering the issue of personnel arrangements, we had an important guiding ideology, namely, that we needed to make the central leadership younger. Half the members of this Central Committee are serving for the first time, and most of these new leaders are young or relatively young. The waves of the Yangtze River from behind drive on those before, and each new generation replaces the one before it. In one of Li Bai's<sup>15</sup> essays, "Spring Evening Banquet in the Peach and Plum Garden," he says, "Heaven and earth are a wayside inn for all things; yet time is a visitor that every age brings." Li was a great literary figure, yet he realized that space and time are integrated in a four-dimensional matrix.

The new supersedes the old ceaselessly. The young always replaces the old, and blue comes from the indigo plant but is bluer than the plant itself. These are general laws of nature and human society. The best age for creative mental activity is generally in one's 20s and 30s. Young people are not only quick-witted and energetic, but they are also the fastest to accumulate and master knowledge and experience, are the least set in their ways and the boldest in thought and action, and have a number of other advantages; therefore, people make the majority of their discoveries and innovations when they are young. Of course, there are examples of great minds maturing slowly. For example, Thomas Hunt Morgan<sup>16</sup> developed his theory of genes while he was between the ages of 49 and 60. This can be considered a unique example. We must make great efforts to train and utilize young people. This should become an important guiding ideology that propels our scientific and technological innovation, knowledge innovation and innovation in all other areas. Young people must be determined to study, catch up with and surpass their elders, and their elders need to enthusiastically help and encourage them as well as sincerely guide and support them. I believe that the great age of building socialism with Chinese characteristics will be a time in which knowledge innovation constantly occurs, new things and achievements constantly appear, everyone strives to be first, and talented people emerge in great numbers.

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<sup>1</sup> Zhuangzi, "The World."

<sup>2</sup> Nicolaus Copernicus (1473-1543), a Polish astronomer and the founder of modern astronomy, expounded the heliocentric theory in *On the Revolutions of the Heavenly Bodies*, written between 1510 and 1514.

<sup>3</sup> Isaac Newton (1643-1727), a British physicist, mathematician and astronomer, created the laws of motion, which are the foundation of classical mechanics, and discovered the universal law of gravitation. Gottfried Wilhelm von Leibniz (1646-1716) was a German natural scientist, mathematician and philosopher, the founder of mathematical logic, and one of the persons most representative of idealist rationalism. Newton developed calculus in 1665, before Leibniz did, but he did not publish his findings. Leibniz subsequently developed it independently. Later generations regarded them as cofounders of calculus.

<sup>4</sup> Charles Robert Darwin (1809-82) was a British naturalist and the creator of the theory of evolution. He began a five-year voyage around the world in 1831, during which he collected a large number of animal and plant specimens and geological materials and formulated the concept of biological evolution. In 1859, he published his famous *Origin of Species*, in which he propounded the theory that evolution occurs through natural selection.

<sup>5</sup> Thomas Alva Edison (1847-1931), an American inventor, invented the phonograph in 1877, and the light bulb in 1879. His inventions, made either independently or in cooperation with others, received more than one thousand patents.

<sup>6</sup> Alexander Graham Bell (1847-1922), an American inventor, invented the telephone in 1876.

<sup>7</sup> Marie Curie (1867-1934), a French physicist and chemist, and originally a Polish citizen, discovered the two radioactive elements polonium and radium and the radioactivity of thorium in 1898. She won the Nobel Prize in Physics in 1903 along with Pierre Curie and Antoine Henri Becquerel for their research on radiation phenomena. She won the Nobel Prize in Chemistry in 1911 for discovering polonium and radium and isolating pure radium.

<sup>8</sup> Albert Einstein (1879-1955), a physicist, was born in Germany and later had Swiss and American citizenship. He made outstanding contributions in a number of areas of physics, the most important of which are the formulation of the special theory of relativity in 1905, and the formulation of the general theory of relativity on that basis in 1916. He won the Nobel Prize in Physics in 1921, for his contributions to theoretical physics, particularly his discovery of the photoelectric effect.

<sup>9</sup> Tsung-Dao Lee (1926- ) and Chen-Ning Yang (1922- ), Chinese-American theoretical physicists, predicted in 1956 that parity is not conserved in weak interactions. They won the Nobel Prize in Physics in 1957.

<sup>10</sup> James Dewey Watson (1928- ), an American biologist and Francis Harry Compton Crick (1916-2004), a British biologist, proposed in 1953 that DNA has a double-helix structure. They shared the 1962 Nobel Prize in Physiology or Medicine with Maurice Wilkins.

<sup>11</sup> Chen Duxiu (1879-1942), a native of Shilipu, Huaining (now within the boundaries of Anqing, Anhui Province), was a chief leader in the May 4th new cultural movement and one of the principal founders of the CPC. He was elected Secretary of the Central Bureau of the CPC at its First National Congress in July 1921. He was the chief leader of the CPC for its first six years. He committed a serious error of Right capitulationism in the last period of the First Revolutionary Civil War (1924-27) and was dismissed from his position as paramount leader of the Central Committee in July 1927. Later, he became pessimistic about the future of the revolution and created a clique within the Party that carried out anti-Party activities. He was expelled from the Party in November 1929.

<sup>12</sup> Jia Yi (200-168 BC), a native of Luoyang (now in eastern Luoyang, Henan Province), was a political commentator and writer during the Western Han Dynasty.

<sup>13</sup> "Letter to Tian Jiaying," *Selected Correspondence of Mao Zedong*, Chin. ed., Central Party Literature Publishing House, Beijing, 2003, p. 497.

<sup>14</sup> Wang Bo (649/650?-676), a native of Longmen, Jiangzhou (now Hejin, Shanxi Province), was a writer during the Tang Dynasty.

<sup>15</sup> Li Bai (701-62) was a descendent of people from Chengji, Longxi (now in southwestern Jingning, Gansu Province). It is widely held that he was born in Changlong, Mianzhou, in the Tang Dynasty (now in southern Jiangyou, Sichuan Province), though some hold that he was born in Suyab (now near Tokmok in northern Kyrgyzstan, which was administered by the Anxi Frontier Command during the Tang Dynasty). He was a Tang Dynasty poet.

<sup>16</sup> Thomas Hunt Morgan (1866-1945) was an American experimental embryologist and geneticist. He won the Nobel Prize in Physiology or Medicine in 1933 for his contributions to the development of genetics. His major works include *The Theory of the Gene* and *Experimental Embryology*.

## LEADING CADRES NEED TO SET AN EXAMPLE IN THEIR THOUGHT AND WORK STYLE<sup>\*</sup>

*June 2, 1998*

Whether or not the thought and work style of leading cadres are correct is extremely important and directly affects whether the Party's theory, line, principles and policies can genuinely be implemented and the cause of the Party and people can continually achieve success; therefore, thought and work style are an important political issue.

The international situation is generally easing, but we must be acutely aware that some things will go smoothly but others will be complicated. Rivalries and contests between different forces in the international community and conflicts and disputes between countries will not change to conform to people's wishes. Domestically, all aspects of reform are deepening, the task of modernization is extremely arduous and our country is still experiencing the lingering effects of the Asian financial crisis. We therefore need to increase our sense of urgency and responsibility in all our work. All this imposes even higher demands on the thought and work style of leading cadres.

The development of anything is never smooth sailing, and the maturation of cadres is no exception. It is hard for a cadre, especially a leading cadre, to grow and mature to take on heavy responsibilities if he or she has never encountered difficulties and obstacles or withstood the test of dangers and risks. Like product development, you need to conduct a great deal of testing before production. During the revolutionary war, our leading cadres underwent the test of gunfire and combat with the enemy. We do not engage in combat in times of peace, and nowadays we rarely face life-or-death situations, but we are tested in other ways, such as by sugar-coated bullets, and a variety of complex situations and difficult conditions. Being transferred from the coastal region to work under harsh conditions in the northwest is just such a test. During the war years, most of our leading cadres were unmarried and they could transfer at a moment's notice.

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<sup>\*</sup> Excerpt from a speech at the second workshop held for Central Committee members and alternate members to study Deng Xiaoping Theory and the guiding principles of the Fifteenth National Party Congress.



Today, most of them are married with children, so we must consider a variety of practical problems and cannot set the same demands on them as in wartime. Nevertheless, leading cadres at all levels must put the Party and people's cause first, have the courage to accept hardship postings, and toughen up and grow through practical struggle. We must continue to impose this demand. When organization departments evaluate cadres, they should consider whether they have undergone and can undergo such tests and what they have actually accomplished in their work. If a leading cadre lacks a sound way of thinking and a good work style, he or she cannot pass tests and achieve concrete results. While strengthening the thinking of the entire Party and improving its work style, leading cadres, especially high-ranking ones, need to set an example.

First, leading cadres at all levels must always maintain a high degree of unity with the Central Committee on matters of thought and politics. This kind of unity is reflected by resolutely supporting and implementing the Central Committee's line, principles and policies and in consciously safeguarding its authority. The Fifteenth National Party Congress established Deng Xiaoping Theory as the Party's guiding ideology and creatively used it to enact a series of important policy decisions concerning reform, opening up and modernization. Whether or not leading cadres at all levels can completely and correctly understand and implement Deng Xiaoping Theory and the arrangements and policy decisions reached at the Fifteenth Congress is the most important and practical test of whether they maintain unity with the Central Committee. If leading cadres verbally express support for Deng Xiaoping Theory and the arrangements and policy decisions of the Fifteenth Congress, but in reality do nothing of the sort and even choose to take their own path in a completely different direction, then this work style of saying one thing and meaning another is incompatible with the Party's fine work style of suiting one's actions to one's words. Another important point is that, when judging whether leading cadres maintain unity with the Central Committee, we need to look at whether they can take the realities of their locality or department into consideration and creatively do their work in order to genuinely put the Central Committee's decisions and arrangements into practice. Our country's territory is vast, and conditions vary greatly from place to place. For example, coastal areas such as Jiangsu, Zhejiang, Guangdong and Shanghai have always been rich in fish and rice, and now their economies are relatively developed. By contrast, conditions in the central and western regions, especially some areas

in the west, are still very harsh and the people, still relatively poor. Leaders in different localities or departments cannot just apply the Central Committee's guiding principles in a mechanical and inflexible way. Rather, they must be adept at implementing them in light of the concrete realities of a certain region or department and fulfill the basic requirements of the Central Committee's unified arrangements and policy decisions. Only in this way will the Party's principles and policies translate into willing, actual behavior on the part of the masses, and thus constantly break new ground in reform and development. When leading cadres stress politics, they must first and foremost maintain a high degree of unity with the Central Committee. This is the most important criterion in determining whether or not they are politically robust.

Second, leading cadres at all levels must be adroit at mobilizing and organizing the masses to act together. Leading cadres bear an important leadership responsibility for the cause of the Party and people. The most important aspect of leadership is to instill in the masses the Party's theory and line as well as its principles and policies, make sure the masses understand them, and then implement them in leading the masses. Without arduous and painstaking ideological, publicity and organizational work with the masses, it is impossible to genuinely mobilize and organize them, and the term "leadership of the masses" will also become empty talk. When judging whether leading cadres are competent, we cannot just look at whether they work enthusiastically; doing this would lower their standards to those of ordinary cadres. It is far more important to determine whether they can mobilize and organize the masses, gather together wisdom and strength from all quarters, mobilize and make use of the enthusiasm, initiative and creativity of the masses to the greatest possible extent, and unite with them in striving together to achieve the country's goals for economic and social development. Many of our older generation of proletarian revolutionaries excelled at ideological, publicity and organizational work with the masses. They could accurately take the pulse of the people, and were good at uniting with and inspiring the masses to fight for the people's interests, and they therefore became brilliant leaders. This is something wholly deserving of study by our present leading cadres. Some leading cadres are accustomed to sitting in their agencies issuing orders, and bureaucracy, commandism and formalism persist in their work. This arouses displeasure among the masses and makes it impossible for them to do good work. This kind of leadership style must change. In short, whether leading cadres at

all levels are adept at and constantly succeed in mobilizing the masses ideologically and organizing and uniting with them is an important test of their leadership ability and level as well as of their thought and work style.

Third, leading cadres at all levels must steadfastly implement the Party's principle of democratic centralism and learn to be resourceful and decisive. This is especially important for the heads of leading bodies at all levels. Whether leading cadres can decisively and correctly make decisions in their work in accordance with the principle of democratic centralism is an important criterion for evaluating their thought and work style. Since last year, I have constantly emphasized the need for leading bodies at all levels to adhere to four precepts: collective leadership, democratic centralism, discussions of matters before meetings and decision making in meetings. I believe, these four precepts reflect the basic spirit and requirements of the principle of democratic centralism.

For leading bodies at all levels to complete arduous tasks, they must formulate and implement effective decision-making mechanisms. When they decide a particular situation falls within the ambit of the Party's line, principles and policies, and the requirements of the Central Committee, they must resolutely make a decision, with drive and sweep, and they must not be irresolute and hesitant, thus missing an opportunity because of a delay. Long ago, our ancestors understood the importance of resourcefulness and decisiveness, and knew that indecisiveness at a critical moment could result in chaos. There is a couplet written on scrolls and hung on the pillars in Wuhou Memorial Hall in Chengdu, the second line of which reads, "A leader who does not correctly assess the situation and is either too strict or too lenient will make mistakes. Future rulers of Shu should take action only after careful deliberation."<sup>1</sup> Leading cadres at all levels, especially high-ranking ones, should take stock of the situation and resolutely make a decision. No matter what kind of work they do, they have to grasp opportunities, not forfeit them; otherwise, they will lose the initiative to break new ground. We can learn from the Party's experience in leading the people to victory in the revolutionary war and from other famous battles in world history: Seizing the right moment for combat and fighting a decisive battle to assure victory is of extreme importance.

Of course, making decisions decisively does not mean making them blindly. Before making a decision, one must deliberate a matter carefully and thoroughly, widely solicit opinions, and collect the wisdom of cadres and the masses to provide a correct and reliable basis for the decision. This

is the process of resourcefulness. Resourcefulness and decisiveness are a dialectical unity. If one fails to solicit or heed opinions, but rather relies solely on one's own opinion, or that of a few people, in deciding a matter, decisiveness turns into arbitrariness. If one hesitates and fails to decide promptly at a crucial juncture and thereby forfeits opportunities, decisiveness turns into irresolution. Both cases violate the principle of democratic centralism and the requirements of resourcefulness and decisiveness. Leading cadres at all levels should learn how to be resourceful and decisive in their work. From the perspective of the decision-making work of leading cadres and leading bodies, the process of implementing the Party's principle of democratic centralism is a process of being resourceful and decisive. In other words, steadfastly implementing the principle of democratic centralism is a reliable foundation for and important guarantee of resourcefulness and decisiveness.

Fourth, leading cadres at all levels must be farsighted, broadminded and indifferent to personal fame and fortune. Currently, stressing this issue holds particular significance. Before and after the Fifteenth Congress, shake-ups occurred in leading bodies in the Party and government at all levels, and a large number of cadres took up new important posts. The new leadership responsibilities imposed on these comrades require them to improve themselves more purposefully and energetically and to constantly make new progress in their thought and work style. It is extremely important for leading cadres to expand their horizons and be broadminded. The concept of magnanimity in ancient Chinese aphorisms advocates that people, especially government officials, should be compassionate and tolerant. We Communists serve the people, and leading cadres at all levels of the Party must be broadminded and magnanimous. Only in this way can they become adept at absorbing all kinds of rich knowledge and experience and listening to a wide variety of opinions, and thus constantly grow in skill and wisdom. They need to sincerely heed all opinions that are beneficial to improving their work and furthering the Party and people's cause, including opinions that are critical of them. If they are narrow-minded and intolerant of others and of conflicting opinions, they will close themselves off. In that case, not only will it be difficult for them to realize progress in their thinking and to do their work well, but they will also be in danger of becoming seriously detached from the people and totally isolated and unsupported. Of course, when I speak of magnanimity, I mean magnanimity subject to the premise that this upholds Party principles. On matters in-



volving major Party principles, we cannot equivocate or make concessions. To be broadminded, people need to strengthen their studies and self-cultivation in their practical lives. If they raise the level of their thinking, they will become broadminded and indifferent to personal fame and fortune, occupy a loftier vantage point and see far ahead.

Those bent on scheming to acquire fame and fortune will be exhausted by vanity and shackled by avarice, and I can say with certainty that they will be unable to expand their hearts, become high-minded or hold lofty ideals. Many comrades who joined the revolution during the war years had clear motivations and ideals. During the War of Resistance Against Japanese Aggression, they wanted to unite to expel the Japanese invaders from China. During the War of Liberation, they wanted to unite to overthrow the reactionary rule of the KMT and Chiang Kai-shek and establish a new China. Sacrificing their lives at any moment during their courageous struggle was an ever-present possibility, but they never harbored any thoughts for their own safety, fame and fortune, or paused to consider what they had to gain or what position they might obtain. This great fearless spirit of self-sacrifice for one's country and its people won the full support of the overwhelming majority of the people for the CPC. Communist Party members need to strive to win fame and fortune for their country and its people, and not merely strive, but be victorious again and again. But they must never seek fame and fortune for themselves.

I was elected a member of the Central Committee at the Twelfth National Party Congress. I knew nothing about this beforehand, and no one from the Party organization even told me I was a candidate. This is perfectly normal, because this arrangement is a concern of the Party organization, and individuals should not think or ask about it. The Central Committee transferred me from the Ministry of Electronics Industry and appointed me Mayor of Shanghai, and no one divulged this to me before the formal decision. I tell you this to emphasize a fine tradition our Party has always had, which is the work cadres do and the leadership positions they hold are decided by the Party organization. Cadres themselves should not consider their fame, fortune and position, and they should not think that after working so many years, they deserve a certain rank or position. We must carry on this fine tradition. Of course, the Party organization should fully and carefully ensure that each and every cadre is employed to best advantage based on the Party's policies on cadres, cadres' characters and talents, their work achievements, their performance in practical situations and especially

whether they have passed tests at critical junctures.

Fifth, leading cadres at all levels must be modest and prudent, guard against arrogance and rashness, and have a strong sense of responsibility toward the Party and people's cause. This is a major issue concerning thought and work style that has a direct bearing on whether or not our work is done well and our cause succeeds. All leading cadres, regardless of their position or the level of their leading bodies, must properly handle the relationship between individuals and the collective, and between individuals and the organization. We cannot lapse into conceit over our accomplishments and contributions. An individual, no matter how capable he or she might be, is unable to accomplish anything of significance without the correct guidance of the Party's line, principles and policies; the cooperation of other members of the leading body; the support and concerted efforts of cadres and the masses; or in the absence of a wide variety of other conditions. Our leaders must always be modest and open-minded, not conceited about their successes, and in particular they should not attempt to capitalize on their successes and hold out their hand to Party organizations. It has always been our Party's fine tradition and work style that it, the people and the collective receive credit for all successes individuals achieve.

All this pertains to how leading cadres should treat their work accomplishments and contributions. This is one aspect. Another is that leading cadres should dare to take responsibility when mistakes or problems occur in their work. These two aspects are interlinked. Anyone who is conceited over his or her successes cannot dare to take responsibility, and if you dare not assume responsibility, but even go so far as to pass the blame onto others, who will be willing to work with you? Leading cadres at all levels must always firmly bear in mind the work duties they assume responsibility for and have a high sense of responsibility toward the Party and people. Everyone must do their assigned work well, conscientiously fulfill their obligations, and willingly shoulder their responsibilities. No shifting responsibility, arguing back and forth or muddling through one's work will be tolerated.

Leading cadres must also dare to uphold truth and oppose words and deeds that violate the Party's line, principles and policies. This too is a necessary requirement for having a high sense of responsibility for the cause of the Party and people. Not upholding Party principles, distinguishing right from wrong and resolutely stepping forward courageously to safeguard the interests of the country and people when they are damaged, but instead letting things go unchecked out of fear of the consequences, is ex-

tremely irresponsible behavior and entirely wrong.

Sixth, leading cadres at all levels must follow the mass line and always share the comforts and hardships of the people. Everything for the masses, relying on the masses, deriving from the masses and going to the masses — this mass line is the key that guarantees the continuous success of our cause. It is also an important source of energy and vitality maintained throughout our Party. Adhering to the Party's fundamental line of work is a basic requirement for the thought and work style of leading cadres at all levels. All leading cadres must frequently immerse themselves among the people and in reality, earnestly investigate and learn, conscientiously heed the people's voices, opinions and demands, draw on their experience, strive to find effective ways to solve problems, and rely on the masses to solve them. The more difficulties and the greater concentration of problems a place encounters, the more necessary it becomes for leading cadres to go to such a place. In 1991, when I went to Anhui to inspect flood damage, I saw Party members, cadres and service personnel fight bravely on the frontlines to combat the floods and provide aid. Purely because of this, the local Party organizations and troops who engaged in disaster relief enjoyed very high prestige among the people. Some dared not advance in that dangerous situation, but only a very few. The overwhelming majority of cadres performed well. If leading cadres unite with the masses, always bear in mind their safety and wellbeing, ease their worries and solve their difficulties, this will allow them to solve a multitude of problems and overcome any difficulty. I have said several times that there are some places where leading comrades take the lead, organize cadres to go to enterprises in difficulty and poverty-stricken villages, and struggle together with employees of those enterprises and residents of those villages. This helps the masses to overcome difficulties in their work and lives, and it also helps temper and mature cadres. This experience should therefore be encouraged.

Here, I especially want to stress that we cannot tolerate a situation in which, on the one hand, some SOEs lay off their employees when they encounter temporary difficulties, but, on the other, cadres indulge in a life of debauchery. Leading cadres come from the masses, and they work for and serve them. If they distance themselves from the masses, are indifferent to their suffering, put on the airs of an overlord, or even act in a manner contrary to the will of the masses and are harmful to their interests, then they forfeit their eligibility to be leading cadres. The more hardships the masses endure, the more necessary it becomes for leading cadres to exercise con-

cern, share comforts and hardships and aid them through difficulties. If leading cadres fail to act in this way, and remain indifferent toward the masses, this will seriously harm the image of the Party and government. This could be dangerous if allowed to develop. I am not speaking in broad generalities. I frequently read reports of such cases, and they disturb me deeply. Localities and departments that have this problem must resolutely rectify the situation. Cadres with serious problems in this area must be severely criticized and punished.

Seventh, leading cadres at all levels must tirelessly study, study, then study some more. I have repeatedly stated and emphasized the need for leading cadres and all Party members to study harder because this is an extremely important issue, one that has a bearing on the overall work of the Party and government and the long-term progress of reform and development. Purposefully and assiduously studying and constantly acquiring new knowledge and experience are also prerequisites for leading cadres to maintain sound thinking and a good work style. In today's world, a number of developed countries are progressing toward a knowledge economy. The role of knowledge in economic development and social progress is now much greater than at any previous time in history. The present age requires people to engage in lifelong study. Given this global trend, if leading cadres fail to study more assiduously, fail to make an effort to equip themselves with scientific theory and master advanced scientific and technological knowledge, and fail to become adept at constantly updating their knowledge, then they will surely fall behind, unable to shoulder the historic task the Party and people have entrusted to them. This is something every leading cadre should realize very clearly and intuitively. When leading cadres study, they should study not only more theory, but also more Party and Chinese history as well as economics, politics, law, science and technology, and culture. Young cadres are in the prime of life, and they are at the best age to study. It is therefore especially important for them to study hard. If leading cadres at all levels improve their study, the cause of the Party and people can better move forward.

I am already over 70, but I am still willing to study hard along with you. Last night, I read a biography of Albert Einstein.<sup>2</sup> I had read an interview with Chen-Ning Yang<sup>3</sup> in a literary magazine in which he spoke of an Einstein biography that is well worth reading and I asked someone to find me a copy. The book recounts how once, while Einstein was taking a walk, he suddenly stopped and asked if the moon exists only if we look at it. He



was probably referring to the theory of relativity because it takes some time for the moonlight to reach the earth. This passage shows that, even while Einstein was taking a walk, his mind was still thinking over the major issues of his research. Study and reflection should be closely integrated. Confucius said, "Learning without thought is labor lost, and thought without learning is perilous."<sup>4</sup> Leading cadres at all levels, especially high-ranking ones, need to ponder important affairs, keep major problems in mind, constantly make reflection a part of their study and study a part of their reflection, often discuss issues together with other cadres and the masses, and try to find ways and means to solve these major problems.

Eighth, leading cadres and leading bodies at all levels must strengthen their unity, and struggle against any activities that endanger it. We frequently sing "Unity Is Strength." This song expresses an irrefutable truth. Leading cadres and leading bodies at all levels must become models of unity. Everyone needs to trust, support, complement and assist each other. We absolutely must not undercut each other's efforts. The biggest taboo for leaders is for them not only to fail to safeguard unity, but on the contrary, to sow dissension, be duplicitous and stir up trouble in a leading body. All leading bodies need to counter and deter such phenomena. Above, I stressed that leading cadres need to be modest and open-minded. Modesty and open-mindedness are based on principle; they are not without principle. When cadres and the masses express their criticism out of good will and intentions, including sharp criticisms, leading cadres must heed them. However, if people harbor ill intentions and spread rumors that cause trouble, then that is another matter. In such a case, not only will we not listen, but we should counter them firmly and not allow their actions to undermine our unity. Some overseas publications publish groundless articles to foment discord, and I have often said that if we have no fear of the fearful, its fearfulness will disappear of its own. Nevertheless, there are always those who are unable to distinguish truth from falsehood. They view these reports as fact, even to the point of spreading them, and allow others to lead them around by the nose. Some people do not do any real work all day, spending their time instead spreading rumors and slander, writing articles and printing them on copy machines, then distributing them everywhere. They make it look like everyone has a complaint, but in fact it all really comes from one source. When these rotten apples appear in our midst, we must deal with them harshly. We cannot let such matters go unchecked and tolerate such evil. Everyone must be vigilant against people who sow

dissent and who are double-faced, and we definitely cannot let such people drill their way into leadership positions. If we let them get into positions of power, it will harm the Party, the country and the people. Our Party's history and the Soviet Union's party history both offer profound lessons on this score. Everyone needs to bear this firmly in mind.

These eight points are basic requirements concerning the thought and work style that our Party has always required from leading cadres, and they are an important aspect of our Party's fine traditions and work style. In the past, we were able to win the revolution, topple the three big mountains,<sup>5</sup> and found New China because we always adhered to these fine traditions and this work style. Today, we are carrying out reform, opening up and socialist modernization and we must continue to adhere to them. I hope that under the guidance of Deng Xiaoping Theory and the Party's basic line, leading cadres at all levels continue efforts to carry forward the Party's fine traditions and work style in close conjunction with the realities of their work.

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<sup>1</sup> "Wuhou" (Martial Marquis) was a title conferred upon Zhuge Liang, who was Prime Minister of the Kingdom of Shu Han during the Three Kingdoms period. The couplet was written by the modern scholar and poet Zhao Fan. The first line reads, "If one demoralizes the enemy using psychological warfare, the enemy will be vanquished of his own accord. Since ancient times, no great general has liked to solve problems through warfare."

<sup>2</sup> "Talented People Are the Key to Innovation," note 8, p. 137, this volume.

<sup>3</sup> *Ibid.*, note 9.

<sup>4</sup> *The Analects of Confucius*, "Wei Zheng."

<sup>5</sup> A reference to imperialism, feudalism and bureaucrat-capitalism, which oppressed the people in old China.

## PRINCIPLES AND STANDPOINT FOR SOLVING THE TAIWAN QUESTION\*

*June 27, 1998*

We have just had a broad and in-depth exchange of views on Sino-US relations and other matters of common interest, and reached an important consensus. Now, I would specifically like to discuss the Taiwan question with you.

As you know, in our talks and meetings on previous occasions the Taiwan question has always been a primary subject of discussion because this is the most important and sensitive central question in Sino-US relations. The three Sino-US joint communiqués<sup>1</sup> and the Sino-US Joint Statement set forth clear guiding principles for properly managing the Taiwan question. In the three joint communiqués, the United States acknowledged that the government of the People's Republic of China is the sole legal government of China, that there is but one China and that Taiwan is a part of China. When I visited the United States last October, our two sides issued the Sino-US Joint Statement, in which the United States side reiterated that it would adhere to its "one China" policy and the principles set forth in the three Sino-US joint communiqués. The United States also promised not to support Taiwan independence, "two Chinas," or "one China, one Taiwan," and not to support Taiwan's entry into any international organization with membership restricted to sovereign nations. We value and appreciate the commitment of the United States.

Diplomatic relations between China and the United States were normalized when President Jimmy Carter,<sup>\*\*</sup> a Democrat, was in office. The development of Sino-US relations to their present level has not been easy. President Carter had the strategic vision of a statesman. He made the decision to break off diplomatic relations with Taiwan, abrogate the US-Taiwan Mutual Defense Treaty and withdraw troops from Taiwan, after which China and the United States signed a communiqué establishing diplomatic relations and the two countries' relations were normalized. Nevertheless, the Taiwan question has never been completely resolved between China and the United States, and it has become a major obstacle to developing

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\* Excerpt from remarks to US President Bill Clinton.

Sino-US relations. Looking back at history, we can see that the Taiwan question, an internal affair of China's, could have been solved when the People's Republic was first founded. In January 1950, President Harry Truman<sup>3</sup> publicly stated that the Taiwan question was China's internal affair but later, due to the outbreak of the Korean War,<sup>4</sup> the American Seventh Fleet entered the Taiwan Straits and the situation changed. The United States thus bears considerable responsibility for the fact that the Taiwan question remains unresolved. Of course, some Japanese also covet Taiwan. This is something the Chinese people know in their hearts. The present problem is that although the American side has clearly stated that it does not support Taiwan independence, its attitude on China's reunification is ambiguous. The question of China's reunification is an internal affair of China and should be decided by the people on the two sides of the Straits. We hope the United States adopts the position of clearly supporting China's reunification.

Reunifying the motherland is the common aspiration of all Chinese people, including our Taiwan compatriots and overseas Chinese. It has been nearly a year since Hong Kong returned to the motherland, Macao will return next year, and as far as the Chinese people are concerned, all that remains is the Taiwan question. The Taiwan question is different from the Hong Kong and Macao questions. The latter two were foreign aggression against China; whereas, the Taiwan question is an unresolved problem left over from China's civil war. We have adopted a more generous policy to settle the Taiwan question than those applied to Hong Kong and Macao. Our basic principle for resolving the Taiwan question is "peaceful reunification and one country, two systems." After reunification is achieved, the two different systems on the two sides of the Straits will coexist for a long time, develop together and neither side will swallow up the other. After reunification, Taiwan's present social system and lifestyle and its economic and cultural relations with foreign countries will not change. The proprietary rights and lawful rights of inheritance over private property, houses, land and enterprises, and the investments of overseas Chinese and foreigners will all be protected by law. Taiwan will enjoy a high degree of autonomy, including administrative jurisdiction over Taiwan, legislative power, independent judicial power and the power of final adjudication. Taiwan may maintain its own army, and the mainland will not station troops or government administrators there. Taiwan representatives will be able to hold leadership positions in the central government and participate



in the management of national affairs. In short, Taiwan will have a higher degree of autonomy than Hong Kong and Macao. We are willing to carry out peaceful negotiations with the Taiwan authorities to achieve national reunification peacefully. As long as the one-China principle is agreed upon, everything else is open to discussion.

At present, we are actively promoting cross-Straits visits by individuals and economic and cultural exchanges, striving to establish the three direct links of mail, transport and trade across the Straits, and promoting cross-Straits political negotiations. Political negotiations between the two sides represent the key to preserving stability and promoting development of cross-Straits relations. We have frequently called for taking the first step in discussing how to formally end the state of hostilities between the two sides on the basis of the one-China principle, while temporarily setting aside the question of reunification. Our attitude is positive, and our approach is also flexible. The Taiwan authorities once expressed their agreement to carry out political negotiations, but subsequently went back on their word. In fact they shun and obstruct negotiations. The United States has nothing to gain if the Taiwan question is deferred indefinitely. There are two reasons why the Taiwan authorities delay political negotiations: First, some of them advocate Taiwan independence; and second, they receive encouragement from certain statements and actions from the American side. There are members of the US Congress who have always supported Taiwan independence. As early as the 1950s, some Americans began looking to Taiwan as an unsinkable aircraft carrier. The first people to talk like this were the Japanese. It is unfortunate that some Americans still hold this view. For the United States to consider Taiwan its unsinkable aircraft carrier is a grievous violation of China's sovereignty and seriously interferes in China's internal affairs. China will definitely achieve reunification, and Taiwan will return to the bosom of the motherland sooner or later. This is the trend of the times and what the people desire, and nothing can prevent it.

Here I would like to explain that we advocate achieving reunification through peaceful means and are making great efforts to do so; however, we cannot promise to renounce the use of force. The reason is very clear: There are secessionist forces in Taiwan trying to achieve Taiwan independence. If we promise to renounce the use of force, these forces will be more rampant and peaceful reunification will become empty talk.

The divergence between China and the United States over the Taiwan

question is not of recent origin; rather it is a historical vestige. We Chinese have a saying, “Whoever tied the bell around the tiger’s neck is the one who has to untie it.” It will be hard to solve the Taiwan question immediately, but we cannot let it go unresolved, and it is better to solve it sooner rather than later; otherwise, it will be hard to keep Sino-US relations stable. Just as the leaders of our two countries opened the door on Sino-US relations and normalized them, we should take the common interests of the peoples of our two countries as our starting point, adopt a farsighted attitude, and take effective action to at least create bright prospects for resolving this question in the future. We should and can do something on this question. Frankly, the Taiwan question cannot always drag on. We need a timetable.

Concerning Sino-US relations and America’s interests, the advantages of an early reunification of China are obvious. It will eliminate the main obstacle to the development of Sino-US relations, ensure their steady, healthy development, and help maintain peace and stability in the Asia-Pacific region. After the settlement of the Taiwan question, American economic interests in Taiwan will not be harmed in any way, and in fact will enjoy better protection. America’s present economic and cultural relations with Taiwan and the flow of people between the United States and Taiwan will not be affected in any way, and in fact will grow to be even better. In short, this is consistent with America’s long-term interests. Conversely, if the American attitude on China’s efforts to achieve reunification remains unclear, secessionist forces in Taiwan will travel further and further down the road of Taiwan independence. This will aggravate the problem and possibly even give rise to conflict, the consequences of which would be very serious. I do not think either of us wants to see that happen. I hope that the American government weighs the pros and cons and clearly expresses support for China’s reunification. Supporting the reunification of China should be one of the implications of the three Sino-US joint communiqués. Since the United States has clearly stated it will strictly abide by the three joint communiqués and keep the promises it has made on the Taiwan question, it follows that it should support China’s efforts to achieve reunification.

We stand at an important historical moment at the dawning of a new century. The Cold War, which lasted nearly half a century, is already over. The world situation is undergoing profound and drastic changes, and peace and development have already become the themes of the times. The times are changing, and the human race is progressing. The kind of thinking and

practice that divides the world and deals with state-to-state relations on the basis of ideology is outmoded and dangerous. The world is rich and varied and contains all kinds of different cultures, ideologies and social systems, and it is impossible to make them all fit into the same mold. Great powers should stand on a high plane of promoting the advance of history and human progress, abandon the Cold War mentality, strive to seek and expand common interests between countries, increase dialogue and cooperation, and promote common development. This is extremely important for achieving world peace, stability and development in the new century. China and the United States are two great powers with influence in the world, and they should set an example in this regard and make a positive contribution.

At our first meeting in Seattle in 1993, I stated that we should take a world that is safe, peaceful, stable and favorable for economic development into the 21st century. At the time, you responded positively. Last year, when I visited your country, our two sides agreed to work together to establish between us a constructive strategic partnership. I hope the American side takes the long-term interests of the people of our two countries as its starting point, and takes effective steps to remove the main impediment to improving and developing Sino-US relations, namely, the Taiwan question.

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<sup>1</sup> “Speech at the White House Welcoming Ceremony,” note 1, p. 52, this volume.

<sup>2</sup> Jimmy Carter (1924- ), a member of the US Democratic Party, served as President of the United States from 1977 to 1981. During his presidency, the Chinese and American governments issued the Joint Communiqué of the People’s Republic of China and the United States of America on the Establishment of Diplomatic Relations on December 16, 1978, which stated that the two countries would recognize each other and establish diplomatic relations as of January 1, 1979. In the communiqué, the United States acknowledged that “the Government of the People’s Republic of China is the sole legal government of China,” and that “there is but one China and Taiwan is part of China.” At the same time, the United States government announced it was breaking off diplomatic relations with Taiwan, terminating the Mutual Defense Treaty Between the United States and Taiwan, and withdrawing American troops from Taiwan. After China and the United States established diplomatic relations, Carter signed the Taiwan Relations Act on April 10, 1979. This Act violated the principle upon which the two countries established diplomatic relations and reneged on promises made by the American side. This violation constituted flagrant interference in China’s internal affairs.

<sup>3</sup> Harry Truman (1884-1972), a member of the US Democratic Party, served as President of the United States from 1945 to 1953. On January 5, 1950, he issued a statement proclaiming that, on the basis of the Cairo Declaration and other international agreements, the United States recognized China’s sovereignty over Taiwan. According to the statement, “The United States has no predatory designs on Formosa [a Portuguese historical name for Taiwan — Tr.]. The United States has no desire to obtain special rights or privileges or to establish military bases on Formosa at this time. Nor does it have any intention of utilizing its armed forces to interfere in the present situation.” On June 27 of the same year, using the outbreak of the Korean War as a pretext, Truman issued another statement asserting, “The occupation of Formosa by Communist forces would be a direct threat to the security of the Pa-

cific area,” and he ordered the American Seventh Fleet to “prevent any attack on Formosa.”

<sup>4</sup> The Korean War was originally a war between the north and south of the Korean Peninsula, which later grew into a regional war involving a number of countries due to armed interference by the United States. Immediately after civil war broke out between the north and south on June 25, 1950, the United States interfered militarily and at the same time, sent its navy and air force units to intrude upon the Chinese territory of Taiwan and to blockade the Taiwan Straits. In early October of the same year, US troops crossed the 38th parallel, the original border between the north and south of Korea, and pushed north en masse. After US troops approached the Chinese border, continually bombed and strafed border towns and villages in northeast China, and gravely threatened China’s security, the Chinese people formed the Chinese People’s Volunteers, which went to Korea and fought side by side with the Korean People’s Army. After three years of bloody fighting, the Chinese and Korean troops beat back the United States troops’ offensive and forced them to sign an armistice on July 27, 1953. After the Korean War ended, the United States signed a Mutual Defense Treaty with the Taiwan authorities on December 2, 1954. US troops were stationed on Taiwan for a long time, thereby obstructing China’s reunification.



## STRENGTHEN SOLIDARITY AMONG XINJIANG'S ETHNIC GROUPS AND RESOLUTELY SAFEGUARD THE UNITY OF THE MOTHERLAND\*

*July 9, 1998*

Strengthening ethnic solidarity and maintaining social and political stability are important not only for smooth economic and social development in Xinjiang, but also for the stability and development of the whole of northwest China and for the overall progress of reform, opening up and modernization nationwide. We need to hold high the banner of ethnic solidarity and national unity and unswervingly safeguard stability in Xinjiang.

History has repeatedly demonstrated that ethnic solidarity is an important guarantee for a country to develop and prosper and for its people to live and work in peace and contentment. Conversely, if separatist unrest takes place, it threatens disaster for the country, the nation and the people. After the end of the Cold War, many countries plunged into ethnic conflicts that splintered them and turned many of their people into refugees. We should learn from this bitter lesson.

To safeguard and strengthen the great ethnic solidarity in Xinjiang, we must take a clear stand in opposing ethnic separatism. Opposing ethnic separatism and safeguarding national unity are in the highest interests of the country and in the fundamental interests of the masses of all ethnic groups in Xinjiang. All cadres in the entire region from every ethnic group, especially our comrades with primary responsibility in the Party and government at all levels, regardless of which ethnic group they belong to, are cadres of the Party and state, and they must consider opposing ethnic separatism as their sacred bounden duty. With regards to any activities that impair ethnic solidarity and national unity, regardless of who the planners or participants are or to which ethnic group they belong, everyone must unite and firmly oppose these activities and crack down on them with the full force of the law. We must not show leniency. On important matters like this, we cannot equivocate in the least or make any concessions. This is also an important test for cadres at all levels in the region. Leading cadres must not only take a clear-cut stand themselves, but also fully mobilize and

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\* Excerpt from a speech during an inspection of work in the Xinjiang Uygur Autonomous Region.

organize the masses of all ethnic groups, and create a situation in which “when a rat runs across the street, everyone cries, ‘Kill it!’”

The existence and growth of ethnic separatist forces is not something we can change by will alone. Their activities in Xinjiang have both longstanding historical roots and a complex contemporary international background. International hostile forces do not want to see China unified and strong, so they collude with China’s ethnic separatists at home and abroad, and work together with them in a political plot to Westernize and divide the country. They use ethnic and religious issues to create disturbances and are intensifying their separatist efforts to subvert our government in ethnic minority areas along our borders. This is an important tactic presently being used to attack us, and Xinjiang is an important target they have chosen to attack. In recent years, ethnic separatists at home and abroad have staged a series of riots and violent terrorist incidents in Xinjiang with the support of international hostile forces. They have seriously imperiled social stability in the region and the security of the lives and property of the masses of all ethnic groups there and have had a negative impact on other parts of the country.

The struggle against ethnic separatism in Xinjiang is a long and difficult task. Cadres of all ethnic groups throughout the region must remain highly vigilant and must not drop their guard for a second. Safeguarding Xinjiang’s stability requires much arduous and painstaking work. It is particularly important to comprehensively and correctly implement the Party’s ethnic and religious policies, strengthen publicity and education among the masses of all ethnic groups, and arm them with correct thinking and the Party’s principles and policies. The masses are true bastions of steel. The vast majority of the masses of all ethnic groups in Xinjiang support Party leadership and the socialist system, safeguard ethnic solidarity and love their motherland. Only a few engage in separatist activities. If the masses further raise their understanding and unite as one in a struggle against hostile forces, ethnic separatist forces will lose the conditions they need to exist and will become isolated and suffer defeat. Below, I would like to emphasize three points.

First, it is important to firmly believe in the Party’s ethnic policy and steadfastly apply the Marxist outlook on ethnic groups to educate cadres and the masses of all ethnic groups. I discussed this issue when I came to Xinjiang in 1990 to inspect work here. After the founding of the People’s Republic, our Party implemented the policy of equality for all

ethnic groups, opposed oppression of or discrimination against any ethnic group, implemented regional ethnic autonomy in areas with concentrated populations of ethnic minorities, and instituted and constantly developed a new form of socialist relations based on equality, solidarity and mutual assistance between all ethnic groups. A correct ethnic policy is an important foundation and guarantee for maintaining strong solidarity among all ethnic groups. Our Party's ethnic policy is the product of integrating the basic Marxist theory of ethnic groups with China's actual ethnic conditions and is the concrete manifestation in our country of the Marxist outlook on ethnic groups. At present, our country's 56 ethnic groups are following the path of building socialism with Chinese characteristics and making great strides toward the goals of common development and prosperity. Due to historical reasons, the level of economic development in ethnic minority areas is relatively low. Since the founding of the People's Republic, and especially since the introduction of the reform and opening up policy, cadres and the masses of all ethnic groups in Xinjiang have worked laboriously, constantly developed the economy, and made progress in all social programs. This is a victory for the Party's ethnic policy. I am firmly convinced that if the masses of all ethnic groups in Xinjiang keep to the socialist road and struggle in solidarity with all people throughout the country under the Party's leadership and with the support of the whole country, they will have a brighter and more glorious future.

The ethnic policy of New China is the best ethnic policy China has ever had in its several-thousand-year history, and it is more successful than that of any other country in the world. We need to continue to examine and administer ethnic issues in accordance with the Marxist outlook on ethnic groups and fully and correctly implement the Party's ethnic policy. We need to firmly implant in the minds of cadres and the masses of all ethnic groups the thinking that all 56 of our country's ethnic groups are equal members of the great family of the Chinese nation, that the Han ethnic group is inseparable from minority ethnic groups, which in turn are inseparable from the Han, and that all minority ethnic groups are mutually interdependent. It is just as you all say, "The roots of the cedar trees on the Tianshan Mountains are interlocked, and all the ethnic groups are linked in their hearts." All ethnic groups must always breathe the same air, share the same fate, be of one mind, and strive together for the cause of building socialism with Chinese characteristics.

Second, it is important to firmly believe that the Party's ethnic policy is

correct and educate cadres and the masses of all ethnic groups throughout the region in the Marxist outlook on religion. I discussed this issue when I visited Xinjiang in 1990. Our country's Constitution stipulates that our citizens have the freedom of religious belief. That is to say, they are free to believe in religion or not, and they may believe in any religion they wish. Our country's religions adhere to the policy of running their religious affairs independently and do not tolerate interference by any foreign religious entity. We adhere to the policy of separation of religion and state. None of China's religions has the privilege of overstepping the Constitution and state laws, and none of them may interfere in the exercise of state functions, such as administration, judicial affairs and education. The state safeguards normal religious activities. All citizens, whether they believe in religion or not, enjoy all the rights stipulated in the Constitution and laws, and they must also fulfill all obligations specified therein. The basic demand on all Chinese citizens is to love their motherland and support the socialist system and the leadership of the CPC. No citizens, no matter whether they believe in religion or not, may resort to any pretext to oppose the leadership of the CPC and the socialist system and jeopardize the country's security. Experience has already fully proven that our Party's ethnic policy is entirely correct. This policy is the product of integrating basic Marxist religious theory with our country's actual conditions and the concrete manifestation in our country of the Marxist outlook on religion. A correct religious policy both protects believers' freedom to believe in religion and their normal religious activities and encourages believers and non-believers to understand each other, to live in harmony and to work together to safeguard ethnic solidarity, social stability and national unity and promote economic and cultural development.

We need to put considerable effort into increasing the study of and education in the Marxist outlook on religion. Marx and Engels thoroughly discussed religious matters in their works such as *The German Ideology*, *Ludwig Feuerbach and the End of Classical German Philosophy* and *Anti-Dühring*. Comrades Mao Zedong and Deng Xiaoping also addressed these matters in depth on a number of occasions. Marxism holds that all religions are nothing more than a fantastic reflection in people's minds of external forces that control their daily lives. In this reflection the terrestrial forces assume the form of supernatural forces. It was the forces of nature which were first so reflected, and which in the course of further evolution underwent the most manifold and varied personifications



among the various peoples.<sup>1</sup> In other words, owing to limitations of their understanding, people were at first unable to comprehend many natural phenomena, such as the movement of heavenly bodies, the occurrence of wind and rain, and all kinds of natural disasters. They felt they were not masters of their own fate, so they imagined their fate was controlled by gods. After the birth of religion, religion was both embraced by the masses, who were unable to escape their tragic fate and sought spiritual solace, and exploited by the ruling class through the ages. Marxism also holds that as the productive forces develop and people come to understand and grasp the laws of nature and their own destiny, religious beliefs will decrease and eventually disappear. However, this is a long historical process and requires a rather high level of economic and cultural development. We Communists should study and uphold historical materialism and courageously publicize Marxist atheism while firmly implementing the Party's religious policy and doing well in all our work concerning religion in accordance with the law.

The Party and government have always given high priority to work concerning religion. We need to continue to examine and manage religious issues in accordance with the Marxist outlook on religion and fully and correctly implement the Party's religious policy. We need to trust religious believers, unite with patriotic religious figures, bring religious activities into the orbit of the law and actively guide religions to adapt to our socialist society. At the same time, we need to take strict precautions against any violation of the principle that religious believers should love both their country and their religion and, likewise, against violations of state laws. We need to be on high alert against China's ethnic separatists at home and abroad using religion as a screen for political infiltration or harmful activities intended to divide ethnic groups and split the country. The moment this kind of illegal activity occurs, we must promptly, decisively and resolutely crack down on and suppress it.

Third, we need to systematically study and correctly publicize the history of Xinjiang's development, including the history of ethnic development and religious evolution. This will help clarify the various fallacies spread by ethnic separatists who distort and fabricate Xinjiang's history, including the history of its ethnic groups and religious evolution. It will also help eliminate the influence these fallacies exercise over the masses. It is especially important to firmly refute and expose erroneous ideological trends and political conspiracies that divide ethnic groups and under-

mine national unity, such as Pan-Islamism,<sup>\*</sup> Pan-Turkism<sup>\*\*</sup> and the call for the creation of East Turkistan.<sup>4</sup>

Xinjiang has been part of China since antiquity. In ancient times, Xinjiang and the surrounding regions were called the Western Regions. In 101 BC, the Western Han Dynasty appointed local officials, who directed garrison troops or newly settled peasants to open up wasteland for grain cultivation. In 60 BC, the dynasty also established the Western Regions Frontier Command and put it in charge of military and political affairs in the Western Regions. This shows that at that time, Xinjiang had already formally become Chinese territory. Beginning with the Han Dynasty, all of China's dynasties attached great importance to the Western Regions and exercised jurisdiction over them. After the Opium Wars, the great powers wantonly occupied and plundered our country's territory and British and czarist Russian forces seized the chance to invade Xinjiang. The Qing government resisted the invading forces and recaptured Xinjiang, after which it established Xinjiang Province in 1884. From this historical course of events it can be seen that the central government has always exercised jurisdiction over Xinjiang.

Xinjiang has always been a region where many ethnic groups live together and many religions coexist. In terms of religious evolution, Shamanism,<sup>\*\*\*</sup> Zoroastrianism,<sup>6</sup> Buddhism, Taoism, Nestorianism<sup>7</sup> and Manichaeism<sup>8</sup> spread throughout the region at various times before the 10th century, but Buddhism was most prevalent. Buddhism gradually spread in Xinjiang from the 2nd century onward, and it left behind many works of art and historic sites. Islam entered Xinjiang in the 10th century and was confined at first mostly to the area around Kashgar. It spread widely throughout Xinjiang in the middle of the 14th century with the support of Mongolian khans.

I tell you this to emphasize that historical facts cannot be blotted out or distorted. We need to intensify research into Xinjiang's history and culture, set forth facts, reason things out and use a correct outlook on history and culture to educate cadres and the masses of all ethnic groups throughout the region, especially the younger generation. This should be a basic aspect of our work in combating separatism.

In general, ethnic work in Xinjiang is being done well. Upholding ethnic solidarity and promoting the common progress of all ethnic groups is always the mainstream in relations among ethnic groups in Xinjiang. Very few people are carrying out ethnic separatist activities. This is just a small

countercurrent, and they cannot create big waves. We can overcome all difficulties and defeat all countercurrents because we have the guidance of Deng Xiaoping Theory and the Party's basic line; we are on the right path of building socialism with Chinese characteristics, which will lead people of all ethnic groups toward a prosperous future; we have rock-solid solidarity among all ethnic groups; we have the powerful guarantee of the people's democratic dictatorship; and we have the PLA as powerful guardians of the unity and security of the motherland.

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<sup>1</sup> Cf. Frederick Engels, "Anti-Dühring," in Karl Marx and Frederick Engels, *Collected Works*, Eng. ed., Progress Publishers, Moscow, 1987, Vol. 25, p. 300.

<sup>2</sup> Pan-Islamism is a social movement that arose in a number of Islamic countries in the mid-19th century. At first, politically it advocated that all Islamic countries and ethnic groups unite and form a single Islamic state so they could resist foreign aggression together. Ideologically it advocated creating an Islamic lifestyle based on the Islamic religion and combating the influences of atheism and secularization. After the beginning of the 20th century, Pan-Islamism was taken up by the rulers, feudal lords and religious forces in a number of Islamic countries, which used it as a tool to smash revolutionary movements, fan ethnic conflicts and carry out aggression and expansion. After the end of World War II, it gradually lost its attraction as Islamic countries became independent and nationalism grew. In recent years a handful of ethnic separatists and religious extremists from both inside and outside Xinjiang, China, have tried to revive it in an effort to undermine national unity.

<sup>3</sup> Pan-Turkism is an ideological movement that arose among Tartar intellectuals in czarist Russia in the late 19th and early 20th centuries. It advocated the unification of Turkic-speaking peoples living between the Bosphorus Straits to the Altai Mountains and a renaissance of the Turkic nation. At the beginning of the 20th century, rulers of Ottoman Turkey took up this movement, turned it into a national chauvinist movement and tried to create a Turkic empire with Ottoman Turkey at the center. In recent years, a handful of ethnic separatists in Xinjiang in collusion with anti-Chinese elements abroad have tried to use this movement in an effort to undermine national unity.

<sup>4</sup> East Turkistan is a term coined by modern Western colonialists. The ancient Turkic nation established the Turkic Khanate in the 6th century, which at its largest encompassed today's Mongolia, Central Asia and north China. After a short time, it was divided into the Eastern and Western Turkic Khanates, and was later conquered by the Tang Dynasty. The Turkic nation was revived in 682 and established the Second Turkic Khanate. Forefathers of today's Uygur ethnic group conquered the Second Turkic Khanate in 744. The Turkic people gradually migrated westwards and were absorbed by other ethnic groups. The modern ethnic groups of Central Asia were gradually established. Arab geography books in the Middle Ages generally called the area north of the Syr Darya River, and contiguous areas toward the east where the Turkic-speaking peoples in Central Asia lived, Turkistan, meaning land of the Turkic people. At the beginning of the 19th century, Western colonialists used this term to refer to Central Asia and the Tarim Basin in Xinjiang and also referred to the Tarim Basin as East Turkistan or Chinese Turkistan. In the early 20th century, a tiny number of ethnic separatists and religious extremists in Xinjiang colluded with invading foreign forces and advocated the so-called independence of East Turkistan in an attempt to separate Xinjiang from China.

<sup>5</sup> Shamanism is a late-primitive religion. It got its name from the fact that the tribes that spoke Manchu-Tungusic languages called their sorcerers "shamans." Shamanism took form in late-primitive society. Shamanists believe that everything has a spirit and that spirits do not die. Shamanism is prevalent mainly in Asia and the northern fringe of Europe. Before the 7th century, it was widely practiced in present-day Xinjiang, China.

<sup>6</sup> Zoroastrianism is an ancient Persian religion founded by Zoroaster around the 6th century BC. It holds that the world comprises antagonistic elements of good and evil locked in conflict. In Zoroastrianism fire is viewed as the emblem of light and good, and is venerated in primary rituals. Zoroastrianism spread into present-day Xinjiang, China, around the 4th century BC.

<sup>7</sup> Nestorianism was the first sect of Christianity to spread into China. In the 5th century, after Nestorianism split off from orthodox Christianity, which was the dominant religion of the Roman Empire, it gradually spread eastwards. Missionaries from the Syrian Church carried it from Persia to present-day Xinjiang, China, around the 5th or 6th century.

<sup>8</sup> Manichaeism is an ancient Persian religion that was founded by Mani in the 3rd century. He formed his own religion by adding elements of Christianity, Buddhism and Gnosticism to a foundation of Zoroastrianism. Manichaeism holds that the world comprises antagonistic elements of light and darkness locked in conflict. It spread into present-day Xinjiang, China, around the 6th century.



## RESOLUTELY CRACK DOWN ON SMUGGLING\*

July 13, 1998

The Central Committee and the State Council have taken the important policy decision to carry out joint nationwide anti-smuggling operations in order to ensure sound economic development and safeguard social stability and national security. I hope that through this anti-smuggling work conference, the whole Party can further raise its awareness, strengthen its leadership, make unified arrangements and coordinate its actions to ensure new victories are achieved in the war on smuggling.

Smuggling is a social phenomenon that exists worldwide. Since the adoption of the reform and opening up policy, the central leadership has fully realized that smuggling will increase as China opens to the outside world. We therefore attach great importance to and are persisting in anti-smuggling work. In 1980, when I was Vice Chairman of the State Administration Commission on Import and Export Affairs, I was assigned to supervise this work. In the nearly 20 years since then, our country has made significant achievements in our anti-smuggling efforts. Nevertheless, we must clearly see that the present anti-smuggling situation is still very serious. In many places, the scope and scale of smuggling and the harm it does have reach unprecedented levels, and the people are very dissatisfied with the situation. This troubles me greatly.

Smuggling is a serious crime and it also gives rise to serious corruption, which gravely damages the image of the country and nation. I have repeatedly stressed that if the whole Party and the people of all the country's ethnic groups are firmly united and work together closely to do all the country's domestic work and accomplish all its undertakings, there is no need to fear international hostile forces infiltrating China and subverting the government; they simply cannot defeat us. However, if the evil wind of smuggling and corruption blows unabated and grows fiercer with time, this will create serious problems and give rise to a great social calamity.

At present, a conspicuous feature of smuggling is that it is rampant among legal persons, and government officials collude with and protect smugglers. It is especially worth noting that some units and individual

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\* Excerpt from a speech to representatives attending a national anti-smuggling work conference.

members of the army, the armed police force, public security organs, state security organs, procuratorates and courts are involved in smuggling, which makes the problem more serious and complex. Many such cases have already come to light, and every one of them is shocking.

Smuggling is increasingly rife, and this not only directly disrupts market order, harms our national industries and economic security, and causes enormous damage to the interests of the country and the people, but poisons the social atmosphere, encourages corruption, fosters a tendency toward departmentalism and decentralism in some localities and organizations, undermines the unified orders of the central leadership, and damages the reputation of the Party and government in the eyes of the people. When members of the army and armed police force participate in smuggling, they seriously damage the image and combat capability of these forces.

The time has come to ruthlessly crack down on and thoroughly punish everyone involved. There can be no hesitation, and we must firmly and swiftly crush the momentum of rampant smuggling. This is a major economic and political battle. With a problem of this magnitude, if we do not solve it promptly, there is no telling what the consequences might be. It could corrupt the Party, the government and the army, and destroy our socialist country. If that happens, we will have let down Chairman Mao, Comrade Deng Xiaoping and the countless revolutionary martyrs.

In this battle against corruption, everyone from the central down to the local authorities needs to have a firm resolve, act swiftly, take strong measures and punish offenders severely. We need to concentrate on investigating major cases. The army, the armed police force, public security organs, state security organs, procuratorates and courts must strictly investigate and deal with cases of smuggling or sheltering smugglers that involve the companies run by subordinate organizations or affiliated companies. We must also severely punish customs officials who break laws while in charge of their enforcement and who participate in smuggling and protecting smugglers. We must firmly eliminate the black sheep.

Party committees and governments at all levels must follow the directions of the central leadership and act in accordance with its arrangements. If they fail to heed the central leadership, who are they listening to? If people are bold and reckless and persist in their ways, they will be responsible for the consequences. They cannot say they were not warned. While combating crime and harmful practices, we must uphold the law

and act on principle. We cannot be swayed by feelings or personal relations. At present, there is an abhorrent practice of officials interceding on behalf of friends or relatives in trouble. As soon as cases come to light and before they have been investigated, all sorts of people try to interfere, including cadres in high-level law enforcement agencies. What favors are they seeking? What kind of people are they interceding for? If things continue this way, what will be left of Party discipline and state law? Regardless of the organizations, departments or people involved in a case, it must be investigated thoroughly and the culprits punished in accordance with the law without interference. No organization or individual may extend protection to smugglers, and they may not support, connive in or cover up smuggling.

All of you remember the case in Tianjin of Liu Qingshan and Zhang Zishan,<sup>1</sup> who became corrupt and degenerate during the first few years after liberation. Chairman Mao refused to commute their sentence with a heavy heart. Executing them taught all Party cadres a lesson and presented to the people a noble image of Communists being impartial and incorruptible and enforcing the law strictly. Now, as we crack down on smuggling and other crimes, we need to focus on significant cases and crack down hard. We should lock up criminals who deserve to be locked up and execute without mercy those who deserve to be executed. If we do not execute the main culprits in major cases, how can we appease the masses? Executing one person will deter a hundred. Anything less than this will be insufficient to assuage the people's anger, put an end to this evil and foster a healthy atmosphere. Of course, I do not advocate overriding the law by fiat; rather, we need to punish offenders strictly in accordance with the law. We must firmly adhere to Party discipline and state law in adjudicating cases. This is the highest principle of the Party and the state.

Leading cadres at all levels, especially high-ranking ones, must take the lead and become models of observing discipline and the law. How can leading cadres make use of inappropriate relationships to their benefit? They absolutely cannot! Some people speak clearly and logically with grandiose words to your face, but behind your back they act entirely differently. How can they behave like this? Nothing upsets me more than people who are hypocritical and duplicitous.

We cannot at any time waver in upholding the leadership of the CPC and the people's democratic dictatorship. Smuggling and corruption in society have already eaten into the vital organs of our people's democratic

dictatorship. Does this situation not deserve our fullest attention? The people's democratic dictatorship must operate effectively. If it does not, the Party and state will be in peril! The army is the pillar of the people's democratic dictatorship, and the public security organs, state security organs, procuratorates and courts are its agents. They are the gun and the sword in the hands of the Party and the people. If they do not work or are lost, how can our Party and country be free from danger and enjoy prolonged political stability? Comrade Deng Xiaoping stressed time and again that we must uphold the Four Cardinal Principles and must not discard or weaken the people's democratic dictatorship. This is extremely important. What is the function of the people's democratic dictatorship? Its principal function is to punish criminals of all forms, as well as all hostile forces and saboteurs who harm the interests of the state, society and the people.

Law enforcement agencies such as customs, the border patrol, and administrations for industry and commerce must conscientiously shoulder the responsibility of cracking down on smuggling and, at the same time, we must mobilize the masses on a broad scale, rely on them, and get them to increase their oversight and reporting of smugglers. Criminals and corruptionists fear the masses above all else. The eyes of the masses miss nothing. To diagnose pathological changes in the human body, one uses an X-ray. The eyes of the masses are like political X-rays, and nothing offensive escapes their notice. This is why, in punishing crime, our Party has always adhered to the important principle of integrating agencies of the people's democratic dictatorship with our mass line. If we genuinely mobilize the masses, there will be no place for smugglers, other criminals or corruptionists to hide. We should not launch a movement, but we need to make a show of strength against crime and social evils.

In order to put a stop to smuggling as quickly as possible, we need to further reform and improve the anti-smuggling system. The central leadership has already decided to form a national anti-smuggling police force whose main task is to crack down on smuggling. This force will be under the dual vertical leadership of both the General Administration of Customs and the Ministry of Public Security, with the General Administration of Customs playing the main role. Implementing this anti-smuggling management system will facilitate a prompt and effective crackdown on smuggling. Relevant departments and localities must conscientiously put this system into practice.

Smuggling exists in all of our provinces, autonomous regions and



municipalities directly under the central government, but the extent of the problem differs, with smuggling generally being more serious in south-eastern coastal provinces and municipalities. Since the adoption of the reform and opening up policy, the economy of this region has developed quickly and made important contributions to reform, opening up and modernization nationwide. Nevertheless, in recent years, smuggling has become increasingly fierce. In order to pursue the interests of their locality or department, some people give no consideration to the overall interests of the state, ignore Party discipline and state law, and brazenly participate in, support or protect smuggling and the non-payment of customs duties. This benefits their unauthorized departmental coffers and makes them feel proud. What is there to be proud of when they cause so much harm to the national economy and so much loss to the interests of the state and the people? They cause incalculable injury by improperly promoting the interests of their locality or department and engaging in local or departmental protectionism to maintain their own unauthorized departmental coffers. An unauthorized departmental coffer destroys people and is like an incapacitating drug, one that has already brought some people to a state in which they can no longer distinguish right from wrong or good from bad, and has left them wallowing in the mire with criminals. Is this not dangerous? I urge people like this to wake up quickly so as not to pay a heavy price for a small gain. If they don't, they will not only harm the country and the people, but also end up ruined and disgraced.

We are opening to the outside world and want to introduce advanced technology and managerial expertise from other countries. We also want to import an appropriate quantity of foreign goods. However, if large quantities of smuggled goods enter the country, our national industries will be severely affected and may not even survive, which will lead to many workers being laid off. If people continue to refuse to mend their ways, if they continue to ignore the interests of the country and people, and if they continue to defy the law, then they shall not escape punishment for violating Party discipline and state law.

The army, armed police force, public security organs, state security organs, procuratorates and courts must terminate all commercial activities. I have always advocated the army being fully funded by the government. Public security organs, state security organs, procuratorates and courts must also receive full government funding. The army engages in various self-provisioning production activities such as operating farms, raising pigs

and chickens, and growing vegetables in order to improve the life of the troops. These activities are permissible, but they may no longer operate commercial companies targeting profits.

The overall situation is favorable. The entire country enjoys stability and unity, and reforms are deepening in all areas. Despite the Asian financial crisis, our national economy is continuing to grow rather rapidly and the renminbi exchange rate is stable. It was not easy to achieve this favorable situation, and it is the result of the whole Party and the people of all the country's ethnic groups working hard together as one. The unity, stability and strength of the country are fundamental prerequisites and foundations for solving all our domestic problems. If the country is not unified and stable, then all its provinces, autonomous regions and municipalities will be unstable and incapable of developing. Of course, the stability and development of these provinces, autonomous regions and municipalities can make important contributions to the stability and development of the country. We must correctly handle the relationships between the central and local authorities and between the interests of the few and those of the whole.

When I was mayor of Shanghai, I always upheld the principle that whenever I attended meetings of the central leadership I would always speak on behalf of Shanghai and keep them informed about Shanghai's specific difficulties, but when I was in Shanghai, I would speak on behalf of Beijing and constantly admonish Party and government cadres there that Shanghai belongs to all the Chinese people, that it is under the guidance of the central leadership and must contribute more to the country and other regions. Shanghai's ability to make such a contribution is a result of support from the people of the whole country. The development of any region is inseparable from the support of the country and its entire people. Without overall national development, how can any region develop? One cannot simply consider immediate interests and the interests of a locality alone and ignore long-term interests and the interests of the country as a whole. It is even worse to harm national interests for the sake of local interests; this is a very serious political issue.

The central leadership has always highlighted the need for leading cadres to stress study, politics and integrity. Of these "three stresses," why is study listed first? This is because study forms the prerequisite and foundation for the other two. Leading cadres, especially high-ranking ones, must read more, learn more, strengthen their Party spirit and cultivate themselves

ideologically; otherwise, they will be unable to improve themselves politically, or act with integrity. I am already over 70, but every day I read books and materials, absorb new technological knowledge and study economics, law, history and international politics. You can keep abreast of developments and the rapid changes taking place in the world only by constantly enriching and improving yourself. If you do not study, you will be unable to do your work well. If you do not stress politics and raise your ideological and political level, you will be unable to stand tall and see far, and it will be easy for you to get caught up in short-term and local interests with no hope of escape, even to the point of acting in a manner inconsistent with Party principles. If you fail to stress integrity and lack the awe-inspiring righteousness of a Communist, you will be unable to resist the temptation of a life of luxury and be vulnerable to attack by sugar-coated bullets, and may even become a captive of corruption. Everything I say here has a basis in fact. Do the lessons of those who made mistakes and became corrupt and degenerate not make these points perfectly clear?

The Asian financial crisis has struck a severe blow, but we have held firm. It is still too early to say the danger has passed. The situation is still developing, and the effects of the crisis have put us under considerable pressure. However, if the whole Party and country pull together as one, shore up the agricultural foundation, operate SOEs well and keep moving forward with reforms in all areas, and simultaneously launch a comprehensive crackdown on smuggling, economic crime and corruption, we will definitely be better able to resist any kind of risk that might emerge. Conversely, if we fail to keep our own house in order, as soon as a major international disturbance occurs, we will be unable to withstand it and we will be in a crisis; there is even the danger of collapse.

Some of my colleagues urge me to focus on major issues and to be a little more detached and ignore minor ones. I hope I can do so. However, the burdens of running such a large country with 1.2 billion people are onerous! Some issues seem specific, but they implicate the overall situation and must be solved. Cracking down on smuggling is such a case, and so is ensuring basic living allowances for people laid off from SOEs. They seem specific, diffuse and minor issues, but generally speaking they are major issues that affect the overall stability and development of the country and they must not be put aside. The central leadership therefore needs to convene special meetings to solve these problems. A short time ago, my schedule was very full, and I lacked sufficient time to rest after I got back from

Xinjiang. How was I able to keep going? I think a person's spirit is very important. When I came to work at the Central Committee in 1989, I told Comrade Deng Xiaoping that until my last breath, I would do my utmost in service to the cause of the Party and people. I have always held this attitude toward my work.

I am not smiling today. I am worried and anxious, in fact rather agitated. Some of what I have said has been very pointed, and perhaps it will create a stir. I have given this matter some thought, and I believe it will do some good to shake things up. It may rouse some people and inspire them, which would help to get everybody working in concert to solve the difficulties and problems on the road ahead and to keep improving the situation. I hope that everybody springs into action and that everyone up and down the line is of one mind and unites together to earnestly crack down on smuggling, economic crime and corruption, and eliminate all interference and obstacles to ensure the smooth progress of reform, opening up and modernization.

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<sup>1</sup> Liu Qingshan joined the CPC in 1931 and served as Secretary of the Tianjin Prefectural Party Committee in the early days of the People's Republic. Zhang Zishan joined the Party in 1933 and served as Deputy Secretary of the Party Committee and Commissioner of Tianjin Prefecture in the early days of the People's Republic. They abused their power to divert funds intended for airport construction and river management; misappropriated grain intended for cadres' families, local residents and farmers working in the city on construction projects; and swindled funds from banks. They used this money to operate illegal businesses in the name of their organizations, reaping exorbitant profits. They embezzled a large sum of money, and used it to bribe cadres and support their extravagant lifestyles. In November 1951, the North China Bureau of the Central Committee arrested Liu and Zhang in accordance with the law after receiving the Central Committee's approval. They were expelled from the Party in December of the same year and condemned to death by the Provisional Court of the Hebei Provincial People's Court the following February.



## REMEMBER COMRADE LI ENYU\*

*July 17, 1998*

I attended an anti-drug exhibition held by the Ministry of Public Security on June 6, where I saw the harm drugs are doing to our youth and the dangers to which they expose countless families and society, and I learned about the extensive and successful work localities all around the country are engaged in to ban drugs.

I recalled a vigorous anti-drug campaign\*\* that was carried out by progressive patriotic students under the leadership of an underground CPC organization in Nanjing when that city was under the rule of the Japanese puppet government during the War of Resistance Against Japanese Aggression. Those reflections naturally brought memories of its leader, Comrade Li Enyu<sup>2</sup> to my mind.

The campaign took place in the winter of 1943 when both Comrade Li and I studied at Nanjing Central University. He was already a senior in the Department of Foreign Languages, and I was a freshman in the Department of Electrical Engineering. When the campaign began, we still did not know each other. I joined the campaign because I ardently wished for progress. Several thousand of us gathered together on a bitterly cold night to shout slogans demanding the prohibition of drugs. We marched toward Confucius Temple, smashing all the opium dens around it, dragging out dissipated opium addicts, many of whom were enemy and puppet officials. We also found a large quantity of opium, other drugs and drug paraphernalia. We burned the confiscated drugs and paraphernalia in the square in front of the National Grand Assembly Hall while surrounding the fire and singing the “Graduation Song”: “Fellow students! Everyone rise up! Take the fate of the country on your shoulders. Listen! The people’s cries of grief are deafening. Look! More of our land is perishing every year. Do we choose war or surrender? We must be masters of our fate and brave death on the battlefield....” The Japanese military police stood behind us in formation with their rifles and glared at us. We were filled with emotions of sadness and anger, but we felt devoid of fear. This scene greatly boosted the morale of the Chinese people and roused the masses. At that moment, I could not

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\* Article published in *Nanjing Party History*, No. 5, 1998.

help but think of the Opium Wars, the September 18th Incident and the Lugouqiao Incident, and realized that the Chinese people were still living under the iron heel of Japanese aggressors. These reflections galvanized my mood. I remember the uplifting speech Comrade Li gave at that rally, which deeply moved the hearts and minds of all those present in a way one could never forget. At the time, I could not understand at all why the Japanese puppet government allowed us to carry out this campaign, and I only later found out it was because our underground Party organization had cleverly manipulated conflicts within the puppet government.

After victory in the War of Resistance, I studied at Shanghai Jiao Tong University and did not see Comrade Li again for some time. In the winter of 1946, Wang Jiayou, who had sponsored my enrollment in the Party, sought me out to tell me that Comrade Li was coming to Shanghai from the Northern Jiangsu Base Area and needed a place to hide for a while, and to ask me if he could stay with my aunt. He made it clear that I should only take care of his living arrangements and not get involved in his work. Afterwards, a “Mr. Xu” came and liaised with him. It was only in the early years after liberation that I found out that this Mr. Xu was Comrade He Chongyin, the head of the Secretariat of the Shanghai Federation of Trade Unions at the time. Back then I was a poor student, but I did everything I could to provide Comrade Li with food and other necessities. The students received some supplies, such as bread, milk powder and canned goods from the United Nations Relief and Rehabilitation Administration, and I often took some of what I got back to him. Sometimes he ate at my aunt’s home, and he gave my cousin Fubao curricular tutoring. Later, I arranged for him to teach some classes at the Workers’ After-Hours School run by a youth association. I remember very clearly that he read widely, had a prodigious memory, and was well versed in Marxist-Leninist theory. Owing to the reputation he acquired during the anti-drug campaign, many of us progressive students came in contact with him and looked up to him like an older brother. After the campaign these students successively joined the CPC. In November 1948, when he returned to the Northern Jiangsu Base Area, I saw him off at the train station. After returning to the base area he changed his name to Chen Zhendong.

Afterwards, we were separated for a long time, both of us busy with our own work, until the late 1950s when we saw each other again. I quietly sensed that he had a heavy heart. At first, I thought he might be having family difficulties, but then I found out it was due to misunderstandings

of his past actions. Although he felt great pain in his heart, he never complained in my presence. He was always optimistic and undertook his work diligently. He had a strong sense of Party spirit. The understanding I acquired of him during the relatively long period of time we spent together made me trust him politically. Both Comrade He Chongyin and I were concerned about his living conditions and health. In 1977, when I learned he had been diagnosed with late-stage lung cancer, I wrote to him to console him and encourage him to battle the terrible illness. Unfortunately, he died prematurely on June 27, 1978 at the age of 59. Since he passed away, we have continued to show concern for his family.

During the decades of the revolution, countless unsung heroes sacrificed all they had for the cause. Owing to some complex historical reasons, some of them remained unrehabilitated even as they were dying. All that we living can do is to accord them the deepest respect. During the revolutionary struggle, people never concerned themselves with personal gains or losses. In order to complete the tasks the Party gave them and do the Party's work well, they disregarded their own personal safety and were not afraid of being wronged. Even if they were, they always unwaveringly believed in the Party and people's cause. This is the noble mentality of us Communists. The Nanjing Municipal Party Committee has already made a correct political judgment about Comrade Li Enyu. This is a result of our Party adhering to the ideological line Comrade Deng Xiaoping advocated of seeking truth from facts and taking a responsible attitude toward history and toward the older generation of comrades who made contributions to the Party and people.

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<sup>1</sup> The anti-drug campaign was a patriotic student campaign led by the Nanjing CPC underground organization and organized by student progressive organizations to oppose the Japanese aggressors' use of opium to harm the Chinese people. During the War of Resistance Against Japanese Aggression, the Japanese sold large quantities of opium in China, from which they made exorbitant profits, which they used to partially defray the costs of stationing their troops in China. With the approval of the Party organization, Li Enyu, a member of the secret Nanjing Central University-based Youth National Salvation Association led by the CPC, and others launched a student campaign to prohibit opium smoking in Nanjing. On December 17, 1943, several thousand secondary school and college students in Nanjing gathered in the neighborhood around Confucius Temple, the area where opium dens were most concentrated in their city, and launched a vigorous anti-drug campaign that called for a ban on opium smoking, smashed opium and gambling dens, and confiscated drug and gambling paraphernalia. The campaign lasted till April of the next year, and student patriotic campaigns were also launched in many other cities to smash opium and gambling dens.

<sup>2</sup> Li Enyu (1919-78), also known as Chen Zhendong, was a native of Nanjing, Jiangsu Province. In 1940, he enrolled in Nanjing Central University. In 1941, he joined the CPC's secret Youth Na-

tional Salvation Association, based in Nanjing Central University, and participated in patriotic anti-Japanese activities. In late 1943, under the direction of the Party, he helped lead teachers and students in launching a large-scale anti-drug campaign, and headed the Nanjing-based “Capital” Student Anti-drug Association. From 1944 to 1945, he joined the secret Nanjing Anti-Japanese Domestic Relief Association, led by the Party, and infiltrated the enemy spy network with the Party’s approval. In December 1945, he joined the CPC. In 1946, he was sent by the Party organization to Shanghai to do underground work. After the founding of the People’s Republic, he served as the principal of Nanjing No. 7 Secondary School, a member of the editorial board of the *Nanjing Daily*, and a vice director of the Nanjing Municipal Education Bureau Teaching and Research Office. He was mistakenly taken for a traitor for joining the enemy spy network under orders. In 1998, the Organization Department of the Nanjing Municipal Party Committee concluded that Li’s experiences during this time should be fully recognized.



## THE ARMY MUST CEASE ALL COMMERCIAL ACTIVITIES<sup>\*</sup>

July 21, 1998

The Central Committee and the State Council have decided to institute a united, large-scale, nationwide crackdown on smuggling. This is an important policy decision for ensuring sound economic development, safeguarding social stability and national security interests, and strengthening the Party, government and army. All army units must further raise their consciousness, strengthen leadership and unify planning and action to crack down hard on smuggling activities within the army in accordance with the Central Committee's requirements.

Cracking down on smuggling is an important component of the battle against economic crime and corruption. In recent years, considerable successes have been achieved in anti-smuggling work, but the situation is still grim. Smuggling activities are rampant in many areas. Their scope and scale and the harm they do are much greater than at any time before. The conspicuous problem is that they are carried out by legal persons and government officials collude with smugglers. Some units and individuals of the army, armed police force, public security organs, state security organs, and procuratorates are involved in smuggling. This makes the problem of smuggling even more serious and the battle against it more complex. During the revolutionary war, comrades sent into White areas<sup>1</sup> by the Party and army emerged unstained from the mud because they were white with red hearts. But now, some people have become red with white or black hearts.

Launching an intensive attack on criminal smuggling activities is not only a major economic battle, but also a serious political battle, and one that we must wage resolutely, vigorously and swiftly. We cannot retreat until we have achieved our anticipated goals.

The army must successfully combat corruption, promote incorruptibility and intensify the battle against smuggling. I have consistently stressed this matter, not in generalities, but by addressing specifics. Under the historical conditions of opening to the outside world and developing a socialist market economy, some people have fallen under the influence of such

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<sup>\*</sup> Excerpt from a speech at a standing meeting of the Central Military Commission.

decadent ideologies as money worship, hedonism and ultra-individualism. They have failed the test, and some have even degenerated and sunk into the quagmire of corruption and crime.

Our army is a people's army under the absolute leadership of the Party, and has always had the revolutionary spirit of fearing neither hardship nor death. During the revolutionary war, all officers and enlisted personnel in the army braved untold dangers, waged bloody warfare, and made contributions that will live untarnished forever in history. In peacetime, many officers and enlisted personnel are garrisoned throughout the year on plateaus and in deserts and bitterly cold areas, where they overcome all kinds of difficulties to steadfastly defend the motherland's borders. Our army has actively supported and participated in our country's modernization, energetically completed the urgent, difficult and dangerous emergency response and rescue tasks assigned by the Party and government, thereby making enormous and prominent contributions. The Party and the people have an extraordinary degree of faith in the army.

All comrades in the army, especially leading cadres at all levels, must have a clear and correct understanding of the situation concerning the army's battle against smuggling, economic crime and corruption. They need to look at all aspects of the problem and make a realistic estimate. They need to realize that indeed there are a small number of army units and personnel participating in smuggling activities, understand the serious harm and impact of such activities, and of course, not overestimate the problem. They also need to understand the important role the army has to play in participating in and supporting the struggle against smuggling throughout the country.

Our army is the mainstay of the people's democratic dictatorship and a Great Wall of steel protecting our socialist motherland. Some people wear the uniform but disregard our army's noble historic mission and sacred responsibility. They brazenly participate in economic crime, engage in and shield smuggling, and act in collusion with civilian economic criminals and smugglers. Their actions are contrary to our army's nature and purpose, and gravely harm its prestige. If we let this problem grow and fail to firmly, decisively and thoroughly resolve it, we will face the prospect of our mainstay collapsing and our Great Wall of steel toppling. This is not alarmist talk.

Everyone must fully realize the importance and urgency of waging an intensive anti-smuggling, anti-corruption battle from the perspectives of

safeguarding overall reform, development and stability, strengthening the army, guaranteeing the long-term political stability of the Party and country, and ensuring that the army never degenerates.

All army units must conscientiously implement the Central Committee's major anti-smuggling measures. They must move quickly to conduct a comprehensive clean-up by focusing on investigating and dealing with major smuggling cases and remorselessly eliminating black sheep. The army needs to be at the forefront of this united, nationwide anti-smuggling battle and set an example for the whole society. It must, through the practical actions of fighting smuggling and corruption, redeem the army's public image, which has been tarnished by a handful of units and personnel, and prevent smuggling and other economic criminal activities from occurring at their root.

The army is equipped with weapons. If army personnel engage in criminal activities and participate in smuggling or protecting smugglers, this makes it very difficult for local authorities to deal with them. If you have rifles and artillery and flaunt the army banner, who would dare stop you? The army must make a conscious effort to solve its own problems and actively support the work of and cooperate with local agencies. As for army personnel who engage in smuggling activities or protect smugglers, they must be quickly and firmly investigated and dealt with in accordance with Party and army discipline and state law, regardless of who they are or which agency this implicates. If the law requires the main culprits in major cases to be executed, then they must be executed, and we must not show leniency.

We have been combating economic crime and corruption for many years, so why does this ill wind continue to blow and in some cases gather force? A review of our work reveals an important reason: Some comrades are too compassionate and lenient. We cannot be compassionate and lenient when dealing with such villainous people and their wickedness. The more compassionate and lenient we are, the more brazen criminals will become. There is no alternative but to adopt drastic measures and severe laws. The masses are already very dissatisfied with the situation, and we cannot lose their trust. What good is our people's democratic dictatorship? Its primary function is to punish criminals of all sorts as well as all hostile forces and saboteurs who imperil the state, society and the interests of the people!

The army is the military force of the country and its people. We cannot let it become the private militia of a family or individual or the bodyguard

of someone seeking ill-gotten gains. If this were to happen, the army would no longer be a people's army under the leadership of the Party, and the consequences would be catastrophic. Unrest in some third world countries is due in some instances to public outcry against serious army corruption. We should learn a lesson from these countries.

To prevent negative phenomena and corruption at their roots and further improve Party conduct and uphold incorruptibility throughout the army, the Central Committee has made the important policy decision that the army and armed police force will henceforth be wholly state-funded and completely cease all commercial activities. I have advocated this ever since I came to work at the Central Committee.

An abundance of facts demonstrate the many drawbacks of allowing the army to engage in commercial activities. The most important of these are: First, commercial activities easily distract cadres and units from their primary duties and interfere with army building; second, they readily give rise to competition with the local civilian sector and create conflicts with civilians, which negatively affects the army's relations with the government and the people; and third, it is easy for commercial considerations to seep into the army's political life, affecting and eroding the thinking and work style of officers and enlisted personnel, thus breeding corruption. In short, it will seriously damage the image and combat effectiveness of our army. The army's involvement in business is an important reason why cases of smuggling and other economic crimes constantly arise in the military. In fact, the army's commercial activities do not yield much money and are incapable of offsetting the problem of inadequate funding. The army must not be allowed to continue doing business. If it does, the mainstay of the people's democratic dictatorship will crumble and China will no longer be a socialist state.

For the army to be wholly state-funded means that the state will guarantee its expenses in their entirety and raise soldiers' pay and benefits appropriately. This policy should apply not only to the army and the armed police force, but also to public security organs, state security organs, procuratorates and courts. The state should also pay the operating expenses of all these organs. As our national economy grows and our economic and overall strength increases, the state will be in a position to fund these expenditures. I have already discussed this with leaders of the State Council, and we will certainly make the necessary arrangements to ensure the disbursement of adequate funds to cover military spending.



This time we must be determined to completely sever the army's ties to all of its commercial enterprises. The army will still retain its support and welfare enterprises. The army should retain its support enterprises such as bedding and clothing factories whose primary customer is the army and it should run them better. The army's welfare enterprises, especially those in border regions and hardship areas, play a positive role in providing officers' family members with jobs and should also be kept and better managed. It is also necessary for the army to operate farms, including pig and chicken farms, in order to improve the lives of officers and enlisted personnel. This is something the army has always done, and it needs to continue doing so and to do it better.

The Central Military Commission needs to quickly formulate a plan to ensure the transfer of all the army's present assets in commercial enterprises to the state. While implementing this plan, the army must strictly guard against the diversion of assets, destruction of records and offenders shielding each other or fleeing the country. Offenders will be severely punished in accordance with Party and military discipline and state law.

It will be a major, complex undertaking for the army, armed police force, public security organs, state security organs, procuratorates and courts to cease all their commercial activities. We must strengthen leadership to ensure this work is done well. The central authorities have decided to create a leading group to deal with this matter.

In wartime, the army's mission is to fight, and in peacetime its mission is to prepare soldiers to fight. There is a saying, "Maintain an army for a thousand days to use it for a moment." All army units must concentrate their energies on training troops on the one hand, and consolidating national defense, protecting the motherland, safeguarding the people's peaceful labor and participating in building the country on the other.

During the tense military life of wartime, officers and enlisted personnel are full of revolutionary will and fervor. The trials and tribulations they undergo in those difficult circumstances are considerable. Once hostilities cease, this will and fervor diminish, and the desire for pleasure readily arises. The army must therefore pay particular attention to reinforcing education, training and supervision in peacetime. If the army lacks strict education, training and supervision, problems will arise, perhaps even to the extent of jeopardizing the army's very existence.

In ancient and modern times in China and abroad, there have been countless cases of troops finally succumbing to extravagance and cor-

ruption after extended tours of combat. The Eight Banner Army\* was at first a very capable fighting force. However, after the establishment of the Qing Dynasty, due to being left idle and enjoying privilege and comfort, an atmosphere of self-indulgence spread throughout the army, and within a hundred years it completely lost its combat effectiveness and the troops became pampered soldiers incapable of fighting. When the need came to suppress the Revolt of the Three Feudatories led by Wu Sangui\*\* and others, its weaknesses were fully exposed. We should not forget this historical lesson.

On the eve of national liberation, when our army was preparing to enter major cities, with foresight, Chairman Mao issued a warning to the whole Party and army. At the Second Plenary Session of the Seventh Central Committee, he stated:

Very soon we shall be victorious throughout the country.... With victory, certain moods may grow within the Party — arrogance, the airs of a self-styled hero, inertia and unwillingness to make progress, love of pleasure and distaste for continued hard living.... There may be some Communists who were not conquered by enemies with guns and were worthy of the name of heroes for standing up to these enemies, but who cannot withstand sugar-coated bullets; they will be defeated by sugar-coated bullets. We must guard against such a situation.

Reading this passage of Chairman Mao's speech today truly gives us food for thought.

All army comrades must consistently promote the fine work style of plain living and hard work. It is important for high-ranking cadres to lead by example. Persevering in plain living and hard work is a basic requirement for fortifying the army ideologically and politically, as well as an important condition for ensuring that the army never degenerates. In 1956, Chairman Mao wrote a very incisive passage on the great significance of plain living and hard work. Although it is rather long, I want to read it to you now. He said:

I have always been of the opinion that the army should live plainly and work hard and be a model. At a meeting held here in 1949, one of our generals proposed that the pay in the army should be raised, and many comrades were for his proposal, but I was against it. The illustration he used was that a

capitalist ate a meal of five courses whereas a PLA soldier had only salt water plus some pickled cabbage at a meal, and this, he said, wouldn't do. I said, on the contrary, this was just fine. They had five courses while we ate pickles. There was politics in these pickles, out of which models would emerge. The PLA won people's hearts precisely because of these pickles, but, of course, there were other factors too. Now the army meals have improved and are already rather different from having only pickles to eat. But what is most essential is that we must advocate plain living and hard work, which is our intrinsic political quality. Jinzhou is an apple-growing area. At the time of the Liaoxi campaign, it was autumn, and there were plenty of apples in the villagers' homes, but our fighters did not take a single apple. I was deeply moved when I read about this. Here the fighters themselves were conscious that not to eat the apples was noble, whereas to eat them would have been ignoble, for the apples belonged to the people. Our discipline rests on such consciousness. It is the result of leadership and education by our Party. Man must have some spirit, and the revolutionary spirit of the proletariat stems from this consciousness.<sup>4</sup>

During the revolutionary war, plain living and hard work achieved political goals, strengthened combat capability and transformed China into a socialist country. In a period of peaceful development, they can maintain our political nature and combat capability and keep the country socialist.

Our Party is leading the people in reform, opening up and socialist modernization; greatly developing the productive forces; and constantly increasing our country's economic power and overall strength, with the fundamental goal of rendering the country prosperous and strong and bringing common prosperity to the people. If the country is thriving and strong and the people prosperous, no foreign hostile force will be able to topple us, no domestic saboteurs will be able to undermine us, the Party and state will be rock firm and enjoy long-term political stability. Since the adoption of the reform and opening up policy, we have realized great economic and social accomplishments, and this success is attributable to the correct guidance of Deng Xiaoping Theory and the Party's basic line, and to the joint efforts of the whole Party, the whole army and the people of all the country's ethnic groups. Our country is still a developing country with the basic conditions of a large population, a weak foundation and underdeveloped productive forces; therefore, the people need to continue to live plainly and work hard. The army needs to continue to serve as a model

of plain living and hard work. Of course, the Party and government need to consider the need to reinforce the army and provide the necessary guarantees and conditions for its modernization.

In 1980, Comrade Deng Xiaoping made this important appeal:

During the long years of revolutionary war our political orientation was correct and we based our actions on analyses of the actual situation. We promoted the revolutionary spirit, which inspires people to work tirelessly, observe strict discipline, make sacrifices, act selflessly and put the interests of others first, the spirit that gives people revolutionary optimism and the determination to overwhelm all enemies and surmount all difficulties in order to win victory. And we did win great victories. In our effort to build socialism and achieve the four modernizations under the correct leadership of the Central Committee, we need to encourage this same revolutionary spirit. A Party member who lacks this spirit is not fit to be a Communist. But that is not all: We must call on members of the Party to foster this spirit among all our people, particularly our young people, through exemplary deeds, so that it becomes the main pillar of a culturally and ideologically advanced civilization in the People's Republic of China. Our country will then be looked up to by all revolutionary- and progressive-minded people in the world and admired by all who feel frustrated and suffer from spiritual emptiness for lack of purpose in their lives.”\*

I hope all comrades in the army, especially leading cadres at all levels, keep Comrade Deng Xiaoping's appeal firmly in mind, steadfastly foster the spirit he advocated and forever uphold the army's political nature as a people's army.

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<sup>1</sup> A reference to areas controlled by the KMT during the revolutionary civil wars in China.

<sup>2</sup> Based on the Manchu Eight Banner system, the Eight Banner Army was the Qing Dynasty's principal military force. In 1601, Nurhaci, a founding father of the Qing Dynasty, established a four-branch military system under which each branch was represented by a banner of a different color (yellow, white, red and blue). Later, he added four more branches along with four more banners (yellow with a red border, white with a red border, red with a white border and blue with a red border), thereby constituting the Manchu Eight Banner Army. His son Huangtaiji, Emperor Taizong of the Qing Dynasty, organized the Mongols and the Hans into eight branches, each along the same lines, and the branches were collectively called the Eight Banner Army of the Qing Dynasty. Early on, the Eight Banner system was the form of organization of both Manchu society and the Manchu army. The Manchu people were registered under one of the eight banners, and they engaged in civilian pursuits in peacetime and fought in times of war. After the Qing army-advanced south of the Great Wall, the Eight Banner sys-



tern gradually became a purely military organization, but administratively it continued to coexist along with the prefecture and county system. Other than official and military work, members of the Eight Banner Army were entirely supported by the state and had no other occupations. They became soft and lazy over time, and their combat capability eroded. The Eight Banner system gradually collapsed late in the Qing Dynasty.

<sup>3</sup> Wu Sangui (1612-78) was born in Gaoyou, Yangzhou (now Gaoyou, Jiangsu Province) during the Ming Dynasty; his ancestors had lived in Liaodong (whose government seat had been located in today's Liaoyang, Liaoning Province). He was garrison commander at Ningyuan at the end of the Ming Dynasty. Later he opened the Shanhaiguan Pass to the Qing army, allowing it to enter south of the Great Wall, for which he was rewarded with the title of Prince Who Pacified the West. He led his army to suppress peasant revolts in Shaanxi, Sichuan and other areas, and attacked the remaining Ming forces in Yunnan and Guizhou. After eliminating the remnants of Ming rule, he was ordered to garrison Yunnan. He, along with Shang Kexi, who was given the title of Prince Who Pacified the South and who garrisoned Guangdong, and Geng Jimao, who was given the title Prince Who Suppressed the South and who garrisoned Fujian, were together called the Three Feudatories. These feudatories had their own armies and gradually became forces over which the Qing government had virtually no control. Wu was the strongest of the three. In 1673, in order to strengthen national unity, the Qing government ordered the Three Feudatories be stripped of their fiefdoms. Wu rose in revolt, declared himself the Zhou King, and seized Sichuan and Hunan. Geng Jingzhong (son of Geng Jimao) and Shang Zhixin (son of Shang Kexi) joined in the revolt, as did the governors of Guangxi and Shaanxi. This revolt became known in history as the Revolt of the Three Feudatories. The Qing government defeated Geng and Shang using the tactics of divide and conquer. In 1678, Wu declared himself emperor in Hengyang (now Hengyang, Hunan Province) and called his reign the Zhou Dynasty. Not long after this, he died of illness and was succeeded by his grandson Wu Shifan. In 1681, Wu Shifan's army was defeated and he committed suicide. This marked the end of the Revolt of the Three Feudatories. The campaign to suppress the revolt revealed that the Eight Banner Army, the Qing Dynasty's main force, enjoyed privilege and comforts, became war-weary and lost its combat effectiveness after enjoying privilege and comforts. For most of the fighting, the Qing government had to rely mainly on the Green Standard Army, so called because it had a green banner. The Green Standard Army consisted of Han people.

<sup>4</sup> "Plain Living and Hard Work Is Our Intrinsic Political Quality," *Collected Works of Mao Zedong*, Chin. ed., People's Publishing House, Beijing, 1999, Vol. VII, p. 162.

<sup>5</sup> "Implement the Policy of Readjustment, Ensure Stability and Unity," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1995, Vol. II, pp. 362-63.

## LEADING CADRES SHOULD TAKE THE LEAD IN ESTABLISHING GOOD FAMILY VIRTUES\*

*July 21, 1998*

Leading cadres, especially high-ranking ones, must properly supervise their spouses and children and take the lead in establishing good family virtues. I have discussed this problem a number of times, and I am addressing it again today in the hope everyone takes it more seriously. The family is the basic unit of society, and if countless families have good family virtues, this will foster a healthy social atmosphere. If the family virtues of the leading cadres at all levels are good, this will induce Party members, cadres and the masses to maintain good family virtues.

All the power in the hands of leading cadres has been given to them by the people, and they must use it to serve the people's interests. They cannot look upon power as a means for seeking private benefits for themselves or their family members. Leading cadres need to properly supervise their spouses and children as well as themselves. They should always place the interests of the country and the people first and administer their affairs in accordance with the Party's ideological, political and organizational principles. They absolutely must not perpetuate the feudal mentality that when a man attains the Dao, even his chickens and dogs ascend to heaven.

Even within feudal society, there were a number of upright and wise officials who did their work honestly and lived rather simple lives in the service of the overall interests of the feudal ruling class and of social stability and development. During the reign of Emperor Taizong in the Tang Dynasty, there was a minister in the court by the name of Cen Wenben.<sup>1</sup> When someone suggested he purchase real estate for his family, he answered along these lines:

I am merely a commoner from among the people, and when I came to the country's capital of Chang'an penniless, I would have been satisfied as an assistant in the Palace Library or a county magistrate. I never imagined I would become a high-ranking official. But the court placed me in positions of responsibility and ultimately elevated me to prime minister. The salary I receive

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\* Excerpt from a speech at an executive meeting of the Central Military Commission.

is already sufficient. Having this much already makes me fearful. It would be worse if I had real estate to worry about.

When a feudal official has this kind of self-discipline, how can we Communists, who founded the Party for the public good and who work in the interest of the country and the people, be anything but indifferent to fame and fortune?

The Chinese nation has a fine tradition of emphasizing education in the home. In this respect, our forebears bequeathed us a large store of thinking and methods. Such classic writings on family virtues as the *Three Character Classic*, *Wisdom in Chinese Proverbs* and *Admonitions for the Yan Clan* contain many widely acclaimed maxims which have lost none of their edifying meaning up to the present. Historically, there are many examples of children who received a permissive education growing up to cause serious harm to society.

Leading cadres of the Party, government and army at all levels, especially high-ranking cadres, need to strengthen their children's education. This is a problem of great political significance. The masses pay close attention to everything the children of leading cadres say and do in society, and they miss nothing. This is perfectly normal. The masses' image of our leading cadres is based in part on what they observe our children saying and doing. If some of our children break the law and violate discipline, it will directly affect and harm the reputation of our Party, government and army. Chairman Mao and Comrade Deng Xiaoping strongly stressed the importance of high-ranking officials properly educating and supervising their children for the sake of the long-term political stability of the Party and country.

During the democratic revolution, most of the people who joined the revolution were workers and peasants. Because progressive intellectuals, of whom Mao Zedong, Zhou Enlai, Liu Shaoqi, Zhu De and Deng Xiaoping were representative, persevered in uniting with workers and peasants and excelled at integrating the basic tenets of Marxism with China's concrete realities, they became the main leaders of our Party. And because countless cadres who had been workers and peasants constantly improved their understanding of Marxist theory and their cultural knowledge through education by the Party and their own strenuous efforts in the course of the revolution, our victory in the Chinese revolution was assured. During the extremely bitter years of revolutionary war, many Party and army cad-

res did not have a normal family life and most were separated from their children. After the founding of the People's Republic, our Party came to power, life became stable, large numbers of leading cadres were reunited with their children, and this is when the problem of properly educating and supervising them arose. For historical reasons, a significant number of leading cadres had never seriously considered how Communists should run their families, and they were ideologically unprepared and lacked the knowledge and experience to do so. Decadent thinking in official circles during our feudal past held that officials should seek titles for their wives and posts for their descendants, and this, together with the backward methods by which peasants and other small producers ran their families, exerted a subtle but pervasive influence on social life that contaminated some leading cadres both consciously and unconsciously. This prompted Chairman Mao and Comrade Deng Xiaoping to take this problem very seriously. Today's cadres are already very different. They are much better educated, but under new historical conditions and in a new social environment, the question of how to effectively strengthen the education and supervision of their children is still as acute and urgent as ever and must not be ignored.

The living conditions and environment enjoyed by today's youth are very different from the past, and it is difficult for the parents of some children to supervise them after they grow up. However, parents need to supervise their children regardless of how difficult it is. There are three things leading cadres, especially high-ranking ones, need to do with their children. First, they need to strengthen the political, ideological and moral education of their children and place strict demands on them to prevent them from misusing their parents' position and influence to act wildly in defiance of the law or public opinion. Second, they need to be observant and take corrective action as soon as they discover problems. Third, they must not bend the law for their children's sake, but must immediately report any violations of law and discipline to the Party organization; they absolutely must not shield their children.

People are tested many times in their lives, and when unable to withstand the test of time, they will be left behind.

During the revolutionary wars, cadres were tested, sometimes on the battlefield and sometimes in enemy prisons. In general, these tests involved matters of life or death.

For the most part, the most important tests in peacetime do not involve life or death situations. Nevertheless, cadres still have to pass many



other tests: the trials of enduring difficult conditions, facing risks, properly wielding power, implementing reform and opening up, the tests of the market economy and resisting the temptations of power, money and sex. In general, these tests involve choices between the public good and private gain.

What exactly are a person's motives and goals for becoming a Party member, joining the army, or becoming a cadre or leader? Is it for the Party, the country and the people, or for oneself and one's family? In other words, is it for public or personal gain? This is a test that people must regularly pass. When I say "personal" I am not referring to an individual's legitimate interests. The Party and government ensure and safeguard the legitimate interests of individuals at all times. However, extreme forms of self-interest absolutely cannot be tolerated. The test of serving public or personal interests is ubiquitous. Whether they can repeatedly pass this test throughout their lives is a question that all Party members, army personnel and cadres, especially leading cadres, must squarely confront. To solve this problem, we must constantly strengthen our theoretical studies, improve ourselves ideologically and gain more practical experience. We must also always pay attention to transforming our subjective world in the course of transforming the objective world and firmly implant a correct worldview, outlook on life and sense of values. Anyone who has a correct worldview, outlook on life and sense of values as well as a noble spirit and moral character, is bound to withstand tests involving choices between the public good and private gain, will refuse to fall prey to extravagance and debauchery, and can ward off sugar-coated bullets.

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<sup>1</sup> Cen Wenben (595-645), born during the Sui Dynasty and a native of Xinye, Nanyang (now Xinye, Henan Province), was a Tang Dynasty official who served in a variety of positions, including Prime Minister. The passage paraphrased in the text is from the "Biography of Cen Wenben," Volume 70 of the *Old Book of Tang*. "When someone encouraged him to buy real estate, Cen sighed and said, 'I am merely a commoner from the south who came to the capital penniless. My only wish was to become an assistant in the Palace Library or a county magistrate, I do not have any military accomplishments. I rose to the position of prime minister on the basis of my literary accomplishments. I have reached the pinnacle. Having so high a salary already makes me fearful. What is the point of buying real estate?' The speaker sighed in resignation and withdrew."

## DETERMINE THE PATH FOR BUILDING SOCIALISM BASED ON CHINA'S CONDITIONS\*

*July 21, 1998*

China is currently building socialism with Chinese characteristics. You visited China more than 30 years ago. Afterwards, the Cultural Revolution broke out and lasted ten years. Our Party has already made its assessment of the Cultural Revolution. In 1978, our Party held the Third Plenary Session of the Eleventh Central Committee, which was of great historical significance. Henceforth, our country entered a new historical period of reform, opening up and socialist modernization. We have steadfastly integrated the basic tenets of Marxism with China's concrete realities and gradually formulated Deng Xiaoping Theory, which is the theory of building socialism with Chinese characteristics. In practice, we have taken the path of building socialism with Chinese characteristics and greatly changed the face of this country. Internationally, some believe we are taking the capitalist road or "the third way." These interpretations are incorrect. We are staunchly following the socialist road and building socialism with Chinese characteristics.

What is socialism with Chinese characteristics? Or, in other words, what is Deng Xiaoping Theory? Put simply, it seeks to answer the question, through practice, of how to build and strengthen socialism in a country like China, which is relatively backward economically and culturally, while adhering to the basic socialist system. With respect to the path of socialist development, we emphasize the guidance of Marxism and proceed according to China's national conditions. On the matter of the stage of socialist development, we maintain that China is still in the primary stage of socialism. Regarding the fundamental tasks of socialism, we maintain that the nature of socialism is to liberate and develop the productive forces and that we need to keep economic development as our central task while promoting all-around social progress. Addressing the impetus for socialist development, we stress that reform is a kind of revolution as well as the path China must follow to achieve modernization. Concerning politi-

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\* Excerpt from remarks to a visiting delegation from the Japanese Communist Party, led by the party's Presidium Chair Tetsuzo Fuwa.

cal guarantees for socialist development, we emphasize the need to keep to the socialist road and uphold the people's democratic dictatorship, the leadership of the CPC, and Marxism-Leninism and Mao Zedong Thought. Comrade Deng Xiaoping passed away in February of last year. In September, our Party held the historically significant Fifteenth National Congress and designated Deng Xiaoping Theory as our Party's guiding thought and formulated a cross-century development strategy for China. Our management of China's affairs has constantly improved due to the fact that we adhere to the path of developing socialism with Chinese characteristics. Since the second half of last year, financial crises have occurred in a number of Asian countries, and although these have laid great pressure on us and presented enormous challenges, we have withstood their impact. Though difficulties and problems await us on the road ahead, we are confident we can overcome them and administer China's affairs even better. We are full of confidence about the future of China.

World socialism was dealt a serious setback by the radical changes in Eastern Europe and the demise of the Soviet Union. However, it seems to me, the most difficult period is basically over. As a result of changes in the world situation and the tenors of the times, it is necessary to investigate anew a number of important questions concerning world socialism, and find new answers to these questions based on reflections on the lessons drawn from historical experience.

First, socialism is an entirely new social system in human history, and it will ultimately supplant capitalism. However, successes and failures are interwoven in the long historical process of giving birth to, consolidating and developing socialism. I believe that the communist parties and peoples of all countries will be tempered by and draw lessons from these setbacks and will propel the development of socialism in a healthier direction and to a higher level.

Second, Marxism is a science, and it must progress along with the times, practical experience and science. It cannot be allowed to stagnate. For more than a century, people's lives have changed more than our forebears could ever have possibly imagined. True Marxists should constantly innovate and develop Marxism in the struggle to achieve socialist ideals under the guidance of the basic tenets of Marxism and in light of the latest developments and characteristics of today's world.

Third, Marxism must be integrated with the realities of each country, focusing on theoretical research into practical issues and on new practices

and new developments. A discussion of Marxism divorced from a country's realities and the changing times is meaningless.

Fourth, conditions in the world's countries vary considerably, and there are numerous paths to take and models to follow in achieving socialism. Communists in all countries can communicate and explore new ideas on the basis of complete equality and mutual respect; no country is the center of world communism. People cannot engage in meaningless ideological polemics and criticism of others' explorations and experiences; still less should they impose their own viewpoints and models on others.

Fifth, we must correctly understand the ways contemporary capitalism is developing and changing, and clearly realize that for a considerable time to come the productive forces in developed capitalist countries will remain relatively strong and the historical process by which socialism supplants capitalism will be long and complex. A quick victory is impossible. Socialist countries need to handle their relations with capitalist countries well and constantly develop themselves.



# THE PRESENT INTERNATIONAL SITUATION AND OUR DIPLOMATIC WORK\*

*August 28, 1998*

## **World Multipolarization and Economic Globalization**

I want to focus my remarks on two present development trends in the international situation that everyone has been following closely, namely world multipolarization and economic globalization.

Since the Cold War ended, the bipolar structure of the world has disintegrated, and all kinds of forces in the world have waxed and waned, divided and combined. The United States has become the sole super-power. The European Union, Japan, Russia and China have emerged as important forces. The overall strength of developing countries has increased. Various regional, intercontinental and global organizations are more active than ever. These facts show that the pace of world multipolarization is increasing.

Nevertheless, we need to fully acknowledge that in today's world there is great inequality in the strength of different forces. The United States is trying to create a unipolar world in which it can control international affairs. Although it is subject to many constraints, the United States will be able to maintain notable political, economic, scientific, technological and military superiority for a considerable time to come. Over the last several years the United States' economic strength has not only not declined, but has rebounded, and it has regained its position as the world's leading exporter and most competitive country. The European Union's overall power is constantly expanding. It is increasingly becoming a strong competitor to the United States economically and has adopted more independent political views as a result of deepening integration and the planned adoption of the Euro currency. Nevertheless, the European Union is beset by internal conflicts, and it has not yet formulated joint policies on foreign relations and defense. Japan is second only to the United States economically, but its economy has been sluggish for many years and its desire to be a political power is hindered by various

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\* Excerpt from a speech at the Ninth Meeting of Chinese Diplomatic Envoys Posted Abroad.

constraints. Russia still has considerable power and a number of advantages in the military and scientific arenas, but it is currently experiencing economic difficulties. The economic and technological levels of developing countries still lag far behind those of developed countries. In short, for the foreseeable future, the clash between unipolarity and multipolarity will intensify, but a trend toward multipolarity is gradually developing as the United States, the sole superpower, coexists and competes with the other great powers. Ultimately, there will be a very long evolutionary process before a new world order finally takes shape.

As the trend toward multipolarity has picked up, adjustments in the relations between the great powers have entered a new stage that has attracted widespread attention. In the last several years, the leaders of these countries have been in frequent contact with each other, and meetings of heads of state have become regular occurrences. The great powers have established strategic relationships and partnerships of various kinds, and a new situation has emerged in which they cooperate and compete, rely on and restrict, and coordinate and clash with each other. These adjustments in the relations between the great powers have their origin in individual countries' strategic considerations, but the actions and steps these countries have taken are mostly strategic in nature and they have not aligned themselves into antagonistic blocs. This is a very important characteristic of the adjustments. Though there are some uncertainties in the relations between the great powers, the main trend is toward coordination and cooperation, which should further ease international tensions.

The world order and relations between the great powers have undergone several significant transformations during the 20th century. At the beginning of the century, European powers aligned themselves into two opposing blocs in order to carve up the world anew: the Central Powers, consisting of Germany, Austria-Hungary and Italy; and the Allies, consisting of Britain, France and Russia. This led to the outbreak of World War I. After the war, the Versailles-Washington system was established, under which the victors — Britain, France, the United States and Japan — dominated international affairs. In the 1930s, the Versailles-Washington system was undermined by the rise of the Axis powers Germany, Italy and Japan. These fascist governments started World War II to achieve their goal of world domination. During the war, the United States, the Soviet Union, and Britain established the Yalta system, which divided the world into spheres of influence. The Cold War, which began shortly after

the end of World War II, was a confrontation that lasted more than 40 years between the two major military blocs of the United States and the Soviet Union. The creation of these successive world orders and the evolution from one to the other clearly show that the international situation and relations between the great powers are always tense and in a state of sharp opposition.

The current trend toward multipolarity emerged after the end of the Cold War with the easing of international tensions and the constant rise of world forces for peace. This reflects the profound changes in international relations and the progress of the times. Multipolarization is progressing on all levels and in all areas. It is beneficial for undermining and restraining hegemonism and power politics and for promoting the establishment of a just and equitable new international political and economic order, and is therefore beneficial for carrying a peaceful, stable and prosperous world into the new century.

Nonetheless, because the interests and objectives of each party differ, multipolarization will inevitably complicate international relations, especially between the great powers. This deserves our careful consideration and attention.

China is a socialist country and the world's largest developing nation, and the position it occupies and the role it plays in the process of multipolarization are very different from those of the Western powers. Although there are a number of conflicts and disputes between the United States and other Western countries, there are people in all these countries who do not wish for socialist China to develop and become strong. They will not abandon their political plot to Westernize and divide China. Regardless of whether they follow a policy of containment or engagement, their underlying goal is the same, to change China's socialist system and eventually incorporate China into the Western capitalist system. This is a long and complex struggle. In this regard, we must always remain clearheaded and not lose our vigilance. Some powerful neighbors try to contain us in various ways. We need to handle our relations with great powers well, make every effort to reap the benefits while avoiding losses, seek to expand common interests with all parties, and increase our political dialogue, economic cooperation and scientific exchanges with these countries. We also need to be adept at maneuvering among them to encourage multipolarization and adjustments of relations between the great powers that benefit the modernization of China and the reunification of our motherland, safeguard

world peace and promote common development.

In the field of international economics, the trend toward economic globalization has received widespread attention.

The free flow and allocation of commodities, technology, information and especially capital around the globe is a basic feature of economic globalization and creates an intricate and complex situation in which the economies of both developed and developing countries are heavily interdependent. Economic globalization did not arise by chance. First, overall tensions are subsiding in the world, countries are making economic development their top priority, they are actively entering international markets and mutual cooperation and competition are constantly increasing. Second, with information and life sciences and technologies as the main indicators, the new revolution in science and technology is effectively stimulating world economic development and deepening economic ties between countries to an unprecedented degree. Third, the pace of global and regional trade and investment liberalization is accelerating. In particular, international financial markets are expanding rapidly, new financial instruments are constantly emerging, and the scope and speed of capital transactions are unprecedented. The total financial assets of Western developed countries already exceed \$30 trillion; the daily volume of foreign exchange transactions is \$1.5 trillion, and the annual total is \$400-500 trillion. Fourth, multinational companies are becoming larger, and they are important instruments of economic globalization. There are already more than 53,000 multinational companies, and they control 40% of the world's production, 50-60% of all trade, 60-70% of technology trade, 70% of foreign direct investment, and 80% of technology patents. In a number of developing countries, the main industries, and even the whole economic lifeline, are controlled by multinational corporations in developed countries.

Economic globalization was first promoted by developed capitalist countries, and they have always played the dominant role. As such, present economic globalization is, on the one hand, a manifestation of the development of the productive forces and science and technology, and on the other hand, an extension of capitalist production methods and market economies on a global scale. This is a new phenomenon in the development of modern capitalism.

It was 150 years ago that Marx and Engels noted in *The Communist Manifesto*, "The bourgeoisie, during its rule of scarce one hundred years,



has created more massive and more colossal productive forces than have all preceding generations together.” They further noted, “The need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.... The bourgeoisie has, through its exploitation of the world market, given a cosmopolitan character to production and consumption in every country.... In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations.” Marx and Engels’ scientific judgment and foresight have been confirmed by historical developments over the past century and a half. In this century, capitalism has experienced a series of crises, including serious economic crises, which delivered severe shocks to the international community, and the two world wars, which brought unprecedented disaster to humankind. As a result, the United States and other Western capitalist countries adjusted their relations of production and other relations to a certain degree and drew on policies and measures from socialist countries to ease social class conflicts. The development of new and high technologies, especially information and life sciences technologies, have provided a new impetus for economic growth in capitalist countries, further developed their productive forces, and broadened and deepened the world markets they dominate to an unprecedented extent. This indicates there is still considerable room for growth in the productive capacity of the capitalist social order. In his preface to *A Contribution to the Critique of Political Economy*, Marx wrote, “No social order is ever destroyed before all the productive forces for which it is sufficient have been developed.” From the development trend human society has taken, we can see socialism is a higher and more progressive social order than capitalism, and the replacement of capitalism by socialism throughout the world is the inevitable outcome of human progress. However, this is a complex and protracted historical process, and we need to have a realistic understanding of it.

Economic globalization took shape and developed without any fundamental changes occurring in the old international political and economic order. Western developed countries have superiority in the areas of capital, technology, talent and management, as well as in trade, investment and finance, and are therefore the biggest beneficiaries of economic globalization. The economic and technological level of developing countries is relatively low, and overall they are in a position of

disadvantage. Not only are they under great pressure from the economic and technological superiority of developed countries, but their national sovereignty and economic security are also under threat. A prominent example of this is the recent Asian financial crisis, which broke out against the backdrop of economic globalization and caused some developing countries to suffer considerable losses. Many facts indicate the development of economic globalization has increased the disparities in development and wealth between North and South, that is, between developed and developing countries, and wealth in developed countries is increasingly concentrated in the hands of a few oligarchs. More and more leaders of developing countries and other knowledgeable people are becoming increasingly alarmed by the risks of economic globalization, and they give high priority to safeguarding their country's economic security. Calls for the creation of a just and equitable new international political and economic order are becoming increasingly strong.

China is a developing socialist country. Economic globalization is both beneficial and detrimental to our development. For one thing, it is beneficial for attracting foreign investment to make up for our lack of capital, which is needed for domestic development; for introducing advanced technology and equipment, which allows us to leap over stages of technological development; for acquiring advanced managerial expertise and training outstanding Chinese managers; and for making the most of our strengths to enter international markets. For another, we must be aware that our economy is not very strong overall, we are not very competitive internationally, and economic globalization will inevitably bring with it disadvantages and risks. The Information Technology Agreement,<sup>1</sup> Agreement on Basic Telecommunications Services<sup>2</sup> and Agreement on Financial Services<sup>3</sup> were all adopted in the last two years and have put considerable pressure on us. The progress of international financial liberalization also magnifies our financial risks. Although the present "rules of the game" for international economics are in some ways favorable for socialized mass production, these rules were mainly formulated by Western countries. Moreover, all the international economic and financial organizations are controlled by the United States and other developed countries, and they always want to capitalize on these advantages to pursue economic hegemony and maximize their own benefits.

Economic globalization is the objective trend of international economic development. This trend cannot be changed at one's will, and no

country can avoid it. Today's world is an open world, and no country can stand alone from the rest of the world and develop its economy. We must unswervingly implement the opening up policy, adapt to the trend of economic globalization, actively participate in international economic cooperation and competition, and make full use of the favorable conditions and opportunities that economic globalization brings. We cannot look at the risks and the disadvantages and give up eating for fear of choking. At the same time, we must be clearly aware of the risks that economic globalization brings, maintain our independence and initiative, increase our level of vigilance, and become better able to fend off and defuse risks in order to effectively safeguard our country's economic security and better develop and strengthen ourselves.

As world multipolarization and economic globalization progress, many new situations and problems will arise, such as the emergence of a knowledge economy, which is presently taking shape. As for existing situations and problems, we cannot say that we fully understand them or that we have investigated them thoroughly, so we must follow them closely and study them more deeply.

Generally speaking, the international situation at the turn of the century presents more opportunities than challenges, more hopes than difficulties, and more favorable conditions than unfavorable factors. Everyone needs to clearly understand the main development trends, grasp opportunities, work hard to catch up, and strive to put our country in a more proactive and favorable position in international competition in the next century.

### **Initiating a New Phase in Our Diplomatic Work**

At this important juncture in history, at the turn of the century, we must firmly apply Deng Xiaoping's thinking on foreign affairs, unswervingly pursue an independent foreign policy of peace, conscientiously implement the guiding principles of the Fifteenth National Party Congress, initiate a new phase in our diplomatic work, and strive to create more favorable neighboring and international environments for achieving the strategic objectives of our country's socialist modernization.

First, we need to continue for a long time to adhere to the strategy of observing calmly, responding coolly, never claiming leadership and making some contributions. We need to hide our capacities and bide our time, preserve ourselves, and develop gradually. China's national conditions

and the international balance of power dictate that we adopt this course. On matters that directly affect our sovereignty, security and interests, the legitimate rights and interests of developing countries, world peace, regional stability, and the creation of a new, just and equitable international political and economic order, we must unequivocally uphold our principles, take highly effective steps and fight when we must. As China's international standing improves, we will take on greater international responsibility, and the international community, especially developing countries, hopes that we do so. As the world's largest developing country, we should fully play our role. Never claiming leadership and making some contributions are a dialectical unity, and the key is to be good at grasping the situation and seizing opportunities.

Second, we need to handle our relations with the world's great powers well and strive to promote the development of multipolarity. Sino-US relations have a bearing on all aspects of our diplomatic work as well as on our strategic political, economic and security interests. In recent years, Sino-US relations have experienced many setbacks. In November and December 1989, former US Secretary of State, Henry Kissinger, and Brent Scowcroft, Assistant to the President for National Security Affairs, visited China, respectively. When Comrade Deng Xiaoping met with them, he set forth a package proposal for restoring Sino-US relations. This proposal ultimately resulted in my state visit to the United States. The United States accepted it at the time, but later broke its promise. This is because drastic changes occurred in Eastern Europe shortly thereafter and gave some Americans hope China would also "change." When east China was hit by severe floods in 1991, some Americans thought China would fall into chaos. In December of that year, when the Soviet Union disintegrated, some Americans thought China would collapse. In 1992 the United States sold F-16 fighter jets to Taiwan and allowed the head of the Taiwan authorities to visit the United States in 1995. Some Americans speculated about what would happen in post-Deng China and increased the pressure on us in the hope that we would topple. However, China did not change, fall into chaos, collapse or topple. On the contrary, our situation has constantly improved and we have become stronger. Taking its strategic interests as its starting point, the United States was compelled to adjust its policy toward China. I first met with the President of the United States, Bill Clinton,<sup>4</sup> in Seattle in 1993, and have met and worked with him several times since. On the Taiwan question, we expressed a firm resolve to safeguard our state sovereignty



and territorial integrity, and China twice carried out military exercises in the Taiwan Straits that rattled the United States government and people. When I met with President Clinton in New York in October 1995, he clearly told me the policy of the United States toward China is one of all-out engagement, not isolation, constraint or confrontation. Clinton and I reached a general consensus in November 1996. We exchanged state visits in 1997 and 1998 and put an end to the extreme difficulties in Sino-US relations that had persisted since 1989. Sino-US relations thus entered a new stage. Nevertheless, we must realize that the United States' policy toward China is two-sided. The anti-Chinese faction in the United States will not stop trying to bring about peaceful evolution toward capitalism in China or stop looking at Taiwan as an unsinkable aircraft carrier. From now on, we must use a two-pronged approach against their two-sided policy, that is, we need to adhere to principles without losing flexibility, both cooperate and confront, and confront to promote cooperation in order to further improve and develop Sino-US relations.

It is also important to develop our relations with Europe. We need to continue to strengthen our work related to Western Europe, improve our political relations with the European Union, and promote further economic and technological cooperation with Europe.

Third, we need to properly handle our relations with neighboring countries. In recent years, our neighboring environment has improved greatly. Continuing to strengthen our work related to neighboring countries, maintaining good-neighborly friendship with them and preserving an excellent neighboring environment are all extremely important for our development.

Japan and Russia are world powers as well as important neighbors. Safeguarding Sino-Japanese friendship will benefit the stability of our borders and our economic development. At present, Japan is at a crossroads: Politically, it is still dividing and realigning; economically, it has numerous problems, and it will be difficult for things to improve in the short term. Japanese militarists were extremely brutal, and 35 million Chinese people were killed or wounded by the invading Japanese army. After the war, Japanese militarism was not completely addressed. There are still Japanese today whose hearts are brimming with militarist ideology. We must maintain constant vigilance concerning this problem. Japan once invaded Taiwan and occupied it for 50 years. It treated Taiwan as its own unsinkable aircraft carrier. It was the Japanese who first put forth this notion, and some

Americans then adopted it. We need to discuss the Taiwan question with Japan in depth. We must always emphasize the historical issues and talk about them. After the Asian financial crisis broke out, some Japanese took an irresponsible attitude and tried to shift their economic difficulties onto others. This met with widespread disapproval. Pressure must be put on Japan to accept responsibility. Sino-Russian relations are good on the whole. We need to continue working to maintain momentum in the development of our relations. India is also an important neighbor, and Sino-Indian relations need to be carried on well over the long term. Since I visited India in 1996, our bilateral relations have improved somewhat.

We have already reached accord with the Association of Southeast Asian Nations (ASEAN) to work together to create a good-neighborly partnership of mutual trust as we enter the 21st century. After the Asian financial crisis broke out, ASEAN affirmed and commended the positive role China played. Some ASEAN countries are still involved in disputes with us on matters concerning the South China Sea, but the work we have done over the past several years has kept the situation basically stable. We need to maintain good-neighborly friendships and strengthen cooperation and coordination in regional affairs with ASEAN. Peace and stability on the Korean Peninsula are important for tranquility in our northeast border area. We need to continue to play a positive role in issues concerning the Korean Peninsula.

Fourth, we need to further strengthen our unity and cooperation with other developing countries. Since the central leadership held a meeting of our envoys to Latin American and African countries, further progress has been made in our work related to other developing countries. Several members of the central leadership and I visited Latin America and Africa and accomplished a fair amount. In recent years, I have stressed repeatedly the importance of our African work, not only in the political arena, but also in fostering economic cooperation, and all departments concerned should actively support these efforts. We must look at our relations with other developing countries from a long-term strategic perspective. We need to make friends with rich countries and poor, but at a time when it is crucial, poor friends are more reliable. At the same time, as we develop relations with powerful countries, it is even more important for us to strengthen cooperation with other developing countries. This work can only be strengthened, not weakened. I proposed that we train a number of people for African countries, and this proposal is now being implemented. We will increase

high-level contacts with a number of other developing countries to an appropriate degree and promote bilateral economic and trade cooperation. In international affairs, we and other developing countries need to continue to coordinate with and support each other, and together safeguard the legitimate rights and interests of developing countries.

Fifth, we need to actively participate in multilateral diplomatic activities. At present, multilateral diplomacy is very dynamic and the roles of the United Nations and other international organizations are constantly expanding. Under the new circumstances, in which the trend toward world multipolarity and economic globalization is constantly developing, all major countries rely on regional organizations for their own development and try to use multilateral contexts to achieve what they cannot accomplish through bilateral means. We need to place greater emphasis on this, guide our actions according to circumstances and seek advantages while avoiding disadvantages.

Sixth, we need to resolutely safeguard our sovereignty, territorial integrity and national dignity, and energetically promote the great cause of national reunification. With Hong Kong returning to the motherland and the question of Macao about to be settled, the question of Taiwan looms before us even more prominently. We need to adopt a sense of urgency and mission and do a better job in our diplomatic work concerning Taiwan. We need to conscientiously study the possible influences the changing international circumstances might have on resolving the Taiwan question, struggle even harder against foreign anti-Chinese forces that support the secessionist forces advocating Taiwan independence, and create a favorable external environment for solving the question of Taiwan and achieving the complete reunification of the motherland as soon as possible. We should also maintain high vigilance against the infiltration of our country by foreign hostile forces, including ethnic separatists and religious extremists, and firmly eliminate all foreign interference that undermines our stability.

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<sup>1</sup> "APEC's Mission is to Promote Economic Cooperation," note 2, p. 81, this volume.

<sup>2</sup> A reference to the Fourth Protocol to the General Agreement on Trade in Services (GATS) as well as schedules of specific commitments annexed to the protocol, adopted by WTO members on April 15, 1997. Its main content is that WTO members must promise to open their markets to varying degrees in basic telecommunications services (including voice telephone, telex, telegraph, facsimile, fixed and mobile satellite systems, mobile data services and wireless paging) and value-added telecommunications services (on-line information and/or data processing, on-line information and database

retrieval, electronic data interchange, electronic mail and voice mail). This protocol took effect on February 5, 1998.

<sup>3</sup> A reference to the Fifth Protocol to the GATS as well as schedules of specific commitments annexed to the protocol, adopted by WTO members on December 12, 1997. Its main content is that WTO members must promise to open their markets to varying degrees in the areas of banking, insurance and securities, as well as related auxiliary services. This agreement took effect on March 1, 1999.

<sup>4</sup> Bill Clinton (1946- ), a member of the Democratic Party of the United States, was President of the United States from 1993 through 2001.



# INITIATE A NEW PHASE IN AGRICULTURE AND RURAL WORK<sup>\*</sup>

*September 25, 1998*

This year is the 20th anniversary of the Third Plenary Session of the Eleventh Central Committee and the beginning of rural reform. Anhui is the birthplace of the all-around contract system;<sup>1</sup> therefore, I have come to Anhui to look around and to conduct investigations and studies into the problems of agriculture and rural areas.

The whole Party and people of the entire nation are currently implementing all the strategic arrangements of the Fifteenth National Party Congress and comprehensively carrying out reform, opening up and socialist modernization. To achieve our cross-century development goals, we must accomplish the most difficult but essential task of maintaining sustained and steady growth in agriculture and the rural economy. Our country's basic conditions dictate that if we handle the important problem of rural areas well, we will seize the initiative in our overall economic and social development. Facing the challenges posed by the Asian financial crisis, we must further emphasize and strengthen agriculture and invigorate the rural economy in order to maintain economic and social stability and give ourselves more room to maneuver in carrying out development. The central leadership therefore takes the issues of agriculture and rural areas very seriously.

## **I. Thoroughly Review and Firmly Keep in Mind Our Basic Experiences in Rural Reform**

The Third Plenary Session of the Eleventh Central Committee marked the beginning of a magnificent new period of reform and opening up in China. Reform began in rural areas, then spread to the cities and encompassed the whole economic system. This was the path of successful reform in China. It was no accident reform began in rural areas; it was determined by China's basic conditions and the difficulties rural areas faced at the time.

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<sup>\*</sup> Speech delivered during an inspection tour of Anhui Province under the title of "Comprehensively Carry Out Rural Reform and Initiate a New Phase in Our Country's Agriculture and Rural Work."

Ten years of catastrophe pushed the national economy to the brink of collapse, and problems were particularly prominent in the countryside. At the time, 250 million people did not have enough to eat. Feeding the people was our most urgent task, and we had no choice but to undertake reform. The Third Plenary Session of the Eleventh Central Committee re-established the ideological line of emancipating our minds and seeking truth from facts. It shifted the focus of the Party's work to economic development and provided the ideological prerequisite and political environment for rural reform. Therefore, the occurrence and development of rural reform was inevitable.

During the last 20 years, a series of profound changes have occurred in rural areas under the Party's leadership: the breakup of the highly centralized system of people's communes; the implementation of the two-tiered operational system that integrates unified with independent management based on household contract responsibility with remuneration linked to output; the breakdown of the unitary agricultural structure that took grain as the key link and the development of a diversified economy and township and village enterprises, which completely invigorated the rural economy; the breakup of the state monopoly on the purchase and sale of agricultural products, and the introduction of market practices which stimulated their flow; and the breakup of the unitary ownership structure under which everything was owned collectively and the creation of a pattern whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side. Through reform we have begun to erect a new institutional framework suited to developing a socialist market economy, greatly liberated and developed the productive forces and brought tremendous, historic changes to the countryside. First, overall agricultural production capacity has greatly increased, ending a long period of shortages in important agricultural products. Over the past 20 years, total annual grain production has increased by over 200 million tons, basically solving the food problem of more than 1.2 billion Chinese people. Second, considerable improvements have been made to the industrial and employment structures in rural areas. Township and village enterprises have sprung up everywhere, providing employment for 130 million surplus rural workers and initiating an unprecedented process of rural industrialization. Third, farmers' lives have improved dramatically. Throughout China, most farmers have gone from having only the basic necessities to living moderately prosperous lives. Fourth, thanks to the rapid development of the rural

economy, rural social programs have made significant progress and farmers' way of thinking and mental attitude have undergone positive changes.

The success of rural reform is a great victory for Deng Xiaoping Theory. The series of expositions Comrade Deng Xiaoping gave on agriculture, rural areas and farmers and on rural reform, development and stability pointed out the way for rural reform. Comrade Deng Xiaoping explicitly supported and promoted reform at every crucial moment. The history of rural reform shows that we can break free from the fetters of antiquated thinking and rigid systems and explore new ways to build socialism with Chinese characteristics only by adhering to the guidance of Deng Xiaoping Theory, emancipating our minds and seeking truth from facts. It is fair to say that without Deng Xiaoping Theory, rural reform would have been impossible to carry out, and our Party's set of basic rural policies would not exist, not to mention our great successes today. Conscientiously reviewing these 20 years of valuable experience is of great significance for encouraging the whole Party to more consciously hold high the great banner of Deng Xiaoping Theory, firmly implement the Party's line, principles and policies that have been in place since the Third Plenary Session of the Eleventh Central Committee, further deepen rural reform and achieve the grand cross-century goals for agricultural and rural development.

First, we must make mobilizing the enthusiasm of farmers the principal starting point for formulating rural policy. Their enthusiasm is the foundation for developing agriculture and the rural economy. Our historical experiences since the founding of the People's Republic show whenever farmers are enthusiastic, agriculture develops quickly; and whenever their enthusiasm is dampened, agriculture stagnates or even declines. At the Third Plenary Session of the Eleventh Central Committee, unleashing the enthusiasm of our country's hundreds of millions of farmers was designated the principal starting point for agricultural policy and rural economic policy. Economically, we must take the material interests of farmers to heart, and politically, we must effectively safeguard their democratic rights. It was also stated at the session that whether or not our policies meet the requirements for developing the productive forces is determined by whether or not they can mobilize farmers' enthusiasm. This is a truth we have learned at great cost. Adherence to this correct starting point is the reason rural reform has been so successful. And the reason household contract responsibility has come to play such

an important role is that it gives farmers decision-making powers and brings them real benefits. Whenever we want to institute a rural program or policy, we must first consider if it will mobilize or dampen farmers' enthusiasm, whether it will safeguard or damage their material interests and democratic rights, and whether it will liberate and develop rural productive forces or hamper them. This is a basic principle for formulating rural policy that we must adhere to as well as a fundamental criterion for judging whether policies are correct.

Second, we must respect the initiative of farmers. The people are the real power behind historical changes. Setting farm output quotas on a household basis, township and village enterprises, and self-governance for villagers were great innovations made by the hundreds of millions of Chinese farmers under the Party's leadership. Comrade Deng Xiaoping once said, "The reform and the open policy have been successful not because we relied on books, but because we relied on practice and sought truth from facts. It was the peasants who invented the household contract responsibility system with remuneration linked to output. Many of the good ideas in rural reform came from people at the grass roots. We processed them and raised them to the level of guidelines for the whole country."<sup>2</sup> He also said, "Rural industries have absorbed 50 percent of the surplus work force. The idea of starting such industries was not put forward by the leaders of this country but by the villages and townships and the peasants themselves."<sup>3</sup> These conclusions by Comrade Deng Xiaoping sum up the state of rural reform. Our Party adheres, in its work, to the fundamental lines of doing everything for the masses and relying on the masses in everything we do, following the principle of "from the masses, to the masses," promptly learning from the practical experiences of farmers, formulating correct policies, and using them to guide and promote reform. All the major rural policies we introduce are based on practical innovations from the primary level and the rural masses. They are therefore firmly grounded in experience and have broad support among the masses. Rely on the masses to carry out reform: This is an important lesson.

Third, we must boldly search for effective forms of rural public ownership and constantly improve the structure of rural ownership. Relations of production must satisfy the requirements for developing the productive forces. Rural reform is essentially the removal of impediments imposed by relations of production on the development of the productive forces. Agrarian reform, led by the Party, at one time greatly liberated rural pro-



ductive forces People's communes, which were large in size and collective in nature, dampened the enthusiasm of the people for a long time. After rural reform, in the collective sector of the economy, we implemented collective land ownership and the household contract responsibility system to separate land ownership and land use rights, and created the two-tiered operational system that takes household contract responsibility as its basis and integrates unified with independent management. We also encouraged and guided farmers to develop individually owned and privately run enterprises and joint stock partnerships, and implemented a system whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side; thus, we were able to straighten out the most basic relations of production in rural areas under new historical conditions and invigorate the whole rural economy as never before. It has been found that the basic rural economic and operational systems formulated through these reforms are suitable for conditions in rural areas while our country is in the primary stage of socialism and that these systems can greatly stimulate the development of rural productive forces and should therefore remain unchanged for a long time to come.

Fourth, we must keep rural reforms market-oriented. The goal of our country's economic restructuring is to create a socialist market economy. In reality, rural reform has been moving in this direction since the beginning. The household contract responsibility system was instituted to make farmers market players with decision-making powers over their operations and responsibility for their own profits and losses. With these powers, the farmers will adjust what they produce and develop commodities to meet market demand, which in turn will inevitably lead to the division of labor and the rational flow of factors of production. In conformity with the objective requirements for the development of the rural economy, we made well-timed adjustments to the system for buying and selling agricultural products, encouraged farmers to find retail outlets for their products, and fostered the market for agricultural products and factors of production. These steps reinvigorated the rural economy and enabled it to break free of the limitations of the natural economy and the fetters of the planned economy, and gradually put it on track toward a socialist market economy. Maintaining market orientation and constantly deepening reform have long-term and fundamental significance for accelerating agricultural modernization.

## **II. Continue to Carry Out Rural Reform Oriented Toward a Socialist Market Economy**

Rural reform has already accomplished a great deal, but it is far from complete, and deepening rural reform remains a formidable task. The Fifteenth National Party Congress set forth the economic, political and cultural goals and tasks for comprehensively advancing our cause into the 21st century, and it identified two major problems that we must solve between now and 2010: how to establish a relatively complete socialist market economy, and how to maintain sustained, rapid and sound development of the national economy. It also pointed out the direction of rural reform and development. We need to resolutely deepen rural reform in accordance with the guiding principles of the Fifteenth Congress and the objective of establishing a socialist market economy.

To deepen rural reform we must first ensure the long-term stability of the two-tiered operational system based on household contract responsibility. This is the cornerstone of the Party's rural policy, and we must not waver from it at any time. Using household production as the foundation of agriculture is determined by the laws of agricultural production and by the laws for accommodating relations of production to the requirements for expanding the productive forces. After advanced agricultural cooperatives were established in the 1950s, farmers continually wanted to undertake household production. At first they took their horses and left the cooperatives. They were criticized but they painstakingly cultivated their private plots. People's communes tried everything they could to increase production: quota management, grading farmers' work, recording work points and short-term contracting, but none of these schemes worked. It was only after reforms were instituted to set farm output quotas on a household basis and to make each household responsible for their work that the farmers were satisfied and agricultural production increased. For a long time, we looked upon farmers' demands to set farm output quotas on a household basis as a spontaneous tendency toward capitalism, but we now see this was wrong. Experience has shown that household contract responsibility together with services provided by various sectors for agriculture can accommodate different levels of agricultural productive forces and is suited to both traditional and modern farming. This method has a wide range of adaptability and exuberant vitality, and the problem of having to overhaul household contract responsibility after the level of the productive forces is

improved does not exist. Ours is a socialist country, so of course we cannot allow private ownership of land. What we are implementing is a household contract responsibility system on collectively owned land. Socialist agriculture with Chinese characteristics rests on two principles: We will not allow private ownership of land, and we will not change the household contract responsibility system. These principles should be made clear so cadres at all levels fully understand why it is necessary to adhere to the two-tiered operational system based on household contract responsibility far into the future and so that farmers completely eliminate from their minds concerns that we will restore large, collective communes in the future.

The key to stabilizing the household contract responsibility system is to keep the land contract system stable. Land is the most basic means of production and the most reliable form of social security for farmers. The long-term stability of the rural land contract system is both an objective requirement for expanding agricultural productive forces and a fundamental measure for maintaining social stability in rural areas. The central leadership's policy on land contracts is very clear: The term of contracts will be extended for 30 years without change. And there is no need for further changes after 30 years. So, why has this policy not been implemented in some localities? This is still mainly a problem of ideological understanding. Even today, some people view household contract responsibility as outside of the collective sector of the economy. They do not realize that contracting out collectively owned land to households and implementing a two-tiered operational system are in fact the most efficient forms for the rural collective sector. Localities that seize contracted land from farmers, keep too much land in reserve or contract out land at exorbitant prices are violating Party policy and they are wrong, regardless of their motive. If we abandon the household contract responsibility system, the collective sector of the economy will lose its foundation. Rural collective economic organizations need to manage collectively owned property, organize production services and the exploitation of collective resources effectively, accommodate everyone's interests and improve services to farmers. If we are to strengthen the collective sector of the economy, we need to find new approaches. We cannot return to the so-called collective sector that deprived farmers of their interests. The few places that genuinely have suitable conditions can intensify agricultural production and develop various kinds of large-scale farming, but only if the masses are willing.

The overall aim of deepening rural economic restructuring is to create

a rural economic system compatible with the development of a socialist market economy based on household contract responsibility and maintained by the system under which all sectors of society provide services for agriculture, the system of markets for agricultural products, and the system of state support and protection for agriculture. Throughout the primary stage of socialism, we must always focus our rural work on stimulating the growth of the productive forces, and all our policies should help strengthen the vitality of the rural economy. For the present and in the near future, we need to concentrate on the following tasks. First, we will further improve the rural ownership structure. China is underdeveloped and in the primary stage of socialism, and this is particularly true in rural areas. Improvements in the rural ownership structure must be based on conditions in rural areas, giving localities a freer hand. While developing and strengthening the collective sector of the economy, we will also adopt more flexible and effective policies and measures to encourage and guide the development of the rural non-public sector. Second, on the basis of stabilizing and improving the two-tiered operational system, we will promote the rational movement and optimal regrouping of rural factors of production, such as land, capital, technology and labor, to develop various kinds of associations and cooperation. Third, we will help farmers develop all kinds of specialist service organizations, and at the same time transform the functions of government agricultural agencies that provide economic and technological services, and create a system under which all sectors of society in combination — the state, collectives, farmers and farmer cooperatives — provide services for agriculture. Fourth, we will deepen reform of the distribution system for agricultural products, gradually create a new system whereby prices are set primarily by the market under the state's macro-control, and establish a market system for agricultural products that is unified, open, competitive and orderly. Fifth, we will reform the systems of rural investment and financing; increase investment in agriculture; improve the system for controlling and using grain reserves to regulate grain prices, the grain risk fund and the system of purchasing grain at protective prices; create an agricultural insurance system; and accelerate the development of a state system for supporting and protecting agriculture. Sixth, we will reform and standardize the rural tax and fee system and explore ways to permanently reduce the burden on farmers. Deepening rural reform is a very complex issue, and I have only touched on it very briefly here. I hope that all localities take their local conditions as their starting point and continue



to boldly explore and practice in accordance with the unified arrangements of the central leadership.

Economic restructuring and political restructuring must be coordinated and mutually beneficial. Expanding primary-level democracy in rural areas and ensuring farmers can directly exercise their democratic rights are the most universal expressions of socialist democracy in rural China and a matter of fundamental importance for giving full rein to the initiative of farmers, promoting both material progress and cultural and ethical progress, and ensuring long-term stability in rural areas. We will implement democratic elections, democratic decision making, democratic supervision and democratic oversight at the primary level in the countryside. At present, we need to focus on creating village-level democratic institutions and improving three systems in accordance with the law: first, a system for the direct election of villagers' committees, to allow farmers to elect who they want to manage their village affairs; second, a system for village residents to discuss matters of great importance to their villages, particularly matters that affect the vital interests of village households, to ensure they are discussed at villagers' conferences or by representatives elected by the villagers rather than being decided by a small number of people; and third, a system for making village affairs public, to ensure that all matters of concern to the masses are made public at regular intervals and subjected to oversight by the masses. While expanding primary-level democracy in rural areas, we must uphold the leadership of the Party and we must act in accordance with the law. Only by following these two precepts can we proceed, with leadership, in an orderly, step-by-step way. Town and township governments also need to transform their functions and streamline their administrative structures and workforces. One of the main reasons the burden on farmers is so heavy is that they have too many mouths to feed. "The art of nourishing the people begins by reducing the number of officials."<sup>4</sup> We must conscientiously find a way to solve this problem in reforming town and township government institutions.

The goal of reform is to promote the development of the productive forces. The two most important problems concerning agricultural development in the long run are those of water and science and technology. We need to conscientiously review the lessons of experience and integrate agricultural capital construction with the work of rebuilding after this year's floods. We need to improve the ability of agriculture to withstand natural disasters by undertaking water conservancy and flood prevention

projects on the one hand, and improving the ecosystem by planting trees and grass and halting soil erosion on the other. At the same time, we will try hard to solve the problem of drought that plagues agriculture in the north by vigorously developing water-conserving irrigation methods and improving the utilization of water resources. We must adhere to the policy of making agriculture thrive through science and education. Comrade Deng Xiaoping pointed out, "The future of agriculture will eventually lie in bioengineering and other highly advanced technologies."<sup>5</sup> A number of developed countries are already using new and high technologies such as genetic breeding projects, the Internet and the Global Positioning System in agriculture. We must have a sense of urgency and catch up as soon as possible. We need to tackle key research problems in agricultural science, disseminate advanced and appropriate technologies, and provide farmers with technological training to genuinely make agricultural growth more dependent on advances in science and technology and improvements in the overall quality of the workforce.

Increasing farmers' incomes is a problem with a bearing on the overall situation. It is not only directly related to bringing a moderately prosperous standard of living to rural areas, but also on opening rural markets, boosting domestic demand and stimulating industrial and economic growth as well as the long-term supply of agricultural products. Now, the slow growth of rural incomes is becoming an increasingly serious problem, and it requires our full attention. We need to guide farmers to optimize the set-up of production on the basis of market demand; develop high-yield, high-quality and high-efficiency agriculture; integrate agriculture with trade and industry and industrialize agricultural operations; and improve the overall efficiency of agriculture. We need to continue to vigorously develop township and village enterprises and small towns, and give them a bigger role in promoting agricultural development and increasing farmers' incomes. We need to create many more avenues of employment in rural areas, tackle agricultural production more intensively and extensively, and transfer surplus rural labor to nonagricultural jobs in a rational and orderly manner. Now, the state is increasing investment in infrastructure construction and it should give work to more farmers so they can increase their income from labor. We will continue our poverty alleviation and development work and promote the balanced economic development of all regions to ultimately achieve common prosperity.

### **III. Respect Practice and the Masses and Provide Better Leadership for Rural Work**

The practical viewpoint and the mass viewpoint are the basic perspectives of Marxism. Generally speaking, there are two main reasons why our Party is powerful and our work is successful: One is we seek truth from facts and the other is we adhere to the mass line. I am re-emphasizing this issue today because it has a direct bearing on improving the Party's leadership of rural work and it has a bearing on the correct treatment of farmers and on completing our work related to them in the new period. Adhering to the guidance of Deng Xiaoping Theory and respecting practice and the masses are fundamental lessons we have learned during our leadership of rural reform over the past 20 years, and are principles we must adhere to in promoting rural reform and doing our rural work well in the future.

First, we need to correctly deal with new phenomena that occur in rural areas and respect farmers' innovations and choices. Many new situations and problems arise in the course of rural reform and development that we must study and resolve. We cannot sit around thinking long and hard; we must feel our way and innovate by relying on the masses. Leaders have the responsibility to be good at discovering innovations made at the primary level and those made by the masses, summarizing and improving them and then disseminating them. Fixing farm output quotas on a household basis, which has had such a great influence on rural reform and development, is just such an innovation made by farmers. At the time, many leaders were worried and could not see its merits, and many ordinary citizens did not understand it. Comrade Deng Xiaoping showed great foresight on this matter and saw the direction China's rural reform should take, and gave it his wholehearted support. He said, "Now that more flexible policies have been introduced in the rural areas, the practice of fixing farm output quotas on a household basis has been adopted in some localities where it is suitable. It has proved quite effective and changed things rapidly for the better. Fixing output quotas on a household basis has been adopted in most of the production teams in Feixi County, Anhui Province, and there have been big increases in production. Nearly all the production teams in the same province's Fengyang County, which incidentally is the locale of the 'Fengyang Flower-Drum' Opera, have been practicing an all-around contract system, which inside of a year has resulted in an upswing in production that has transformed the county's prospects."<sup>6</sup> With Comrade Deng Xiaoping's

support, the Party formulated a clear policy and the household contract responsibility system quickly spread throughout the country. Comrade Wan Li, who was secretary of the Anhui Provincial Party Committee at the time, endorsed and supported the farmers of Anhui in fixing output quotas on a household basis. If, in the discussion about the issue, our leaders had lacked boldness and vision and had opposed rather than supported it, the system of contracting output quotas to each farm household would never have been adopted. In fact, in the late 1950s and early 1960s, fixing output quotas on a household basis had already appeared in some rural areas in Anhui Province and elsewhere, but it was suppressed because it was viewed as an expression of capitalism and Right-deviationist thinking. This is a very important lesson. There are two things we need to keep in mind in order to correctly deal with new phenomena that arise in the course of rural reform and development. The first is that we should encourage experimentation, allow people to wait and see if things work, and discourage contention. This is an excellent method devised by Comrade Deng Xiaoping. If at first we cannot confidently assess a situation, we should not jump to conclusions; rather, we should see how things progress. We need to help and guide the masses to review their experiences and make progress. If innovations are successful, we should keep them; if not, discard them. The second is that we should continue to adhere to the “three favorables”<sup>7</sup> as the criterion for making judgments. We should base our decision on whether or not to encourage and support various practices at the primary level or the innovations made by the masses on whether or not they are conducive to developing rural productive forces and whether or not the farmers are enthusiastic about them. We should encourage and support everything that meets this standard.

Second, everything we do in rural areas needs to be grounded in reality and be respectful of the wishes of farmers. Our country’s rural productive forces are still relatively backward; farmers’ lives are still difficult, and there are great disparities in regional levels of development. In all our work, we cannot become divorced from reality, but must consider actual conditions in the countryside. We cannot follow the same formula in all situations, but must adopt measures based on local conditions and tailor guidance to different circumstances. At present, too much of our rural work is divorced from reality and the people. In some localities, adjustments to the agricultural structure are not based on local conditions or market demand, but only on wishful thinking, forcing farmers to plant one crop or another,



resulting in unnecessary losses. Some localities raise various production quotas to levels higher than their economic development and farmers' production capabilities. Setting high quotas without having the conditions to meet them places added burdens on farmers and gives them cause for complaint. The joint stock partnership system is an effective way of invigorating township and village enterprises and should be implemented actively yet prudently, but other systems should also be allowed. Some localities push too hard to implement this system and force enterprise employees to become shareholders, thus obtaining bad results from a good program. How do these problems arise? Primarily by being divorced from reality and being cut off from the masses. Our rural work needs to integrate the central leadership's principles with local realities, integrate necessities with possibilities, and integrate enthusiasm for work with a scientific spirit. We need to realize that farmers are already market players who have decision-making powers over their operations and are responsible for their own profits and losses. The object of our work today is much different than it was during the revolutionary war and the period of the planned economy. Cadres at all levels need to substantively change their work style and learn how to deal with farmers in a market economy. We need to fully respect farmers' autonomy over their production and operations, their right to own property and their democratic rights. We need to carry out consultations with farmers, and be good at persuasion, demonstration and service to give impetus to our rural work. To do what is of practical benefit to the farmers, we need to know our strengths and respect the masses, not issue compulsory orders; otherwise, they will be dissatisfied and disagree with us. All cadres engaged in rural work need to understand this.

Third, we should not change any policies that work in practice and are supported by farmers. Over the course of 20 years of rural reform, the Party has established a set of basic policies. Practice has shown these policies are consistent with rural realities, the wishes of the farmers and the requirements for developing rural productive forces, and we must ensure their stability and continuity. Policies and tactics are the life of the Party and the concentrated embodiment of the people's interests. When we speak of strengthening the Party's leadership in rural work, we primarily mean genuinely implementing the Party's principles and policies. Some cadres engaged in rural work are unclear about our rural policies, and many farmers understand them better than some cadres. Some of our comrades have a weak grasp of policies and implement them greatly arbitrarily. They

decide matters not on the basis of the Party's policies, but on the basis of their likes and dislikes. This situation must change. We need to retrain rural cadres in the Party's basic policies. We need to evaluate rural cadres' job performances based on whether they thoroughly understand the Party's rural policies, handle matters in strict accordance with them and can work creatively. Party committees at all levels, especially county committees, need to make training rural cadres in the Party's policies an important part of their work.

Fourth, we need to learn new knowledge, study new situations and solve new problems. Today, we are carrying out our agriculture and rural work in a market economy and a complex international economic environment. As leading cadres, we need command over a body of new knowledge and we require a broad international perspective. The global economy is presently undergoing profound changes, and the trend toward economic globalization and the growth of the knowledge economy should particularly command our close attention. The ongoing Asian financial crisis has had a serious impact on both the Asian and global economies. This illustrates the increasingly direct influence the international economic environment has on the development of a country or region. Our consideration of the issues of rural reform and development cannot focus on agriculture alone and ignore China's macroeconomic development and global economic trends. We have to emancipate our minds and seek truth from facts. For example, because rural reform and development already extend beyond the countryside, when researching rural issues, we need to consider how to rationally adjust the urban and rural economic structures and create a large, single urban and rural market. Another example is our lack of agricultural resources per capita. It is very important for us to develop and utilize intellectual resources, which means we have to consider how the knowledge economy can promote agricultural modernization. A further example is the huge impact the Asian financial crisis has had on our agricultural imports and exports, which means we need to consider how to further open our country's agriculture to the outside world and find a way to further open the domestic rural market. These are problems we did not encounter in the first stage of reform. As a result, cadres engaged in rural work have to expand their horizons, study hard, and put more effort into investigations and studies. They need to not only understand traditional farming knowledge, the rural economy and the state of economic development in their region and sector, but also modern farming knowledge, the whole national

economy and the national economic situation along with global economic trends. In this way they can work more purposefully and take initiative in their leadership.

It is a basic policy of the Party's leadership of rural work that we must always foster both material progress and cultural and ethical progress and attach equal importance to both. We must put great effort into developing cultural and ethical progress, democracy, the legal system and primary organizations in rural areas. We will have a socialist countryside with Chinese characteristics only when we make both material progress and cultural and ethical progress and coordinate economic and social development.

Supervision of rural work by the Party is both a tradition and an important principle of our Party. Building a new socialist countryside with Chinese characteristics requires us to strengthen and improve Party leadership and make full use of the role of rural primary Party organizations as the leadership core. This will provide political guarantees for doing rural work well and for consolidating town and township governments. At no time should we ever deal with these matters perfunctorily. The principal leaders of provincial, prefectural (municipal) and county Party committees need to take personal responsibility for rural work. Party committees and governments at all levels need to firmly establish the idea that agriculture is the foundation of the national economy, give high priority to rural work and open a new phase in our agriculture and rural work based on the strategic arrangements of the Fifteenth Congress.

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<sup>1</sup> The all-around contract system is the system of contracting work to rural households and is a form of the household contract responsibility system with remuneration linked to output. Rural households contract to use land owned by a collective and sign a contract with the collective. After meeting its state grain purchasing quota and paying the appropriate amount to the collective as specified in the contract, individual households retain the remaining produce.

<sup>2</sup> "Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, pp. 369-70.

<sup>3</sup> "In Everything We Do We Must Proceed from the Realities of the Primary Stage of Socialism," *ibid.*, p. 248.

<sup>4</sup> Cf. Tang Zhen (1630-1704), Qing *Dynasty*, Qianshu, "Reducing the Number of Officials." The original passage reads, "When there are numerous officials, their salaries are bound to be low. When their salaries are low, they will inevitably encroach on their superiors and be tyrannical to those under their power, and become thieving officials hated by the people. The first task in nurturing the people is therefore to reduce the number of officials."

<sup>5</sup> Deng Xiaoping, "Science and Technology Constitute a Primary Productive Force," *op. cit.*, p. 270.

<sup>6</sup> "On Questions of Rural Policy," *ibid.*, 1995, Vol. II, p. 314.

<sup>7</sup> "Promote Further Development of Township and Village Enterprises," p. 113, this volume.

## SPEECH AT A NATIONAL MEETING TO REVIEW THE BATTLE AGAINST THE FLOODS AND COMMEND THOSE WHO FOUGHT THEM

*September 28, 1998*

In the past few months, the Chinese people have demonstrated their valiant heroic spirit by fighting an epic battle against floods, the likes of which have rarely been seen in history. We have now achieved a complete victory. This is another monumental achievement of the Chinese people that has attracted worldwide attention.

Today, we are holding this grand, national meeting to review the battle against the floods and commend those who battled them. That is, to review the important lessons and great achievements of this battle against the floods and to commend the advanced collectives and heroic exemplary individuals, both military and civilian, as well as comrades on all fronts who made outstanding contributions in the battle, and to call on the people of all the country's ethnic groups to learn from their exemplary deeds and make even better progress in implementing reform, opening up and modernization.

Now, on behalf of the Central Committee, the State Council and the Central Military Commission as well as the whole Party, the entire army and the people of all our ethnic groups, I express my highest respect to all the cadres and the masses; the members of the PLA, the People's Armed Police Force and the public security police; people working in the fields of science, technology, medicine and news; and everyone else who fought on the frontlines of the battle. I also wish to express my sincerest thanks to all cadres and the masses throughout the country, the democratic parties, the All-China Federation of Industry and Commerce, people without party affiliation and mass organizations for their great support in flood relief; as well as to people from all walks of life in the HKSAR, our compatriots in Macao and Taiwan, overseas Chinese and people of Chinese origin around the world for their actively providing disaster assistance.

During the battle against the floods, many countries' leaders, governments, political parties, mass organizations, and embassies in China, as well as a number of United Nations bodies, international organizations, foreign-



funded enterprises, and foreign friends, expressed sympathy and support in a variety of ways, and I thank them sincerely on behalf of the Chinese government.

At this moment in time, we would especially like to express our heartfelt longing and deepest thoughts and condolences for all the martyrs who bravely sacrificed their lives in the battle, and for all the victims who lost their lives in this disaster.

Would everyone now please rise and pay silent tribute.

Since the flood season this year, due to abnormal weather, most of the country received significantly more rainfall than usual. Some areas experienced continuous heavy rain, and received several times their typical amount of rainfall, resulting in severe flooding. For the first time since 1954, a basin-wide flood hit the Yangtze River. It experienced eight flood peaks. The water levels on a 360 kilometer stretch of the river downstream from Yichang and on Dongting and Poyang lakes remained at record highs for a long period of time, and the water level in the section of the Yangtze River around Shashi peaked at 45.22 meters. The Nenjiang and Songhua rivers both weathered three flood peaks and experienced the worst flooding in recorded history. The Xijiang River in the Pearl River Valley and the Minjiang River in Fujian also both flooded. Many cities and large rural areas bordering rivers and lakes were flooded in Hubei, Hunan, Jiangxi, Anhui, Jiangsu, Heilongjiang, Jilin, Inner Mongolia and other provinces and regions, seriously threatening economic and social development and people's lives and property.

Resolutely battling the floods to protect people's lives and property and safeguard the achievements of reform, opening up and modernization was a great struggle and a severe test of the Chinese people's courage, confidence and capability to fight the elements.

Under the leadership of the Central Committee, the whole Party, the entire army and all the country's people scrambled into action. In particular, cadres and the masses in the disaster areas worked together with members of the PLA and the People's Armed Police Force who joined in the relief efforts in a profoundly moving and desperate struggle against the floods. In the end, they ensured the major levees along the flooded rivers and lakes held; guaranteed the security of major cities, major transportation routes, and people's lives and property; and kept the losses from this catastrophic natural disaster to a minimum. This was a magnificent accomplishment.

Our people, people's army, and numerous Party members and cadres

wrote a glorious new chapter in the history of the Chinese nation's development with their heroic actions. This magnificent feat will go down in the history of humankind's victories over natural disasters. The courage and strength the Chinese people of this era demonstrated in conquering this natural disaster and overcoming all kinds of difficulties and obstacles are indeed rare in this world.

The great power of this victory in the battle against the floods provides inspiration and encouragement to all the people in the disaster areas to overcome all obstacles in order to resume production and rebuild their lives, and inspiration and encouragement to people throughout the country to work even harder to complete our strategic cross-century development tasks. The momentous significance and far-reaching implications of this victory will certainly pervade the entire process of building socialism with Chinese characteristics.

Throughout this battle against the floods, the Central Committee gave the highest consideration to the lives and vital interests of the people in the disaster areas, directly led the battle, united heart and soul with the soldiers and civilians fighting the battle, and pulled together in times of trouble. From the moment the rains began, the Central Committee had been closely monitoring the changing weather conditions as well as the flood situation, and promptly made detailed arrangements for nationwide flood control work. On the basis of the actual probability of floods in threatened areas, the Central Committee clearly stated the strategic principles of doing everything possible to ensure that the levees on the Yangtze hold and to not abandon them under any circumstances in order to safeguard the security of major cities and protect people's lives, and it made the important policy decision to dispatch large numbers of PLA troops to work side by side with civilians in combating the floods. At the most critical moments, the Central Committee took stock of the situation, made correct judgments, issued a general mobilization order and urged the soldiers and civilians fighting the floods to stay confident and to persevere, persevere and persevere some more until the final victory. The State Flood Control and Drought Relief Headquarters resolutely carried out the policy decisions of the Central Committee and the State Council, made complete preparations and comprehensive arrangements, commanded operations decisively, controlled scientifically and maintained the initiative in the fight against the floods. These important principles, decisions and arrangements ensured the work of combating the floods progressed smoothly.

Party committees and governments in the flood-hit provinces and autonomous regions conscientiously implemented the principles and decisions of the Central Committee and the State Council, strengthened their leadership over flood control efforts and went all out to mobilize and organize the work. At times of crisis and in life-and-death situations, leading cadres at all levels rushed to the scene and joined the soldiers and civilians there in an indomitable struggle against the elements. Primary Party organizations fully played their role as political nuclei and bastions. Members of the Party and the Communist Youth League fully played their exemplary role as vanguards, led others in facing dangers, conducted themselves in exemplary fashion, were the first to advance and the last to retreat, and set a good example for the masses.

The PLA and the People's Armed Police Force resolutely responded to the call of the Party and the people, and more than 300,000 of their members became actively involved in the battle against the floods. They exhibited a revolutionary spirit of fearing neither hardship nor death and continued to fight till they were utterly exhausted. They were a tower of strength on which everyone depended. From holding fast the Jingjiang Dikey to sealing the breach in the Yangtze at Jiujiang, from joining the battle for the three boroughs of Wuhan to defending the Dongting Lake area, and from safeguarding the Daqing Oilfield to fighting a decisive battle against floods in Harbin, our soldiers could be found wherever dangers and difficulties were the greatest. From generals to soldiers, they all valiantly rushed to use their blood and muscle to build an unbreakable, rock-solid levee. Some cadres and soldiers made the ultimate sacrifice of their lives. The public security police were also actively involved in the battle against the floods and braved hardship to maintain public order in affected areas. Members of the PLA and the People's Armed Police Force performed a historic service to the Party and the people.

The masses were the main force in achieving victory over the floods and the true heroes of the battle. In all the areas threatened or inundated by flooding, they faced the perils calmly and fearlessly. They did not become despondent when they lost their homes or loved ones, and the pain in their hearts only stiffened their resolve to battle the floods. When a son fell, he was replaced by his father, and when a husband perished, his wife took his place. They displayed high political consciousness and noble character by ignoring the dangers to their own homes in order to protect the motherland. Scientific and technological personnel in the areas of

water conservancy, hydrology and meteorology worked around the clock and provided important technological guidance. Medical personnel from around the country worked on the frontlines treating victims, preventing the outbreak of epidemics and keeping the soldiers and civilians fighting the floods healthy. News reporters promptly reported on the Central Committee and State Council's directives, faced difficulties and dangers fearlessly, went to the frontlines where they reported the heroic exploits of those fighting the floods, promoted a healthy atmosphere and kept people's morale high. Comrades working in the fields of communications, the railways, transportation, and on other fronts all gave the highest priority to supporting the battle against the floods. They cooperated with those efforts to the fullest and made important contributions from their respective posts. People throughout the country were greatly moved by the situation in the disaster areas and followed events there closely. They displayed the fine traditions of the Chinese nation of fraternal unity and mutual assistance in times of need, and selflessly supported the soldiers and civilians on the frontlines. From hoary-haired senior citizens to children wearing the red scarves of Young Pioneers, and from workers, farmers and intellectuals to cadres of all ranks — 1.2 billion Chinese united as one. A vast upsurge of feeling swept across China arousing the whole nation to unite with one heart and mind and battle the floods, thus showing the glorious spectacle of the whole nation overcoming the floods.

“It is in a turbulent world that a hero shows his mettle.”<sup>1</sup> Our Party members and cadres demonstrated through their actions that they fully deserve to be called Communist Party members and public servants. Our army troops demonstrated through their actions that they are a revolutionary corps the Party and the people can fully rely on, a Great Wall of steel protecting the country's security and the people's interests, and a tower of strength safeguarding reform, opening up and modernization as well as the most likable people in this new period. The masses demonstrated through their actions that the Chinese people have a glorious tradition of uniting as one and tenaciously confronting hardships and that the Chinese nation has great cohesiveness and will not crumble in the face of any difficulty or danger.

As we carry out reform and opening up and develop a socialist market economy, people have raised a number of questions: Will the Chinese people discard their glorious traditions in these new historical conditions in which social interests are becoming diversified? Are they as strongly co-



hesive as before? Can the CPC and the PLA maintain their nature and purpose? This victory in the battle against the floods once again answers these questions with irrefutable facts. The CPC's purpose of being committed to serving the people wholeheartedly has not changed, nor has the political nature of the PLA as a revolutionary army that upholds the absolute leadership of the Party, or the Chinese people's spirit of adhering to their nation's fine traditions. Not only have they not changed, but they will not change in the future. This type of Party, army and people can accomplish marvelous feats.

Such a desperate struggle in which the Party, people and army shared a common fate and stood together through adversity made the Party's relations with the people more intimate, made the army and the people more interdependent than ever before, and unified the entire nation to an unprecedented degree. This kind of ideological and political wealth is extremely valuable, and we must treasure it greatly and preserve it forever.

This victory in the battle against the floods again shows that in order to overcome all the difficulties and dangers on the road ahead, make the country rich and powerful, rejuvenate the nation and bring happiness to the people, we must uphold the leadership of the CPC. The CPC is the vanguard of the working class. Armed with Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory, it places the interests of the country and the people above all else, and sincerely serves the interests of the nation and the people. The fundamental reason our Party can formulate a correct line and mobilize and organize the people on the broadest possible scale to constantly be victorious is that it originates from the people, is rooted in them and serves them. This is why the CPC receives the ardent support of the people throughout the country and enjoys high prestige and strong appeal among them. With the leadership core of the CPC, the level of organization among the Chinese people has been strengthened and raised to an unprecedented level, thereby also greatly enhancing and increasing the powerful creative force of the people for transforming society and exploiting nature. In recent years, our Party has united and led the people of the whole country in overcoming one difficulty after another and achieving a series of successes. At the end of the 1980s and the beginning of the 1990s, our country withstood the impact of international and domestic political disturbances and defended the great cause of building socialism with Chinese characteristics, thereby successfully surviving a hazardous political ordeal. Since last year, we have adopted effective measures

to calmly respond to the Asian financial crisis and continued to press forward with reform, opening up and modernization, thereby successfully surviving a hazardous economic ordeal. This time, we withstood the onslaught of massive flooding and maintained social stability and economic development throughout the country, thereby successfully surviving a hazardous natural ordeal. There are bright prospects for our country's development, but the road ahead is not smooth, and various risks will appear as we move ahead. If the people work hard together and uphold the leadership of the CPC, we are fully capable of dealing with any complications on the road ahead with composure and overcoming all the difficulties and obstacles that may arise.

This victory in the battle against the floods again illustrates that our country's socialist system possesses tremendous advantages and can concentrate resources to accomplish large undertakings and mobilize and organize the people across the country to constantly achieve great results. Under our socialist system, the people are masters of the country, which gives them a strong sense of responsibility and spirit of dedication that precludes basic conflicts of interest between them. All undertakings that serve the fundamental interests of the country and the people will inevitably receive their ardent and willing support. This is an outstanding political advantage of our socialist system. In this battle against the floods, all regions and departments throughout the country promoted a spirit of great unity and cooperation, with everyone coming to the aid of those in need and considering the country as a whole; subordinated interests of the part to those of the whole and immediate interests to long-term ones; and concentrated their magnificent power. If we steadfastly make full use of the strengths of our socialist system, we can pick up the pace of reform, opening up and modernization, and achieve the great rejuvenation of the Chinese nation.

This victory in the battle against the floods again shows that the people and only the people are the true driving force that creates history. They are an inexhaustible source of strength for developing our cause. It is because we closely depend on the people that our Party and state can write new chapters in the annals of revolution, construction and reform. As with other historic victories in the past, this victory in the battle against the floods is, in the final analysis, attributable to the strength of the people. The Chinese people have again demonstrated the precious spirit of sharing comforts and hardships and pulling together in times of trouble as well as

the heroic spirit of self-reliance and self-improvement. All of China's offspring feel great honor and pride about this. When all the Chinese people steadfastly unite and pool their collective wisdom and strength to the greatest possible extent, and make full use of them, they can continue to accomplish feats worthy of history and the times. Victory will always belong to the hardworking and courageous Chinese people.

This victory in the battle against the floods again demonstrates that, in order to increase our country's overall strength and its ability to withstand risks of all kinds, we must resolutely implement the Party's basic line for the primary stage of socialism. For nearly 20 years, we have taken economic development as our central task, upheld the Four Cardinal Principles, carried out reform and opening up, sought to achieve a balance between making material progress and socialist cultural and ethical progress, raised economic development and social progress to an entirely new level, and significantly improved our productive forces, our overall national strength and people's standard of living. Our country already has significant material and technological capabilities, and our people radiate a strength of spirit that is even more full of vigor and vitality. This battle against the floods was a very difficult challenge and we came through with flying colors. It is not possible to succeed in such circumstances without having indomitable courage and tenacity, advanced science and technology, and considerable overall national strength. Without having built and developed our material foundation through long years of hard work, and without having made technological progress in the areas of water conservancy, hydrology and meteorology, it is difficult to imagine how we could have been victorious. This victory in the battle against the floods is a great victory achieved by persevering in reform, opening up and modernization. To achieve socialist modernization more quickly, we must persevere in reform and opening up, constantly expand foreign exchanges and cooperation, and conscientiously learn and absorb all the outstanding achievements of other nations and their advantageous experiences useful for our economic development and social progress.

In the battle against the floods, our nation and our people exhibited a noble spirit - a great spirit of uniting as one, forging a powerful united will, fearing no difficulty, struggling tenaciously, being firm and unflinching, and having the courage to win.

Uniting as one and forging a powerful will are manifestations of the Chinese people's strong cohesiveness. From the long levees along the river-

banks to the capital Beijing, from north and south of the Yangtze River to the territory inside and outside the Great Wall, and from coastal provinces and municipalities to ethnic minority border regions, people in front and those behind were united in action, the whole nation from top to bottom pulled together and everyone's individual strength was bound into a common force. At every important juncture of our country's revolution, construction and reform, the Chinese people have fully manifested their extraordinary cohesiveness. With this kind of cohesiveness, we can always remain invincible.

Fearing no difficulty and struggling tenaciously are manifestations of the Chinese people's heroic revolutionary spirit. When torrents of muddy water put countless lives in jeopardy, everyone's worldview, outlook on life and sense of values faced a severe test. This was a moment when life and death hung in the balance, and it was a moment when heroes came forth in droves. During this great battle, countless heroes fought the elements without regard for their personal safety. Gao Jiancheng, Wu Liangzhu, Hu Jicheng, Wang Zhancheng, Li Changzhi, Yang Xiaofei, Chen Shentao, Bao Shitou, Song Bo, Dong Guanglin, Luo Diansu, Ma Diansheng and other comrades are all outstanding examples of such heroes. When one hero fell, thousands rose to replace him. This kind of dauntless spirit, of rushing into danger with no thought of personal safety, can move heaven and earth and make people of the world gasp in admiration. Inspired by this revolutionary heroism, the Chinese people can always stand strongly among the world's nations.

Being firm and unflinching and having the courage to win are manifestations of the Chinese people's indomitable will and certainty of success. The soldiers and civilians fighting the floods swore to fight to the death, courageously pressed forward in the face of all difficulties and dangers, triumphed over every flood peak and always steadfastly stood upright in the face of the surging floodwaters. When the waters rose one foot, their morale rose ten. The soldiers and civilians fighting the floods displayed exceptional courage and amazing willpower, and the more dangerous the situation got, the more indomitable they became. With courage and willpower as powerful as a thunderbolt, all difficulties and dangers can be overcome.

If a nation and a country do not have their own moral pillars, it means there is no soul, and cohesiveness and vitality will be lost. Whether or not a country has a vibrant national spirit is an important determinant of whether its overall strength is powerful or weak. The basis for overall



national strength is material strength, which consists mainly of economic strength and scientific and technological strength. But strength of spirit, including national spirit and cohesiveness, is also an integral component of overall national strength. According to the perspective of Marxist materialist dialectics, under the proper conditions spirit can become material, and spiritual strength can be transformed into material strength. Great spiritual strength can not only stimulate the development of material and technological strength, but can also make certain that material and technological strength plays a bigger and better role. The Chinese nation has its own great national spirit. This profound and deep-rooted national spirit is the quintessence of thousands of years of culture and an inseparable part of the living fabric of the Chinese nation. During the more than 5,000 years of development, the Chinese nation's convictions have grown stronger when it experienced tribulations and its will to fight strengthened when it suffered hardships. The Chinese nation has developed and constructed our beloved motherland, created a glorious Chinese culture and made an indelible contribution to the progress of human civilization.

The spirit we displayed in the battle against the floods greatly carries forward our spirit of patriotism, collectivism and socialism, our socialist cultural and ethical progress and our Party and army's glorious traditions and fine work style, and it is the full expression and further development of the Chinese nation's national spirit in contemporary China.

Like the revolutionary spirit the Party has always advocated and the pioneering spirit of the new period, the spirit we displayed in the battle against the floods is the precious spiritual wealth of our people. We will carry on and promote such a spirit from generation to generation and use it to encourage our cadres and masses to continue to advance from victory to victory.

The whole Party and the people of all the country's ethnic groups are comprehensively implementing the guiding principles of the Fifteenth National Party Congress, pressing forward with reform, opening up and modernization, and working hard to complete this year's tasks for reform and economic and social development. This victory in the battle against the floods has given a powerful stimulus to this work. All Party members and people throughout the country need to carry forward the great spirit we displayed in the battle against the floods, work energetically, break new ground, strive to solve problems on the road ahead and confidently achieve this year's goals for reform and development.

First of all, close attention must be paid to providing disaster relief, resuming production and rebuilding people's homes in the disaster areas. Party committees and governments at all levels in the flood-hit areas need to make this work their top priority. They need to take reality as their starting point, formulate comprehensive plans on solid scientific grounds, and give equal consideration to resuming production and rebuilding people's lives, dealing with symptoms and underlying causes, and taking both immediate and long-term interests into consideration. They need to do all aspects of their disaster relief work well and do everything possible to completely restore production and rebuild people's homes.

Our hearts should be filled with concern for the lives of the disaster victims, and we should constantly think about how we can help them. An urgent task is to ensure that the disaster victims can survive the winter. The key to successfully completing disaster relief work lies in quickly restoring and developing production, and energetically carrying out health and epidemic prevention work. We need to organize the masses to do rush repairs of flood-damaged farmland and resume farming, animal husbandry and aquaculture industries as soon as possible to keep agricultural losses to the bare minimum. We also need to promptly restore infrastructure services such as electric power, communications and transportation. In the course of restoring industrial production, we need to pay attention to adapting to market demand, and strive to reach new heights while carrying out structural adjustments. We need to comprehensively take into consideration various factors and make overall plans to help flood victims finish rebuilding their homes as soon as possible.

All localities in China need to fully support the rebuilding work in the disaster areas. The cadres and masses there need to continue to foster the vigor, revolutionary fervor and all-out commitment they displayed in the fight against the floods, be self-reliant, work hard, and use their own wisdom and strength to achieve a higher level of economic development and social progress.

Floods have always been a grave hidden danger to the Chinese nation, and the whole Party and country must take them very seriously. The recent floods caused severe losses, and we paid a high price. Natural disasters are a bad thing, but in battling against them we can deepen our understanding and grasp of the laws of nature and draw beneficial conclusions in order to use nature to serve our lives and social development more scientifically. This is the dialectics of the relationship between man and nature.

We need to conscientiously review the new experience we acquired from this battle against the floods, further deepen our understanding of the major issues of how to strengthen our capability to guard against natural disasters and better carry out economic and social development, and then make plans and arrangements more scientifically and rationally. This work is very important, and we must do it as soon as possible.

More than a hundred years ago, Engels pointed out that by bringing about changes in nature humans make it serve their ends and master it. However, at every step we are reminded that we by no means rule over nature like someone standing outside it — but that all our mastery of it consists in the fact that we are able to know and correctly apply its laws.<sup>2</sup> These words from Engels make it clear how humankind should properly handle its relation to the natural world. The facts of history show that when people understand the laws of nature, it does not mean they can immediately and fully grasp nature. Often, we have to experience phenomena repeatedly before we can fully understand the laws that govern them. There are many things we did not understand in the past that we understand now, and there are many things we do not understand now that we will understand in the future. The crux of the matter is that we need to do our work well, consciously recognize and correctly grasp the laws of nature, and learn how to manage our affairs in accordance with them, so that we can carry out economic development and other social programs more successfully and achieve balanced development of the economy and the ecological environment.

Since the founding of New China, the Party and government have given high priority to preventing and controlling natural disasters. They have organized and led the people in building water conservancy projects, bringing rivers and lakes under control on a large scale, energetically launching afforestation and soil and water conservation projects, and tirelessly building flood prevention facilities. The work we accomplished in these areas over a long period of time made an important contribution to this battle against the floods. However, overall, our flood prevention capabilities are weak and there are a significant number of problems concerning water conservancy facilities and overall water control that still need to be solved. Floods constantly threaten the lives and property of the people who live along rivers and lakes. This matter deserves deeper consideration. The main reason for this year's extensive flooding was unusual weather, namely highly concentrated rainfall; that is to say, it was a natural disaster.

Of course, we need to fully acknowledge the existence of problems such as serious ecological degradation, the silting of rivers and lakes, and weak water control infrastructure. We need to conscientiously review the lessons of experience and make effective improvements to raise our flood prevention and control capabilities and effectively decrease the threat of natural disasters. To strengthen water conservancy construction, we need to adhere to the principle of making overall plans that take all factors into consideration and address both symptomatic and underlying problems to achieve comprehensive water control; combine the goals of seeking benefits and preventing damage; and give equal emphasis to developing water resources and economizing water use and to preventing floods and combating drought. The Central Committee has set forth general requirements for protecting the ecological environment and carrying out the construction of water conservancy projects more effectively, and the State Council has already made specific arrangements reflecting these requirements. All regions and departments need to promptly make plans for meeting the specific requirements and implementing the specific arrangements in light of their realities. We should focus on effectively improving the ecological environment, bringing rivers and lakes under control and strengthening flood control and water conservancy facilities. In short, we need to fundamentally strengthen our ability to prevent and combat floods through comprehensive control measures.

In the 20th century, which is nearing its end, the Chinese people fundamentally took control of their historical fate and made unprecedented, monumental achievements through a united struggle under the leadership of the CPC. In the coming century, the Chinese people will continue to hold high the great banner of Deng Xiaoping Theory, forge ahead boldly on the great path of building socialism with Chinese characteristics, modernize their motherland, achieve the complete rejuvenation of the Chinese nation and make further and greater contributions to humanity under the leadership of the CPC.

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<sup>1</sup> "New Year's Reflections 1963 - to the tune of *The Whole River Red*," *Complete Works of Guo Moruo, Literary Works*, Chin. ed., People's Literature Publishing House, Beijing, 1984, Vol. IV, p. 119.

<sup>2</sup> Cf. Frederick Engels, *Dialectics of Nature*, Eng. ed., Foreign Language Publishing House, Moscow, 1954, p. 242.



## SPEECH AT THE SCIENCE CITY OF NOVOSIBIRSK

*November 24, 1998*

I have long heard about the science city of Novosibirsk, but it is better to see once than hear a hundred times, and your scientific research capabilities and atmosphere have left a deep impression on me. I worked in scientific and technological departments for many years, one could say we are colleagues, and it is always a great pleasure to meet one's peers.

Russia is a world power in science and technology and Russian scientists have made outstanding contributions to the progress of human civilization. Lomonosov,<sup>\*</sup> Mendeleev,<sup>2</sup> Pavlov,<sup>3</sup> Tsiolkovsky,<sup>4</sup> and Popov,<sup>5</sup> among others, are glorious names in the world history of science and technology. Today, Russia still leads the world in many key scientific and technological areas.

The science city of Novosibirsk is a famous, strong scientific base. In basic sciences, such as mathematics, physics, biology and chemistry; and applied sciences, such as the comprehensive utilization of energy, environmental protection and nuclear technology, you have made numerous world-class achievements in research, and produced a number of world-famous scientists, including Lavrentiev,<sup>6</sup> Kantorovich<sup>7</sup> and Dubinin.<sup>8</sup> It is rare to find a city with a population of 1.7 million with around 100 research institutes of various kinds, 20 institutions of higher learning, and tens of thousands of scientific researchers.

The course of human civilization proves more and more deeply that science and technology constitute a primary productive force and an important driving force for economic development and social progress. None of the achievements humankind has made in understanding and making the most of nature would have been possible without scientific and technological advancement. Human wisdom is inexhaustible, and science and technology are its beacons shining their rays in every direction, which, through the arduous efforts of a great many scientists, are continuously shining through layers of mountains to the higher peaks above.

The 20th century is a century of unprecedented brilliance in science and technology and one in which scientific reason fully developed. Never before has humankind created such tremendous scientific results and material wealth. At the beginning of this century, the theory of relativity

and quantum theory were born. In the 1950s, breakthroughs were made in semiconductor technology and the double helix structure of DNA was discovered, setting off a global surge of development in science and technology. Since the middle of the century, major progress has been made in atomic energy, space technology, microelectronics, IT, bioengineering technology and new materials research, which has greatly increased our ability to understand nature and society. The knowledge economy has begun to take shape, and there is a constant stream of emerging industries. Humankind is experiencing a global scientific and technological revolution.

World science and technology are developing in new and significant directions. The focus of research in materials science has shifted to the properties of materials and their interactions under extreme conditions, thus providing new basic knowledge for the creation of new materials, new energy, and clean and efficient technologies. Bioengineering, centered on molecular biology, is fermenting major new breakthroughs which will open up completely new prospects in agriculture, medicine and health. IT is finding its way into the widest possible range of applications, and integrating with other sciences, technologies, the economy and culture to form new industries. Advances in cognitive science, psychology and behavioral science have given new impetus to scientific and technological, educational, economic and social development. Cosmology has greatly deepened people's understanding of the origin and evolution of the universe, and provided a new unified picture of the structure of matter and physical interactions. Geoscience has increasingly become multidisciplinary, and has added new capabilities for the human exploration, conservation and rational use of natural resources and the ecological environment. Interconnectedness and diversity on the frontier of scientific and technological development and the ever-accelerating production, dissemination and application of scientific and technological knowledge have stimulated tremendous economic and social progress, and opened up a bright future for human civilization.

The new scientific and technological revolution has created rare development opportunities and serious challenges for the peoples of all countries. A country, a nation, will be left behind and be caught in an extremely passive situation if it does not closely follow the trends of scientific and technological progress, and strive to raise its scientific and technological level in light of its actual state of development.

To meet the challenges of rapid scientific and technological progress and the rapid rise of the knowledge economy, the most important thing is

to keep innovating. Innovation is the soul of a nation's progress and provides an inexhaustible force for driving a country's prosperity. The key to innovation lies in human resources, the development of which depends on education. Scientific and technological progress and economic development can be sustained only if the level of education rises. Scientific and technological strength and a nation's educational level have always been important indicators for measuring overall national strength and a society's degree of civilization, and they are two indispensable flywheels that move each country toward prosperity.

China is one of the cradles of world civilization and has a glorious history of both education and science. Ancient Chinese science and technology, exemplified by the four famous inventions — papermaking, gunpowder, printing and the compass — once tremendously influenced the course of human civilization development and profoundly changed the face of world civilization.

Since the founding of New China, especially over the past 20 years of reform and opening up, the Chinese government has continually attached great importance to the development of science, technology and education. The well-known judgment that “science and technology constitute a primary productive force” made by Comrade Deng Xiaoping is now becoming an important principle guiding China's development. We gave a prominent position to the strategy of reinvigorating China through science and education and the strategy of sustainable development when drawing up our modernization plans. Recently, we decided that the Chinese Academy of Sciences (CAS) should take the lead in introducing a pilot project for instituting a national knowledge innovation system. The idea is to identify new scientific and technological objectives, adjust the existing operational mechanisms, strive to achieve more and greater scientific and technological innovations, and put in place an innovation system for China, bearing in mind the strategic needs of development in China in the next century and the prospects of cutting-edge science in the world. In the 21st century, we will rapidly develop science and education so China can constantly modernize by relying on scientific and technological progress and improving the quality of its workforce.

China attaches great importance to enhancing exchanges and cooperation with the international scientific, technological and educational communities, and is eager to learn from and draw on the useful experiences of other countries in developing science and education. It is gratifying to see the

smooth development of scientific and technological exchanges and cooperation between China and Russia. Science centers of the Siberian Branch of the Russian Academy of Sciences have established friendly ties and cooperated with many Chinese research academies and institutes. The Novosibirsk Nuclear Physics Institute and Catalysis Institute have conducted fruitful cooperation with their counterparts in China. Russia has strong scientific and technological capabilities and a huge potential for development. The difficulties now encountered by the Russian scientific and technological community are temporary ones, which can very well be overcome with effort. China's scientific and technological strength is also growing, and its science and technology market is very vast. All this promises a bright future for scientific and technological cooperation between China and Russia. I invited Lu Yongxiang, President of the CAS, to be a member of the delegation accompanying me on this visit. Please permit me to introduce him to you.

To advance scientific research and technological progress means to deepen our understanding of the objective world and scientifically utilize, transform and protect nature in order to create better working and living conditions for humankind. I sincerely hope that the scientific research bodies of our two countries will establish greater ties and achieve greater results through cooperation for the benefit of our two peoples and the peoples of the whole world.

Both China and Russia are important countries in the world. Our bilateral friendly relations and cooperation are now developing well, which is in the fundamental interests of our two peoples and is also conducive to world peace and development. During my visit, President Yeltsin and I have charted a course for the cross-century development of Sino-Russian relations. We share the view that in the coming century, China and Russia should continue to observe the principles of avoiding alliances and confrontation and not targeting any third country. Our two countries should treat each other as equals, trust each other, engage in mutually beneficial cooperation, and work together to meet all the challenges facing human survival and development as well as to promote world peace, tranquility and prosperity.

The history of Sino-Russian relations tells us that our two large neighboring countries are destined to live in amity with each other, understand and respect each other, support each other's stability and development, and understand each other's conditions and concerns. China wishes to be Russia's good neighbor, good friend and good partner forever on the basis



of equality and mutual benefit to promote common prosperity. This is the most fundamental and important significance of the strategic and cooperative partnership developed by our two countries — a partnership oriented toward the 21st century.

China firmly pursues an independent foreign policy of peace and has always stood for settling differences between countries through dialogue and friendly consultation. China's development and progress will not pose a threat to anyone. Even when China becomes prosperous and powerful in the future, it will never seek hegemony. This is a basic state policy we vow to adhere unswervingly to.

The Chinese and Russian peoples are both great peoples. They are hardworking, talented and innovative. Both countries have a fine tradition of giving high priority to education and science. I am sure that in the next century our two peoples will make greater contributions to the development of world science and technology. I sincerely wish all of you, scientists and friends present here, new achievements in the noble cause of scientific research. I wish you good health and a happy life.

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<sup>1</sup> Mikhail Vasilyevich Lomonosov (1711-65) was a Russian scientist, poet, linguist and proponent of the law of conservation of mass and energy.

<sup>2</sup> Dmitri Ivanovich Mendeleev (1834-1907) was a Russian chemist and one of the creators of the periodic law of elements which he used to predict properties of undiscovered elements.

<sup>3</sup> Ivan Petrovich Pavlov (1849-1936), a Soviet physiologist and expounder of the theory of conditioned reflex, won the 1904 Nobel Prize in Physiology or Medicine for his contributions to research on digestive physiology.

<sup>4</sup> Konstantin Eduardovich Tsiolkovsky (1857-1935), a Soviet aeronautical and astronautical scientist and a founder of modern rocket theory, derived the Tsiolkovsky formula (that is, the formula for calculating the velocity gain obtained during a rocket thrust under ideal conditions where aerodynamics and the Earth's gravity can be ignored), drew a schematic diagram of a liquid-fuel rocket and expounded the multistage rocket structure.

<sup>5</sup> Alexander Stepanovitch Popov (1859-1906), a Russian physicist, created useable wireless communication equipment based on his research on electromagnetic waves.

<sup>6</sup> Mikhail Alekseevich Lavrentiev (1900-80), a Soviet mathematician and hydrodynamicist, established new schools of thought in the areas of function theory, theory of differential equations, continuum mechanics (fluid dynamics theory of accumulation effects) and applied physics (physics of explosive and pulse processes) and made contributions to Soviet airplane manufacturing.

<sup>7</sup> Leonid Vitaliyevich Kantorovich (1912-86), a Soviet mathematician and economist, created linear programming and modeling, which are considered one of the foundations of modern economics. Together with the American Tjalling C. Koopmans, he won the 1975 Nobel Prize in Economics for his contributions to the theory of optimum allocation of resources.

<sup>8</sup> Nikolai Petrovich Dubinin (1907-98), a Soviet geneticist, made outstanding contributions in the fields of genetic materials and structure. He discovered the divisibility of genes and was the first person to suggest environmental radiation affects heredity.

# TO DEVELOP SINO-JAPANESE RELATIONS WE MUST PROPERLY DEAL WITH HISTORICAL ISSUES AND THE TAIWAN QUESTION<sup>\*</sup>

*November 26, 1998*

Some people believe we have already thoroughly discussed historical issues and the Taiwan question, but I believe the more we discuss them the more it will benefit the development of Sino-Japanese relations. These historical issues and the Taiwan question have, in fact, been inseparably linked to the whole course of Sino-Japanese relations throughout this century, and they should not and cannot be avoided. As the 21st century approaches, we both hope to build a friendly relationship oriented toward the new century, and neither of us wants these historical issues and the Taiwan question to constantly obstruct the development of relations between our two countries. In discussing these two matters, I do not wish to settle old scores; rather, I hope that by sincerely reviewing our history, we can extract valuable lessons that will enable us to correctly approach and satisfactorily deal with these two matters and better develop our relations in the future.

## **1. Historical issues**

Looking at the history of Sino-Japanese relations over the past two thousand years, we see it has been dominated by friendship and cooperation. However, in modern times, Japanese militarists launched many wars of aggression and inflicted great suffering on the Chinese people. Frankly, Japan brought greater disaster to China than any other major power. Despite this, beginning with the older generation of Chinese leaders such as Chairman Mao Zedong and Premier Zhou Enlai, we have maintained that responsibility for this war of aggression lies with Japanese militarists and that ordinary Japanese have also suffered. The Chinese government has, for a long time and on a national scope, patiently educated its people about the need to establish a correct historical perspective and realize that ordinary Japanese were also victims and that we should live with them in peace and develop lasting friendly relations with them. This is an established policy that never has and never will change.

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<sup>\*</sup> Excerpt from remarks made in talks in Japan with Japanese Prime Minister Keizo Obuchi.

Chairman Mao and Premier Zhou adopted this policy with a forward-looking attitude toward historical issues, but it is premised on the necessity of squarely facing and acknowledging history. The Japanese government fully understands this. This is an important political foundation of the Sino-Japanese Joint Statement<sup>1</sup> and the Sino-Japanese Peace and Friendship Treaty.<sup>2</sup> Recalling the 26 years since the normalization of diplomatic relations between China and Japan, it must be regretfully noted that some people in Japan have continually created disturbances over these historical issues. In recent years, members of the Japanese cabinet paid their respects at Yasukuni Shrine and twisted history, and Japanese rightists made fawning films about Class A war criminals in which they claimed the Nanjing Massacre committed by Japanese militarists was a total fabrication. This series of events seriously hurt the feelings of the people of all countries, including China, who suffered in the war, and hindered the normal development of Sino-Japanese relations. Taking the broad perspective of upholding the historical truth and the political foundation for these relations as its starting point, the Chinese side was compelled to make the necessary response. Facts show that whenever a dispute has arisen between China and Japan on historical issues, it has always been started by forces within Japan.

Everything is subject to comparison, and through comparison we can gain insight. To prevent the repetition of historical mistakes, postwar Germany thoroughly exposed and condemned the Nazis, recognized their foreign aggression and did not evade responsibility. Several years ago, Germany also passed a law prohibiting the denial of the crimes committed by the Nazis and making it a criminal offense punishable by up to five years in prison to deny the reality of the mass murder committed at the Auschwitz concentration camp. The Federal Constitutional Court of Germany ruled that denying Nazi crimes does not fall within the scope of freedom of speech. Germany's attitude on historical issues won it the understanding and trust of its neighbors and the international community and created an important political foundation for its postwar restoration and the development of relations with countries in Europe and throughout the world. Rampant Japanese militarism once brought catastrophe to the peoples of both China and Japan and severely damaged the traditional friendly relations between our two countries. Militarism is the common enemy of the people of both China and Japan. It is a current of history that runs completely counter to the cause of human peace and progress, and the people of both our countries should stand together and oppose it. Why didn't

postwar Japan thoroughly expose and condemn militarism after the war as Germany did? I think the United States has some responsibility for this. I raised this question with the United States President Bill Clinton. At the time, Douglas MacArthur<sup>3</sup> was the commander of the American forces occupying Japan. He let Chiang Kai-shek use the Japanese arch war criminal Yasuji Okamura<sup>4</sup> to fight the Communist Party. I was then working in the CPC underground in Shanghai, and we took to the streets with the slogan, "Oppose American support of Japanese militarism." If the Japanese government were to adopt an unequivocal attitude on historical issues, it would first of all be beneficial for continuing to adhere to the path of peaceful development, and it would also win Japan the understanding and trust of its neighbors, including China, and enable it to play a more positive role in regional and international affairs.

We have noticed that in recent years the Japanese government has expressed its opinion of these historical issues on many occasions. In 1995, Prime Minister Tomiiti Murayama<sup>5</sup> made the first public acknowledgement on behalf of the Japanese government regarding Japan's aggression, and expressed deep remorse and apologies for the suffering inflicted. Japanese leaders also repeatedly expressed they would not permit a resurgence of Japanese militarism and Japan would not become a military power. We applaud these actions. Nevertheless, what we cannot understand is, at the same time, there is a constant stream of public statements to the contrary; moreover, these statements are coming from politicians in positions of responsibility and senior officials within Japan. The Japanese side has often explained that Japan believes in the freedom of speech, but why is the opposition to and rejection of these statements so weak? With all due respect, perhaps the Japanese government is not doing enough to guide the people, especially to teach the younger generation to have a correct understanding of history, resulting in young people not knowing enough about that unfortunate period of history. Even if they know a little, they only know that Japan was the only country ever to be the victim of atomic bomb attacks, and very few know that Japanese militarism victimized others. Only the person who tied the bell around the tiger's neck can take it off. Japan holds the key to resolving historical issues like these. We hope that the Japanese government can conscientiously learn lessons from this experience and gradually cultivate a correct domestic historical perspective. Doing so will genuinely contain and isolate the forces that deny and distort history. Conversely, the consequences of forbearance are worrisome.



Prime Minister Keizo Obuchi, you are an old friend of the Chinese people, so I am speaking very frankly today. I am expressing the feelings of the Chinese people, and what I say is a friendly exhortation to Japan from a neighbor that has suffered the agony of aggression. We are now at the turn of the century, and we both have the responsibility to draw lessons from history and genuinely work together to strengthen cooperation and trust, build Asia's future, and jointly safeguard the causes of world peace and human progress.

## **2. The Taiwan question**

Safeguarding national unity and territorial integrity is the sacred duty of every sovereign country. Solving the Taiwan question and achieving the complete reunification of the motherland is the long-cherished aspiration of the Chinese nation. The reason Taiwan has not been reunited with the Chinese mainland involves both domestic and international factors. The main international factor is American interference in China's internal affairs, but Japan has also been a contributing factor in both the past and the present. It is precisely because of this that the Taiwan question has for so long been an extremely sensitive issue of political principle in China's relations with the United States and Japan.

From a historical point of view, the Taiwan question shows Japan has wronged the Chinese people. Japan used military force to invade and occupy Taiwan during the Sino-Japanese War of 1894-1895 and exercised colonial rule there for 50 years. In August 1945 Japan accepted the Potsdam Proclamation<sup>6</sup> and surrendered unconditionally. It is well known that Clause 8 of the Potsdam Proclamation stipulates that the terms of the Cairo Declaration<sup>7</sup> must be carried out, and the Cairo Declaration stipulates that Japan must return all the territory it seized from China, including Taiwan and the Penghu Islands. It should be said that the issue of jurisdiction over Taiwan is already settled; this is a historical fact. Subsequently, even though Taiwan and the Chinese mainland are in their current state of separation owing to the Chinese Civil War, the cross-Straits problem is now entirely China's internal affairs. Taiwan is an inseparable part of China, and this is an unalterable fact.

In the Sino-Japanese Joint Statement, the Japanese government clearly recognized that the government of the People's Republic of China is the sole legal government of China, that it fully understands and respects the stand of the Chinese government that Taiwan is an inseparable part of the

territory of the People's Republic of China, and that it firmly maintains its stand under Article 8 of the Potsdam Proclamation. The Sino-Japanese Treaty of Peace and Friendship, concluded in 1978, reaffirmed all the principles of the Joint Statement. This not only further resolved the question of Taiwan's status politically and legally, but also provided clear guiding principles for dealing with matters concerning Taiwan.

Since the normalization of Sino-Japanese relations, Japan has adopted a relatively cautious attitude on the Taiwan question, and has maintained unofficial and regional exchanges with Taiwan on the basis of the understanding reached between our two sides. In recent years, Japanese leaders have also repeatedly expressed that they do not support Taiwan independence, "two Chinas," or "one China, one Taiwan" and that Taiwan has no right to join any international organization whose membership is restricted to sovereign states. We applaud these actions. However, there are still some misunderstandings within Japan on the Taiwan question mainly in the following areas: There are people in Japan who constantly distort the provisions in the Sino-Japanese Joint Declaration concerning the question of Taiwan's status by maintaining that fully understanding and respecting the Chinese government's stand does not entail accepting it. Others say Japan only renounced its claim over Taiwan, and it has no right to state who has jurisdiction over it. When associated with the historical fact that Taiwan secessionist forces first began their activities in Japan, we cannot but be concerned by this trend. On the matter of Japan-Taiwan relations, a number of pro-Taiwan Japanese are unhappy with the present situation and coordinate with the Taiwan authorities from afar in the hope of breaking the existing framework of relations. In the context of the Guidelines for Japan-US Defense Cooperation, some Japanese have even reverted to the "Far East clause,"<sup>8</sup> which is a product of the Cold War, to try to bring Taiwan within the scope of Japan-US defense cooperation.

The Taiwan question has a direct bearing on China's territorial sovereignty and the great cause of national reunification, and it affects the feelings of the 1.2 billion Chinese people. We hope Japan genuinely respects the Chinese government's position on the Taiwan question, scrupulously abides by the solemn promises it made concerning Taiwan in our joint statement, and deals with the Taiwan question appropriately. Recently, there have been people in Japan who said that when the President of the United States, Bill Clinton, visited China, he promised the United States would refrain from giving three types of support to Taiwan,<sup>9</sup> and

that China wanted Japan to make the same promises. Frankly, although it is important for Japan to make such promises, the Chinese government and people give even more weight to what role Japan is actually prepared to play in the Taiwan question.

As far as Japan-US security cooperation is concerned, the focus of our attention is on the Taiwan question. If this cooperation includes Taiwan either directly or indirectly, it is a violation of China's territorial sovereignty and constitutes interference in China's internal affairs, and the Chinese government and people will firmly oppose it. If Japan were to bring Taiwan into its security cooperation alongside the United States, this would mean that Japan could become involved in Taiwan's affairs militarily, and this is a potentially dangerous trend. Chinese leaders have expressed concern about this on several occasions. We have noted the repeated statements of the Japanese government and leaders that Japan-US security cooperation is not directed against any third country, including China, and that Japan deals with the Taiwan question on the basis of the Sino-Japanese Joint Statement and the Sino-Japanese Treaty of Peace and Friendship. We hope Japan keeps its promises and behaves discretionally.

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<sup>1</sup> The Sino-japanese Joint Statement was signed by the Chinese and Japanese governments in Beijing on September 29, 1972. The statement declares: The abnormal state of affairs that has hitherto existed between Japan and the People's Republic of China is terminated on the date this joint statement is issued. The Japanese side is keenly conscious of the responsibility for the serious damage that Japan caused in the past to the Chinese people through war, and expresses deep remorse. The Japanese government recognizes the government of the People's Republic of China as the sole legal government of China. The government of the People's Republic of China reiterates that Taiwan is an inseparable part of the territory of the People's Republic of China. The Japanese government fully understands and respects this stand of the Chinese government, and it firmly maintains its stand under Clause 8 of the Potsdam Proclamation. The Chinese and Japanese governments have decided to establish diplomatic relations as of September 29, 1972. The government of the People's Republic of China declares that it renounces its demand for war reparations from Japan for the sake of friendship between the Chinese and Japanese peoples.

<sup>2</sup> The Sino-japanese Treaty of Peace and Friendship was signed by China and Japan in Beijing on August 12, 1978. The treaty affirms: The joint statement signed by the Chinese and Japanese governments in Beijing on September 29, 1972 constitutes the basis of the relations of peace and friendship between the two countries and the principles enunciated in the statement should be strictly observed. The treaty stipulates: The contracting parties shall develop relations of perpetual peace and friendship between the two countries on the basis of the Five Principles of Peaceful Coexistence. Both parties affirm that they shall settle all disputes in their mutual relations by peaceful means and shall refrain from the use or threat of force. Both parties declare that neither of them should seek hegemony in the Asia-Pacific region or any other region and both are opposed to efforts by any other country or group of countries to establish such hegemony. Both parties will endeavor to further develop economic and cultural relations between the two countries and promote exchanges between their peoples in a good-neighborly and friendly spirit. On October 23, 1978, Deng Xiaoping, then Vice Premier of the State

Council of China, attended the ceremony in Tokyo for exchanging the instruments of ratification for the treaty, at which time the treaty took effect.

<sup>3</sup> Douglas Mac Arthur (1880-1964) was an American professional soldier. From 1945 through 1951, he was Supreme Commander of the Allied Forces in Japan and commanded the American unilateral occupation of Japan. In 1947, he was also named Commander of the United States Far East Command. He was relieved of his posts in 1951.

<sup>4</sup> Yasuji Okamura (1884-1966) was a general in the Japanese army that invaded China. He held the positions of commander of the Japanese Eleventh Army, the Japanese North China Area Army and the Japanese Sixth Area Army and commander-in-chief of the China Expeditionary Army. In China, he implemented the extremely cruel policy of "burn all, kill all and loot all," and he was a Japanese war criminal guilty of the most atrocious crimes in the Japanese militarists' aggressive war against China. He was listed as one of the foremost war criminals on the list of war criminals issued at Yan'an in December 1945. During China's War of Liberation, he was a secret military advisor to Chiang Kai-shek and planned attacks for him on liberated areas. In January 1949, he was pronounced not guilty by the KMT government and allowed to return to Japan.

<sup>5</sup> Tomiiti Murayama (1924- ), a member of the Japanese Socialist Party, was Japan's Prime Minister from 1994 to 1996. On August 15, 1995, on the 50th anniversary of the conclusion of World War II, he issued the Statement of the Prime Minister and officially stated on behalf of the Japanese government: "During a certain period in the not-too-distant past, Japan, through its colonial rule and aggression, caused tremendous damage and suffering to the people of many countries, particularly those of Asia. I regard, in a spirit of humility, these irrefutable facts of history, and express here once again my feelings of deep remorse and state my heartfelt apology." On the same day, in his written response to a question from a *People's Daily* reporter, he expressed his heartfelt apologies to the Chinese people for the tremendous damage and suffering Japan inflicted on them during colonial occupation and the war of aggression.

<sup>6</sup> The Potsdam Proclamation was the Proclamation Defining Terms for Japanese Surrender, issued by China, the United States and the United Kingdom during the Potsdam Conference. From July 17 to August 2, 1945, the heads of state and foreign ministers of the Soviet Union, the United States and the United Kingdom met in Potsdam, southwest of Berlin, Germany, to discuss important matters concerning postwar Germany and Europe as well as the war against Japan. During the conference, China, the United States and the United Kingdom issued the Potsdam Declaration on July 26. Its main points were: The Allied Nations will prosecute the war against Japan until it ceases to resist; the Japanese government should immediately declare unconditional surrender; Japanese militarism must be forever eliminated; the Japanese military forces must be completely disarmed; Japan's military industries must be dismantled; Japan's war criminals must be handed over for trial; all obstacles to the revival and strengthening of democratic tendencies among the Japanese people must be removed; the Cairo Declaration, which states that Japan must renounce claim to all the territories it has stolen, such as China's Manchuria, Taiwan and Penghu Islands, shall be carried out, and Japanese sovereignty shall be limited to the islands of Honshu, Hokkaido, Kyushu, Shikoku and such minor islands as the Allied Nations determine; and the occupying forces of the Allies shall be withdrawn from Japan after a democratic Japanese government is established. After the Soviet Union declared war on Japan on August 8, it also signed the Potsdam Declaration.

<sup>7</sup> The Cairo Declaration was the declaration issued by the heads of state of China, the United States and the United Kingdom on December 1, 1943, following the Cairo Conference. The conference was held in Cairo, Egypt on November 22-26, 1943, to discuss jointly waging war against Japan and how to deal with Japan after defeating it. The declaration's main points were: China, the United States and the United Kingdom are fighting this war against Japan to restrain and punish its aggression; strip it of all the islands in the Pacific which it has seized or occupied since the beginning of World War I in 1914, and restore all the Chinese territories stolen by Japan, such as Manchuria, Taiwan, and the Penghu Islands, to China; expel Japan from all other territories it has taken by violence and greed; make Korea free and independent; and insist that Japan surrenders unconditionally.



<sup>8</sup> The Far East clause is a clause in the Treaty of Mutual Cooperation and Security between Japan and the United States concerning the Far East. On September 8, 1951, Japan and the United States signed the Japan-US Security Treaty. Article I of the treaty specifies that in addition to being utilized to contribute to “the security of Japan against armed attack from without,” the American forces stationed in and about Japan may be utilized to contribute to “the maintenance of international peace and security in the Far East.” On January 19, 1960, Japan and the United States signed the Treaty of Mutual Cooperation and Security between Japan and the United States, which was a revision of the original security treaty. Article VI of the new treaty specifies that for the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States is granted the use by its forces of facilities and areas in Japan. In the same year, the Japanese government specifically defined the “Far East” as “the Philippines and the area north of it, Japan and areas around it, the Republic of Korea and Taiwan.” The Chinese government has always strongly objected to the content of the treaty pertaining to Taiwan. After China and Japan normalized diplomatic relations in 1972, the Japanese Foreign Minister Masayoshi Ohira stated in response to questions from the Japanese Diet that the Taiwan question is basically an internal affair of China and Japan would take the friendly relations between Japan and China into account and carefully handle the Far East clause pertaining to Taiwan.

<sup>9</sup> The three types of support to Taiwan that the United States will not give are: The United States will not support Taiwan independence, support “two Chinas” or “one China, one Taiwan,” or support Taiwan joining any international organization whose membership is restricted to sovereign states. United States President Bill Clinton visited China from June 25 to July 3, 1998. During his meeting with Chinese President Jiang Zemin, he stated this policy, and he repeated this promise in a discussion with residents of Shanghai.

# OUR PARTY'S MAIN HISTORICAL EXPERIENCES OVER THE LAST 20 YEARS\*

*December 18, 1998*

Since the Third Plenary Session of the Eleventh Central Committee 20 years ago, our Party has accumulated a wealth of experience in leading reform, opening up and socialist modernization. Conscientiously reviewing this experience and fully utilizing it in combination with our practices is of great significance for the continued progress of our cause. Our main historical experiences over the past 20 years can be summarized in the following 11 points:

## **1. We must adhere to the Marxist ideological line of the Party.**

The ideological line the Party reaffirmed at the Third Plenary Session of its Eleventh Central Committee is to proceed from reality in everything we do, integrate theory with practice, seek truth from facts and test and develop truth through praxis. This ideological line has run through the entire process of reform, opening up and economic and social development over the last 20 years. Our Party's every step forward in theory and practice and every development in reform and development have been the result of adhering to this ideological line, emancipating the mind and seeking truth from facts.

China is in the primary stage of socialism and will remain so for a long time to come. It took 30 years of comparing positive and negative experiences before the Party realized that this is the most outstanding and important reality of contemporary China. This realization laid an important foundation for us to correctly understand the fundamental questions of what socialism is and how to build it, to thoroughly reveal the nature of socialism, and to raise our scientific understanding of it to a new level. The fundamental meaning of "proceeding from reality in everything we do" is that we should proceed from the most prominent reality — that China is in the primary stage of socialism - in everything we do. All our actions must accord with this reality in theory and practice in order to succeed. In the first 30 years after the founding of the People's Republic, some serious

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\* Excerpt from a speech at a conference to mark the 20th anniversary of the Third Plenary Session of the Eleventh Central Committee.

theoretical and practical errors in building socialism occurred, and the root of all these problems was that we became divorced from this reality. In the 20 years since the Third Plenary Session of the Eleventh Central Committee, however, we have made tremendous theoretical and practical strides in building socialism, and the root of this success is that all our efforts have been in keeping with this reality. What is most important in emancipating the mind and seeking truth from facts is, while adhering to the basic socialist system, to resolutely correct those principles and policies that are not in conformity with this reality as well as dogmatic interpretations and understandings of Marxism and the principles of socialism, and to completely free ourselves from restrictions imposed by these erroneous policies and ways of thinking in order to ensure that our theory, line, principles and policies truly accord with the requirements for developing the primary stage of socialism and truly conform with the basic tenets of Marxism and socialism. This is the great significance of the reaffirmation of the Party's Marxist ideological line made at the Third Plenary Session of the Eleventh Central Committee.

Practice is endless and understanding truth takes time. We must proceed from reality, emancipate our minds and seek truth from facts in everything we do. We must always concentrate on the tasks at hand and on practical problems concerning our country's reform, opening up and modernization. We must focus on applying Marxist theory, focus on practical problems from a theoretical perspective, and focus on new practice and new developments as we boldly forge ahead. We must respect the experiences of hundreds of millions of Chinese people and always use practice to test, enrich and optimize our theories, line, principles and policies. We must always be aware and have a unified understanding of our basic national conditions and our basic economic, political and cultural characteristics during the primary stage of socialism in order to avoid and rectify erroneous practices unsuited to this stage and to prevent and oppose fallacious views that are contrary to the basic socialist system. We must adhere to integrating the courage of bold exploration with a scientific and truth-seeking spirit, and adhere to the law of cognition: Practice leads to knowledge, and more practice leads to more knowledge. We need to make subjective knowledge conform to objective reality and develop theories in light of practical developments and the changing times. These are the important understandings we have gained on adhering to the Party's Marxist ideological line since the Third Plenary Session of the Eleventh Central Committee.

**2. We must comprehensively, correctly and vigorously implement the basic line of the Party in the primary stage of socialism.**

The Party's basic line in the primary stage of socialism is to unite with and lead the people of all our ethnic groups, take economic development as our central task, adhere to the Four Cardinal Principles, continue to implement the policy of reform and opening up, be self-reliant, hardworking and enterprising, and strive to build China into a prosperous, strong, democratic, culturally advanced and modern socialist country. This basic line became the general theoretical and practical principle for building socialism with Chinese characteristics. The most fundamental reason for our success over the last 20 years in leading and uniting with the people of all our ethnic groups in handling difficulties and risks, and maintaining social and political stability and rapid economic development has been that we resolutely eliminated interference of all sorts and firmly implemented the Party's basic line.

Experience has shown that the key to adhering to the Party's basic line is fully understanding and correctly handling the relationship between the "one central task and two basic points." They are an interconnected, interdependent, and inseparable whole. The Four Cardinal Principles provide a political guarantee and the reform and opening up policy provides strong impetus for economic development. The objectives of the reform and opening up policy are to further liberate and develop the productive forces, and to consolidate and develop the socialist system. The Four Cardinal Principles guarantee that reform and opening up, and economic development proceed in the right direction, and at the same time, they are enriched and developed by constantly absorbing new experience in the course of new practice. If we deviate from this central task of economic development, socialist society will lose its material base for development and progress. If we deviate from the Four Cardinal Principles and reform and opening up, economic development will lose its orientation and impetus. This is the dialectical unity of the "one central task and two basic points." We must unswervingly adhere to the basic line for a hundred years to come, including the principle of "one central task, two basic points." We will advance from victory to victory if we fully implement all aspects of the Party's basic line and integrate the central task of economic development, the Four Cardinal Principles and the reform and opening up policy (the two basic points) with the great cause of building socialism with Chinese characteristics and the entire modernization process.



### **3. We must make concentrating our efforts on developing the productive forces our foremost priority.**

The productive forces are the ultimate decisive force in social development. The fundamental task of socialism is to develop the productive forces. Following the period of New Democracy, we set up a socialist system on the foundations of the semi-colonial, semi-feudal society of old China, with its extremely backward economy and culture. The principal problem facing socialist society in our country has always been how to meet the people's ever-growing material and cultural needs with backward social production. This means that we must pay even closer attention to developing the productive forces and constantly develop them. If we do not develop them, it will be extremely difficult to consolidate the socialist system and maintain the country's lasting political stability, and the superiority of socialism will lose its most fundamental economic basis. Regardless of the circumstances, we cannot hesitate or let anything affect the central task of economic development.

In the process of modernization, we need to correctly handle the conflict between the productive forces and relations of production, adapt relations of production to the level of the productive forces, and make a conscious effort to adjust relations of production as the productive forces develop. We must be good at taking advantage of all opportunities and favorable conditions to develop the productive forces. When we talk about development, it should be development with a balance between high growth and economic returns, and it must be sustainable development coordinated with resources, the environment and population. Science and technology are a primary productive force. Education is the basis for economic and social development, and should be geared to the needs of modernization, the world and the future. We need to adhere to the strategy of reinvigorating the country through science and education, and strive to promote economic development through greater reliance on advances in science and technology and improvements in the quality of the workforce. People are the most active factor in the productive forces. To develop the productive forces, we need to pay close attention to both material and human factors, and work hard to raise the level of both the production of material goods and the quality of the workforce. In the final analysis, the criteria for judging right or wrong and success or failure in all of our work are whether it is favorable to developing the productive forces in a socialist society, to increasing the overall national strength of the socialist state, and

to raising the living standards of the people. These are important principles that our experience since the Third Plenary Session of the Eleventh Central Committee has fully demonstrated to be correct and should be grasped in order to develop the productive forces.

#### **4. We must unwaveringly push forward reform and opening up.**

China's history since the Third Plenary Session of the Eleventh Central Committee convincingly demonstrates that implementing the policy of reform and opening up is the path to strengthening socialist China and a historic decision that is determining the fate of contemporary China. It can well be said that reform and opening up are the defining characteristics of China in the new period. Without them, it would be impossible to build socialism with Chinese characteristics.

Our reform is a self-improvement and self-development of the socialist system. It is designed, in the context of adhering to the basic socialist system, to purposefully adjust and reform the aspects and elements of relations of production that are incommensurate with the productive forces as well as the aspects and elements of the superstructure that are incompatible with the economic base and to promote development of the productive forces and all-around progress in all undertakings in order to better realize the interests of the overwhelming majority of the people. This type of reform is a completely new and totally unprecedented project, with no ready-made experience to follow. We must encourage bold exploration and brave innovation, learn through experience, stick with what works and abandon what does not, and solve problems as they arise. At the same time, we must proceed from reality, tackle easier tasks first, move from the simple to the complicated, proceed in a gradual and orderly fashion, and avoid major social disruptions. We need to steadfastly integrate urban with rural reforms, economic restructuring with political and other restructuring efforts, and domestic reforms with opening to the outside world, so that these efforts promote and benefit each other. It is for these very reasons that our reforms have been so successful.

History has amply demonstrated that China's development cannot be separated from the rest of the world and that developing behind closed doors is impossible. Opening to the outside world conforms to the tenors of our times and the laws governing the world's economic and technological development, and is an inevitable choice for accelerating China's modernization, so we must adhere to this basic state policy for a long time.

China is a large, developing socialist country with a vast population. At no time can we depend on others for our development. We must always take independence and self-reliance as the basis of our development. We must make it our long-term strategic principle to rely on domestic resources and boost domestic demand. At the same time, we must open our doors to the outside world as we promote development. We must boldly absorb and utilize foreign capital, advanced technology and everything progressive. From other countries, including developed capitalist countries, we must boldly absorb and apply advanced business operation models and managerial methods that reflect the laws governing modern socialized production. We must steadfastly combine the promotion of our nation's fine traditional culture with active study of the achievements attained by other civilizations, combine the development of domestic markets and the utilization of domestic resources with the development of international markets and the utilization of foreign resources, and combine efforts to invigorate the domestic economy with those to open China to the outside world. In this way we will constantly infuse strong momentum into China's socialist modernization drive. Throughout the process of opening up, we must pay close attention to protecting national sovereignty and economic and social security, preventing and resolving the effects of international risks, and preventing and resisting the intrusion of decadent ideologies and lifestyles. Today the increasing momentum of the trend of world multipolarization and economic globalization requires us to improve relevant policies, continue to steadfastly open wider to the outside world, and continually enrich the form and content of opening up and improve its quality and level.

**5. We must establish a sound economic system and institutions suited to the requirements for developing the productive forces.**

Since the Third Plenary Session of the Eleventh Central Committee, we have made creative use of the basic economic principles of scientific socialism in contemporary China by instituting reforms to implement an ownership system whereby socialist public ownership is dominant and economic entities under diverse ownership forms develop side by side, as well as an income distribution system whereby distribution according to work is dominant and multiple forms of distribution coexist. This is a creative application of the basic economic principles of scientific socialism to contemporary China. We have been working hard to eliminate fetters on the productive forces created in the past by irrational aspects of the ownership

and income distribution systems, and we have thus further liberated and developed the productive forces. China is a socialist country and we must maintain public ownership as the dominant form of ownership. At the same time, we must allow economic entities under diverse ownership forms to develop side by side and actively encourage and guide sound development in the non-public sector of the economy. We cannot simply stress the former and ignore the latter; otherwise, we will become divorced from the reality that China is in the primary stage of socialism, which would be detrimental to developing the productive forces. Public ownership is the foundation of China's socialist economy, and the non-public sector is an important component of China's socialist market economy. If public ownership were no longer the dominant form of ownership, then we would no longer have a socialist economy. To develop a dynamic socialist market economy, we need to strive to strengthen the public sector while giving full play to the positive role of the non-public sector.

The ownership system whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side determines that we must adopt diversified methods of distribution, with distribution according to work as the principal method. We need to allow and encourage the inclusion of capital, technology and other factors of production in income distribution along with distribution according to and income earned through work, maintaining emphasis on productivity with due consideration to fairness. Egalitarianism is not socialism, and neither is polarization. We allow and encourage some regions and people to prosper first through honest labor and lawful business activities in order to stimulate and assist the development of other regions and people, so that eventually all regions of the country can thrive and all the people can prosper. This is a major policy that we must adhere to over the long term. It conforms to the requirements of the objective laws governing economic development, and it is an important manifestation of the economic superiority of socialism.

Experience has shown that the highly concentrated, planned economy China previously employed can no longer meet the needs for developing the productive forces. We must build a new socialist market economy in order to give full play to the basic role of the market in allocating resources under the macro-control of the state. Market mechanisms and macro-control are both important aspects of the socialist market economy. They are interrelated and cannot be separated or set in opposition. We need to



give full play to the positive role of the market, so that economic activity is governed by the law of value, responds to changes in supply and demand, and embodies the principle of competition, but we also need to work hard to improve macro-control to overcome certain shortcomings inherent in the market, promote balance between total supply and demand and optimization of the economic structure, and maintain sustained, rapid and sound development of the national economy. The establishment of a socialist market economy in China was an extremely important achievement in reform obtained by drawing lessons from domestic and international experiences in building socialism, and making painstaking explorations since the Third Plenary Session of the Eleventh Central Committee. After many years of unresolved debate over the relationship between planning and market forces, this marks a tremendous breakthrough in our understanding and practice. This is our Party's new, creative development in Marxist socialist economic theory.

#### **6. We must persevere in building socialist democratic politics with Chinese characteristics.**

China is a socialist state governed by a people's democratic dictatorship led by the working class and based on an alliance of workers and farmers. The system of people's congresses, the system of multiparty cooperation and political consultation under the leadership of the CPC, and the system of regional ethnic autonomy are all suited to China's national conditions. They clearly embody the nature and features of socialist democratic politics with Chinese characteristics, and have inherent advantages and great vitality. At no time can we waver from, weaken or abandon these systems or copy the Western political model. Only by upholding and improving China's socialist political system will we be able to constantly maintain national unity, ethnic solidarity, social stability and economic development.

The world's democracies are specific and relative, not abstract and absolute. The nature, substance and form of any democracy are determined by a country's social system and develop in pace with that country's economic and cultural development. China's socialist democracy is the broadest form of democracy enjoyed by the people of all our ethnic groups, and its intrinsic nature is that the people are the masters of their own country. The purpose of the Communist Party being in power is to lead and support the people's control and exercising of state power; to practice democratic elections, democratic decision making, democratic management

and democratic oversight; to ensure that the people enjoy a wide range of rights and freedoms in accordance with the law; and to respect and protect human rights. Democracy is always combined with a legal system, and the type of democracy a country employs is reflected in and guaranteed by its legal system. Socialist democracy is combined with the socialist legal system. Establishing the rule of law and building a socialist country under the rule of law are the Party's basic strategies for leading the people in governing the country. We need to strive to institutionalize and codify socialist democracy to ensure institutions and laws do not change when new leaders take office or when a leader changes his or her views or focus of attention. The Party formulated the Constitution and laws through the organs of state power and consciously confines its activities within the scope of the Constitution and laws. It does so in order to unify the Party's leadership of the country and the rule of law, and to ensure the Party always plays its role as the leadership core with responsibility for managing the overall situation and coordinating the efforts of all sides.

Actively yet prudently carrying out political restructuring is an inherent requirement for the self-improvement and self-development of China's socialist political system, but also an important policy decision our Party has made based on a review of past and present experiences. The political restructuring we are undertaking, under the Party's leadership, aims at developing people's democracy, strengthening the country's legal system, reforming government departments and the leadership and cadre systems, and building socialist democratic politics with Chinese characteristics. Political restructuring should be adapted to economic restructuring and economic and cultural development and it should proceed in a step-by-step and orderly manner. After two decades of practice and exploration, we have identified the objectives and tasks for political restructuring, and accumulated significant experience. As socialist democratic politics with Chinese characteristics constantly develops and improves, its great superiority will become increasingly apparent.

## **7. We must steadfastly ensure common material and cultural and ethical progress.**

Socialist society is a completely new form of society in the history of humankind — a society of comprehensive development and progress, with the focus on economic development. Socialism with Chinese characteristics requires balanced economic, political and cultural development as well

as material progress and cultural and ethical progress. Without economic development, social development and cultural and ethical progress lack a material foundation. Without social development and cultural and ethical progress, there is no impetus propelling material progress and it is difficult to achieve the objectives of economic development. At no time can we sacrifice cultural and ethical progress for temporary economic development. Our Party has clearly put forward a series of principles not only to achieve sustained economic development, but also to achieve all-around social progress and give full expression to and unleash the superiority of the socialist system.

Adhering to the objective of achieving comprehensive development and progress requires that we give high priority to promoting socialist cultural and ethical progress while successfully making material progress. We need to strengthen our efforts to improve ideological and moral standards; work hard to develop education, science, technology and culture; arm the people with scientific theories; provide them with correct media guidance; imbue them with a noble spirit; inspire them with excellent works of literature and art; foster citizens who have high ideals, moral integrity, a good education and a strong sense of discipline; and raise the ideological, moral, scientific and cultural quality of the whole nation. We need to steadfastly espouse socialist and communist morals, and vigorously promote a patriotic spirit, collective spirit and spirit of serving the people and of courageous dedication throughout society. In addition, we need to integrate advanced requirements with general requirements, and encourage thought and morals that benefit national unity, ethnic solidarity, economic development and social progress so that cadres and the masses not only share common ideals and objectives, but maintain their strong cohesiveness and creativity.

#### **8. We must safeguard and preserve social and political stability and unity.**

Reform leads to profound social changes and necessarily requires adjustments in interests, institutional changes, and new ways of thinking. It is therefore essential to correctly balance reform, development and stability. Development is the absolute principle, and the key to solving all China's problems is to rely on our own development. Reform is the driving force of development and the only path to achieving modernization. Stability is a basic prerequisite for reform and development, and without it nothing can be accomplished. Experience has shown that our Party's basic principles

of seizing opportunities, deepening reform, opening to the outside world wider, promoting development and maintaining stability are absolutely correct. We need to adhere to these principles throughout and, based on the specific circumstances of different periods and with an overview of the situation and careful planning, we need to coordinate and combine the strength of reform, the speed of development and the ability of society to tolerate change. We need to push forward with reform and development while pursuing social and political stability, and maintain social stability and the country's political stability.

We need to be good at examining new circumstances and changes and correctly understanding and handling conflicts that arise in economic and social activities. Conflicts among the people will increase significantly in the course of reform and opening up and developing a socialist market economy, with some becoming increasingly prominent. This is a major political issue in the new period that needs to be studied carefully and handled correctly. We must strive to improve ideological and political work among the masses in light of the new historical conditions while actively using economic, administrative and legal means to promptly and appropriately handle conflicts among the people and prevent such conflicts from escalating and endangering social stability and unity. We must severely crack down on various criminal activities that undermine social or market order or threaten social stability, and strengthen all facets of public security in order to create an excellent public security environment. We need to constantly guard against infiltration by international and domestic hostile forces and their subversive and separatist activities. Any activity that threatens the political stability and unity of the country is against the will and fundamental interests of the Chinese people. Regardless of where a threat to social stability comes from, we must uphold the Four Cardinal Principles, unequivocally oppose it, and resolutely eliminate it in its nascent stage.

**9. We must work for a lasting peaceful international environment for the sake of the reform, opening up and socialist modernization of our country.**

We need a peaceful international environment for reform, opening up and modernization. The foremost task in our foreign relations work is to strive for peace for the sake of socialist modernization. We need to judge the international situation realistically and handle our foreign relations appropriately, so that we can take advantage of opportunities and concentrate



our resources to accelerate the development of the domestic economy and other undertakings. We need to adhere to our independent foreign policy of peace and always put the country's sovereignty and security first. We need to establish and develop friendly relations and cooperation with all countries on the basis of the Five Principles of Peaceful Coexistence. We need to uphold the policy of friendship with neighboring countries, energetically develop relations with them and strive to create a favorable environment in the areas around China. The starting point for our foreign relations work should always be developing and strengthening friendly relations and cooperation with other third world or developing countries. We need to further improve and develop relations with the great powers, respect each other, seek common ground while reserving differences, treat everybody as equals and cooperate for mutual benefit. Differences and disputes between countries should be resolved through dialogue and negotiation. We should take the fundamental interests of the people of China and the rest of the world as our starting point in dealing with all international affairs and form our own views based on the merits of each situation without yielding to outside pressure. We should not enter into an alliance with any big power or group of countries, or join any military bloc. We have always believed that the world is rich and varied, and that the existence of and complementarity between different cultures is an important factor contributing to progress and development in the world. Differences in history and culture as well as in economic and social systems should not be grounds for mutual alienation and antagonism; instead they should provide the impetus for cooperation and common development. We need to persist in opposing hegemonism, safeguard world peace, and energetically promote the establishment of a just and equitable new international political and economic order. We need to develop relations with the political parties of other countries on the basis of independence, complete equality, mutual respect and noninterference in each other's internal affairs. In handling international affairs, we need to follow a strategic policy of observing calmly, responding coolly, never claiming leadership, and making some contributions, so that we can take advantage of opportunities favorable to our own development, do a good job handling domestic issues, and strive to make even greater contributions to the cause of human progress and peace. These are the major principles and policies for our foreign relations work that we have maintained since the Third Plenary Session of the Eleventh Central Committee, and they reflect the major lessons we have learned in

foreign relations work. Experience has shown them to be correct.

**10. We must make satisfying and safeguarding the interests of the overwhelming majority of the people the fundamental starting point for reform and development.**

The people are the masters of this country and the fundamental force determining its fate. The tasks and responsibilities of the Party are to work in the interests of the people and unite with and lead the masses in striving to realize their fundamental interests. At all times and under all circumstances, the highest standard for judging all of the Party's work, principles and policies is whether or not they conform with the interests of the overwhelming majority of the people. This is a fundamental principle for assessing and handling problems. Over the last 20 years, all of the work related to reform and development carried out by the people under the leadership of the Party has been done in accordance with this principle, and we have gained fresh experience from it.

Building socialism with Chinese characteristics is a creative enterprise that has involved the extensive participation of hundreds of millions of people. We must always uphold the mass line of the Party, according to which we do everything for the masses and rely on them in everything we do, and implement the principle of "from the masses, to the masses." We must respect their creativity, listen to their voices, reflect their aspirations, and pool their wisdom and strength in developing all our undertakings. During the entire process of reform, opening up and modernization, we need to ensure that workers, farmers, intellectuals and others all share in the benefits of economic and social development. As we deepen reform, it becomes increasingly important to properly identify and handle relations between different interests in order to correctly unify and integrate individual and collective interests, the interests of some and those of the whole, and immediate and long-term interests. We must satisfy, protect and develop the vital interests of the overwhelming majority of the people, and do a good job guiding, preserving and unleashing their enthusiasm. This is the only way reform and development can have the broadest and most reliable popular support and source of strength.

**11. We must uphold, strengthen and improve the Party's leadership.**

Upholding, strengthening and improving the Party's leadership are

fundamental guarantees for the success of our cause. Without the unified leadership of the CPC, it would be unimaginable that we could bring together and unite the thoughts and strengths of more than a billion people so that they work together to build socialism with Chinese characteristics. Our experiences over the last 20 years tell us that under the new historical conditions, the Party must carefully study new situations and problems that arise in the course of Party building and be adept at studying and bettering itself and improving and strengthening its leadership. We must adhere to the Party policing itself and running the Party strictly, and use the spirit of reform to comprehensively improve the Party ideologically and organizationally as well as its work style. We need to always preserve the Party's nature as the vanguard of the working class, and likewise preserve the guiding position of Marxism and the purpose of serving the people wholeheartedly. We need to steadfastly promote the Party's fine traditions and work style, and meet the requirements of the times. In this way we can constantly raise the Party's level of leadership and governance and strengthen its fighting capacity and its ability to resist corruption and degeneration.

We need to improve the overall quality of cadres, particularly their ideological and political quality, so that they can pass the tests of running the government and carrying out reform and opening up. This bears on the overall interests of our country's socialist modernization drive and is a major, pressing task of Party building. Party members and cadres, especially leading cadres at all levels, must always put the interests of the Party and the people first and do their job dutifully. The course of reform and development over the last 20 years has demonstrated that we face daunting tasks and possible risks in the new period and educating cadres is a serious problem. We must intensify efforts to improve Party conduct and uphold incorruptibility so that cadres remain honest and upright under the new conditions. We must strive to build a corps of high-caliber cadres, including Party and government cadres, enterprise management cadres, science and technology cadres, cultural and educational cadres, and cadres on other fronts. We especially need to develop leading bodies at all levels to provide an organizational guarantee that the Party's line, principles and policies are correctly implemented. We must deepen the reform of the cadre system, strive to form a personnel environment based on openness, equality, competition and merit-based selection, and set up a sound, dynamic personnel mechanism for both promotion and demotion which brings talent to the fore. If leading cadres at all levels have both moral integrity and profes-

sional competence; all types of highly competent personnel, especially younger personnel, steadily emerge; and stressing study, politics and integrity becomes a common practice, then the ship of our Party and country's cause can constantly ride the wind and cleave the waves.

Twenty years of historical experience can be summed up in one point: that we need to integrate the basic tenets of Marxism with the concrete realities of China in order to take our own path and build socialism with Chinese characteristics. Twenty years of historical experience are an extremely valuable asset that all Party members must cherish.

Our experiences over the last 20 years tell us that Deng Xiaoping Theory is a great theory that guides the Chinese people to successfully achieve socialist modernization. In contemporary China, only Deng Xiaoping Theory, which combines Marxism with our contemporary experiences and the tenor of the times, can answer the question of socialism's future and fate. No other theory can do this. Deng Xiaoping Theory is Marxism for present-day China, and it is a continuation and development of Mao Zedong Thought and a new stage in the development of Marxism in China. All Party members must firmly hold high the great banner of Deng Xiaoping Theory, steadfastly use it as a powerful ideological weapon for observing the world and developing our country, constantly study and apply it in practice, and enrich and creatively develop it. This is our most reliable guarantee for success in overcoming all difficulties, eliminating all interference and withstanding all tests on the road ahead.

We have achieved great victories over the last 20 years, but looking at our ambitious goals, we have no reason to be complacent. We need to be acutely aware that our economy and culture are still underdeveloped, our overall national strength and competitiveness are still weak, there are still defects and inadequacies in the work of the Party and government, and there are still many areas of discontent among the masses. On our way forward we will encounter all sorts of difficulties and risks. All comrades in the Party must work more diligently and always live up to the expectations of the people.



## PURSUE A PATH OF ARMY MODERNIZATION WITH LOW INVESTMENT AND HIGH RETURNS<sup>\*</sup>

*December 25, 1998*

In July of this year, the Central Committee made the major policy decision that the army and armed police force should be entirely financed by the state and should cease all commercial activities. This decision received the support of officers and enlisted personnel of the whole army as well as the masses throughout the country. In recent months, the army has conducted a comprehensive clean-up of its enterprises, and completed the work of closing down its operating enterprises or transferring them to other parties in accordance with the unified arrangements of the Central Committee, State Council and Central Military Commission. It should be noted that the army's actions were swift and reflected its vigorous and resolute style of work. A body of facts indicates that if an army engages in for-profit commercial activities over a long period of time, then its cohesiveness and combat effectiveness will be seriously undermined and its image in society severely damaged. Ceasing the commercial activities of the army and armed police force is of great significance for preserving the army's nature as the people's army, ensuring that China always remains a socialist country, consolidating and strengthening the army's unity with the government and the people, and promoting the army's efforts to improve Party conduct and uphold incorruptibility. The far-reaching impact of this decision will become increasingly clear as army building progresses. Now that the army has ceased commercial activities, the government must increase military spending to guarantee army building is not adversely affected and to ensure troops' living standards do not decline.

In comparison with major countries in the world, China's military spending is low in absolute terms and as a proportion of GDP. In 1998, China's direct state funding for army building was approximately one twentieth of the military expenditure of the United States and one third of the United Kingdom, France and Japan. That we use comparatively fewer funds to maintain a relatively large army with high-quality troops, which we

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<sup>\*</sup> Excerpt from a speech at an enlarged meeting of the Central Military Commission.

to some extent continue to develop, is very amazing. In the world, this is something that only the CPC-led people's army can accomplish. Modernizing the army is a long-term and arduous task. At present, our army has not yet completed the task of modernization on the basis of mechanization and faces the stern challenge posed by the trend in world military affairs of shifting from mechanized to informationized warfare. In the first half of the next century, our army must complete the historic task of shifting to mechanization and informationization to achieve the objectives for the three steps of the strategic plan for modernization. For now and in the foreseeable future, given the country's financial constraints, we cannot afford a dramatic increase in military spending; nor can we afford to interrupt gradual growth. We will not vacillate in our resolve to modernize the army; nor will we slow the pace. Reform and opening up and the development of the socialist market economy will inevitably create more favorable conditions for modernizing the army. As long as we make the most of these favorable conditions and manage and spend our money wisely, we will be able to pursue a path of army modernization with low investment and high returns. We need to continue to study this question carefully. Here, I would like to emphasize several points.

First, we need to carry forward a spirit of arduous struggle and uphold the principle of building the army through thrift and hard work. In the time of the Red Army, Comrade Mao Zedong came up with the well-known slogan: "Save every copper for the war effort and the revolutionary cause."<sup>2</sup> During the revolutionary war, we relied on arduous struggle and on thrift and hard work to overcome various difficulties and enemies and to win nationwide liberation. After the founding of New China, under difficult economic and technological conditions, we also relied on arduous struggle and on thrift and hard work to build our army into a multi-branch military. Today, our material conditions are much better than in the past, especially compared with the war years; nevertheless, regardless of our conditions, we cannot afford to lose the spirit of arduous struggle or abandon the principle of building the army through thrift and hard work. Our country is still in the primary stage of socialism and will remain so for a long time to come, and it will require an enormous, long-term effort to fundamentally change the underdeveloped state of our productive forces. The tasks of reform and development are arduous, and the country must spend money in many areas. Our comrades in the army must consciously realize the difficulties facing our country, adopt a long-term mindset of

austerity, greatly promote the spirit of arduous struggle, and do everything through thrift and hard work. Beginning with the Central Military Commission and the PLA's Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department, leaders and institutions at all levels should take the lead in arduous struggle and building the army through thrift and hard work. We need to carefully calculate and strictly budget everything we do, practice strict economy, minimize unnecessary expenditures and set a good example for the officers and enlisted personnel of the entire army. We need to integrate efforts to implement the principle of building the army through thrift and hard work with those to improve Party conduct and uphold incorruptibility, and firmly oppose extravagance and waste. With regards to spending, preferential consideration should be given to combat troops, troops involved in border and coastal defense, troops stationed in hardship areas, and to lower-level troops.

Second, we need to strengthen centralized and unified administration and raise the overall cost-effectiveness of military spending. To modernize the army, we need to draw upon and utilize scientific management methods and means that reflect the laws of socialized mass production. Our army's logistics support system has for a long time been fragmented, with an overlapping structure and each of the three branches operating separate systems. The weapons and equipment management system is plagued by overlapping, decentralized and fragmented management, preventing any concerted effort from being made. In the first half of this year, the Central Military Commission decided to establish an integrated logistics support system for all the three branches of the army, along with the General Armament Department, in an effort to carry major reform of the army's logistics support system and its armament management system. Implementing a three-services joint logistics system will help to rectify the logistics situation, and coordinate human, material and financial resources. The General Logistics Department needs to strengthen research and guidance on integrated logistics support, and all units need to proceed from the overall public interest and overcome decentralism and departmentalism to ensure that the integrated logistics support system operates in a standardized and orderly way. The establishment of the General Armament Department has put in place centralized, unified leadership over weapons and equipment development for the army, and created the means for exercising system-wide, lifecycle management to support this effort. This will assist

with the overall planning and design of weapons and equipment development, making it possible to allocate funding scientifically in accordance with the principle of narrowing the scope of activity and stressing key areas, which will in turn raise the overall cost-effectiveness of expenditures related to weapons and equipment development. The General Armament Department needs to actively adapt to the new management system; make adjustments without derailing ongoing projects; and quickly institute policies and regulations, along with operating mechanisms, that are consistent with the laws governing weapons and equipment development, reflect the requirements of a socialist market economy, and are compatible with the new management system.

Third, we need to gradually reduce the army's burden of providing social services by outsourcing more logistics support to independent service providers. For a long time, army logistics departments have been burdened with too many functions related to social services. In many areas, the army has become self-enclosed and self-contained. As a result, the scope of its operations has become too broad. Many military compounds have become miniature societies where the army is responsible for almost everything. In recent years, we have streamlined the army several times and continually reduced troop numbers, though troop numbers in units that provide services have declined very little. In the past, this support model played an important role. However, we are now developing a socialist market economy in which the division of labor in society is becoming ever more specialized, and the non-military service sector is increasingly capable of providing a wide variety of services. This model is therefore no longer suitable. The army's logistics support, and especially livelihood support, must be outsourced to independent service providers. In this regard, we need to speed up the pace and intensity of reform. We should consider starting these reforms in high-level military leading institutions as well as the army's academies, scientific research institutes and hospitals in large and medium-sized cities, and learn from their experiences and then gradually push forward. As services related to the lives of military personnel and their families are outsourced to independent service providers, a number of logistics bodies that provide services unrelated to military functions can be gradually dismantled, and those that are only indirectly related can be pared down appropriately. Logistics bodies that provide essential military services need to be highly capable and at full strength, and they have to significantly improve their support capabilities.



Fourth, we need to rely on national economic, scientific and technological development to promote infrastructure construction and technological innovation in the army. The defense and civilian economies, as well as military and civilian technologies, should be compatible with each other and spur each other's development. We must closely integrate army building with national economic development, especially with the country's emerging technology industries and make full use of national economic, scientific and technological achievements and market resources in order to have a multiplier effect. We carried out fiber optics projects with dual military and civilian applications, and as a result, we significantly improved the army's communications capability in only a few years. The army could not have carried out such a large-scale infrastructure project on its own. It can accomplish many things that it would find difficult to accomplish alone by relying on the market and on the development of the country and society. For example, we can integrate military and civilian infrastructure needs when drawing up national plans for economic and social development, so that large infrastructure projects, such as building railroads, highways, airports and port facilities, incorporate military needs. In this way we can decrease military spending significantly. National defense research can be incorporated into the national scientific and technological innovation system, and a number of the army's basic research projects can be included in the country's scientific and technological strategy and development plans. This will both facilitate the sharing of scientific and technological achievements and the mutual transformation of military and civilian technologies. Diploma education of officers and training of general personnel can rely on the civilian education system. We need to increase research on policies and institutions in this area, and promote greater integration between army building and overall national economic development, so that each can complement the other.

Fifth, we need to strengthen the guiding role of strategic planning and concentrate on carrying out a number of strategic foundational projects. We need to concentrate our limited funds on projects that will have a significant impact on the army's overall modernization. During the 1960s and 70s, we overcame all manner of difficulties to develop atomic and hydrogen bombs and artificial satellites. Accordingly, we broke the American and Soviet monopoly on nuclear weapons, thus ending their nuclear blackmail, and made China one of the few countries possessing nuclear weapons. This work also spurred the creation of a number

of new- and high-technology industries and stimulated the country's scientific and technological development. Chairman Mao and Premier Zhou Enlai had great foresight. If we had not undertaken these three projects at that time, our country would not enjoy the status it has in the world today and our security situation would be quite different. Today, we still need that kind of strategic vision. We need to think ahead and think about China's ability to guarantee its own security and to maintain military deterrence capabilities in the 21st century. There are many things we need to develop and build, but it is both impossible and unnecessary for us to do them all at once. We simply lack the economic and material conditions to do so. Rather, we need to focus on several projects of decisive significance, and promptly develop our own high-tech weapons and equipment that will give us a decisive advantage in combat. Otherwise, amid the fierce competition of the 21st century world, our country will be unable to claim its rightful place, we will find it very difficult to meet future military challenges, and we will be in a passive position and experience great difficulties in safeguarding national independence, sovereignty and security. We must have a thorough understanding of the characteristics of modern warfare and the trends of military development worldwide, and determine the strategic focus for our long- and medium-range development on the basis of our objectives for the three steps of the strategic plan for modernization. Once we make decisions on strategic foundational projects, we need to concentrate all our human, material and financial resources and do everything possible to achieve results in a short period of time. In short, we need overall plans but with genuine strategic focus.

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<sup>1</sup> "Achieve Cross-Century Strategic Development Goals for Modernizing National Defense and the Army," p. 82, this volume.

<sup>2</sup> Cf. "Our Economic Policy," *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1967, Vol. I, p. 145.

## HISTORICAL EXPERIENCES OF ARMY BUILDING OVER THE LAST 20 YEARS\*

*December 25, 1998*

It has been 20 years since the Party held the Third Plenary Session of the Eleventh Central Committee. Since then, under the guidance of Deng Xiaoping Theory and the Party's basic line, our Party has united with and led the people of all our ethnic groups in joining together as one, waging an arduous struggle, carrying out reform, opening up and socialist modernization, and making great achievements and accumulating a wealth of experience. In the last 20 years, our army has constantly become more revolutionary, modern and standardized, raised its fighting capability to a new level and made important contributions to protecting and building the motherland and promoting the noble cause of world peace.

After the Third Plenary Session of the Eleventh Central Committee, Comrade Deng Xiaoping led the army in carrying out a comprehensive rectification campaign, restoring things to order, eliminating the disruptive influence that Lin Biao and the Gang of Four exerted over the army during the Cultural Revolution, and restoring and fostering the army's fine traditions, thus putting army building on the right track.

Focusing on the overall international and domestic situations and on the historic mission of the army in the new period, Comrade Deng Xiaoping set forth the general objective of creating a powerful, modern, standardized revolutionary army; established a series of principles for strengthening army building; and set China on the path of fewer but better troops with Chinese characteristics. The army strategically transformed its guiding thought on army building from preparing to fight a major or nuclear war at a moment's notice to promoting peacetime army building, ended its longstanding passivity whereby it carried out emergency army building when war was imminent, and began to modernize in a planned and step-by-step manner while being subordinate to and serving the country's economic development. In 1985, our army took an important step in the direction of becoming more elite, integrated and efficient by carrying out major reforms of its organization and staffing and reducing troop size by one million. In early 1993, based on the

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\* Excerpt from a speech at an enlarged meeting of the Central Military Commission.

new developments of multipolarization in the world strategic situation and revolutionary changes in the world military arena, we formulated a military strategic principle for the new period. This was a significant development of the strategic concept of active defense as well as a deep strategic transformation of the guiding thought for army building. We used this principle to direct every aspect of army building and implemented the strategy of strengthening the army through science and technology. With a spirit of reform and innovation, we transformed the army from relying on troop numbers to relying on quality and effectiveness, and from being manpower-intensive to being technology-intensive. We actively explored the characteristics and rules for running the army and improving military preparedness under the new circumstances. We improved the work of the army in the areas of politics, military affairs, logistics and equipment, and significantly raised the quality of the ideology and politics, military technology, science and culture among officers and enlisted personnel.

Over the past 20 years, our army has withstood every kind of severe test, including dealing with international and domestic political disturbances, opening to the outside world and developing the socialist market economy. Throughout all this, our army has maintained a firm and correct political orientation, its nature and purpose as a people's army, and a high degree of troop stability, centralization and unity. Our army has successfully completed major military operations and difficult and dangerous tasks such as counterattacks in self-defense along our borders; a series of joint military exercises from July 1995 to March 1996; the entry into and stationing of troops in the HKSAR on July 1, 1997; the battle against the floods in 1998; and the safeguarding of social stability, all of which firmly guaranteed security for reform, opening up and socialist modernization. Facts have fully shown that our army is a people's army under the absolute leadership of the Party, that it is politically competent, that it performs well at crucial moments and that it is fully deserving of the trust of the Party and the people.

In the course of army building over the past 20 years, we have correctly grasped and dealt with important problems of overall significance, and this work has given us a new level of understanding of the laws of army building in the new period. Conscientiously learning from the historical experiences we have gained in the course of the army's development over the past 20 years of reform and opening up holds great significance for making further progress in army building and achieving the grand cross-century



development goals for national defense and military modernization. These historical experiences have been manifested primarily in our correct understanding and handling of the following seven relationships.

### **1. The relationship between war and peace**

For a long time, owing to foreign blockades, encirclement and hostility, we faced grave military and political threats, so it was correct for us to step up our preparations for the dangers of war. Nevertheless, our understanding of the situation was somewhat distorted in that we thought another world war was unavoidable and imminent. After the Third Plenary Session of the Eleventh Central Committee, our Party made a realistic judgment of the international situation and determined that peace and development were the two themes of the times, that the world forces for peace were growing faster than the forces for war, and that it was possible another world could be averted for a long period of time. This new scientific judgment laid an important foundation for shifting the focus of the Party and government's work and strategically transforming our guiding thought on army building. At the end of the 1980s and the beginning of the 1990s, bipolarity ended and the world underwent massive and profound changes. Through calm observation and scientific analysis, the Central Committee ascertained that the major trend of relaxing international tensions would not be reversed, that it was still possible to achieve favorable international and neighboring environments, and that we must firmly carry out reform and opening up, continue to accelerate the pace of modernization and concentrate our energy on self-development. At the same time, the Central Committee clearly noted that hegemonism and power politics still existed; territorial, ethnic and religious disputes were complicated; and local wars and armed conflicts were unavoidable in some regions of the world. We therefore must resolutely safeguard the unity and territorial and sovereign integrity of the motherland, constantly be on high alert against the danger of war, and never let down our guard. We need to take a long-term perspective and carry out army modernization in a planned, step-by-step manner while promptly improving military preparedness, and we must correctly combine and unite these two tasks.

### **2. The relationship between national defense development and economic development**

Developing the economy and strengthening national defense are two ma-

major strategic tasks in our country's modernization. Fundamentally speaking, these tasks are closely interrelated, but we need to grasp and deal with them correctly in light of our country's situation in the primary stage of socialism. Twenty years of experience have given us an important understanding of this problem. First, we must keep economic development as our central task and ensure that national defense development remains subordinate to the country's economic development. Sustaining economic development and greatly increasing China's economic power is the basis for solving all our problems, including national defense modernization, and it is also the key to becoming internationally more competitive, standing up to the pressure of hegemonism and power politics, and safeguarding the country's independence and sovereignty. National defense development needs to be closely coordinated with overall economic development, and cannot be allowed to hinder or affect it. Second, while concentrating our energy on economic development, we must strive to strengthen national defense, and constantly intensify national defense development as the country's financial strength increases. National defense modernization is an important component of our country's socialist modernization. Strong national defense provides a basic guarantee for economic development and national security. If we do not vigorously strengthen national defense and modernize the army's weapons and equipment as the economy develops, we could well be forced into a passive position that makes it difficult to safeguard national security should a war break out. National defense development and military preparedness must be such that we are able to safeguard the country's interests and security. Third, we must create a mechanism whereby national defense and the economy stimulate each other and develop together. National defense development not only needs to be subordinate to but also serve economic development, and the army needs to actively contribute to the country's economic development. We should find ways for the military and civilian sectors to share general-purpose military facilities and seek both military and civilian applications for national defense technology. In the process of developing our economy, especially our infrastructure, we need to give full consideration to the needs of national defense and the army so that we both promote economic development and strengthen our national defense capability.

### **3. The relationship between revolutionizing, modernizing and standardizing the army**

China's army carries out revolutionary political tasks under the absolute

control of the Party. The nature of our army is different from that of any capitalist country, and its modernization is also different from the modernization of those countries' armies. We must make revolutionizing the army the foremost priority; this will determine the nature and orientation of the army's modernization and provide considerable psychological motivation. We need to greatly strengthen ideological and political work, always adhere to the fundamental principle of the Party's absolute leadership over the army, and always preserve the army's nature, purpose and character as a people's army. The principal problem facing our army is that our level of modernization is incompatible with the needs of modern warfare. The main task in increasing our army's fighting capability is to solve the problem of modernization. As a result, our army building must continue to be focused on and all the army's work needs to revolve around modernization. Standardization is an inevitable requirement of modernization, and one could say that achieving modernization is impossible without standardization. An important task of standardization is to transform the basic fruits and experience of revolutionization and modernization into laws, rules and regulations in order to provide clear norms for all aspects of army building and ensure the army is run strictly and in accordance with the law. In accordance with the general requirement of ensuring the army is qualified politically and competent militarily and has a fine work style, strict discipline and adequate logistics support, we need to strengthen every aspect of army building so that the goals of revolutionizing, modernizing and standardizing the army are achieved in every aspect of the army's work. The tasks of revolutionizing, modernizing and standardizing the army are interrelated and mutually reinforcing. They cannot be separated or set in opposition; we must consider them together and comprehensively move them forward.

#### **4. The relationship between the size and quality of the army**

Correctly handling the relationship between the size and quality of the army is essential for army building. Our country has a vast territory and varied topography, and due to our relatively backward equipment and low mobility we must maintain a large army. However, if the army is too large, it will adversely affect its modernization. The rapid progress of global science and technology has accelerated the worldwide transformation of military affairs and raised the effectiveness of weapons systems to an unprecedented level, making it increasingly important and urgent that we improve the quality of our army. The quality of a military force is of decisive

significance in modern warfare. We must consider improving quality as the basic guiding principle of army modernization and give it a more prominent position. The key to improving quality is to implement a strategy of strengthening the army through science and technology, increase the scientific and technological content in all aspects of army modernization, and increase the army's defensive and combat capabilities under modern technological, especially high-tech, conditions.

### **5. The relationship between the standing army and the national defense reserve forces**

Close reliance on the masses is our army's most profound source of strength. Regardless of how weapons and equipment develop and how the form of war changes, people's war will be our effective weapon with which to defeat the enemy. We need to uphold and creatively develop the concept of people's war in light of the new historical conditions and new experiences. Based on the strategic thinking of people's war, we must integrate a highly skilled standing army with a strong national defense reserve force, place great emphasis on building the national defense reserve force while strengthening the army, and maintain only a small army in peacetime while retaining the ability to mobilize large numbers of troops in wartime. Under the new circumstances, we need to build a national defense reserve force that is adapted to the characteristics of future military combat and meets the needs of developing the socialist market economy, and focus on raising quality and improving the organizational structure and relevant policies and systems. Reserve forces and the militia need to be maintained at an appropriate size and optimum composition. They need to raise their rapid mobilization capabilities and their level of training so that they will be ready to report for duty on a moment's notice and be ready to fight. We also need to further adjust and improve the national defense mobilization system and raise our mobilization capability in accordance with the principles of integrating military with civilian interests and peacetime with wartime needs, and embedding military projects in the civilian sector.

### **6. The relationship between carrying on fine traditions and carrying out reform and innovation**

Historical facts have clearly shown that reform has been a strong driving force for developing our army as well as a basic factor underlying the great success of our army building. The fine traditions our army



has developed through long practice fully reflect the army's characteristics and strengths and are a fundamental guarantee for maintaining the army's nature and fighting capability. If the army loses these fine traditions, its very nature will deteriorate. Under these new historical conditions, the task of army building and the environment in which it occurs have both undergone profound changes, which require us to boldly reform and innovate on the foundation of these fine traditions so that they can develop through new practices. In this way, our army will always maintain an exuberant vitality and forever hold an impregnable position. In the last 20 years, we have carried out a series of reforms, the fundamental purpose of which was to raise the army's fighting capacity, and we have made significant breakthroughs, raised the overall effectiveness of army building and strengthened the army's combat capability. We need to give priority to long-term goals, further improve the army's organization and staffing, and solve problems in the military command structure, the composition of the army and the ratio of officers to enlisted personnel. At the same time, we need to deepen reform in order to form a policy regime for the army that is suited to the requirement of developing a socialist market economy and helps arouse and unleash the initiative of all areas of the army.

### **7. The relationship between studying the useful experiences of foreign armies and maintaining our army's unique characteristics**

In today's world, no army is capable of modernizing itself behind closed doors without acquiring advanced knowledge from abroad. For our army to modernize we must have a global outlook, keep up with trends in global military changes and developments, actively draw on the useful experiences of armies of other countries, especially developed countries, and selectively introduce foreign advanced equipment and managerial expertise. Our army is a people's army under the absolute leadership of the Party. It must always maintain its political character and political strengths and must not copy indiscriminately other countries' military principles. Countries have different national conditions, and we cannot blindly imitate the models foreign countries use to modernize their armies. We cannot simply adopt useful experiences and ways of doing things from foreign armies; rather, we should digest, absorb and improve on them, and adhere to the path of army modernization with Chinese characteristics.

The successes we have achieved and the experience we have gained in army building and reform over the past 20 years have been obtained under

the guidance of Deng Xiaoping's thinking on army building in the new period. This thinking is the continuation and development of Mao Zedong's military thinking, and constitutes a scientific guide for revolutionizing, modernizing and standardizing our army, and we must adhere to it firmly. As the times progress, practice develops. There is still a lot of uncharted territory in front of us, and we will encounter many difficulties and challenges on the road ahead. Determining the course we should take requires us to continue exploring under the guidance of Deng Xiaoping Theory. All members of the army need to proceed from reality in everything they do, emancipate their minds, seek truth from facts, make use of the Marxist stand, viewpoint and method to study new situations, solve new problems and accumulate new experiences, and further enrich and develop Deng Xiaoping's thinking on army building in the new period through new practice.

We have made such great progress in army building over the past 20 years mainly because we have always paid great attention to training cadres who are loyal to the Party and the people. We have successfully completed the work of getting younger cadres to cooperate with and replace older ones in accordance with the principle of making cadres more revolutionary, younger, better educated and professionally more competent and the principle of judging cadres in terms of both political integrity and professional ability. This has laid an important foundation for revolutionizing, modernizing and standardizing the army. Cadres at all levels have become the backbone of army building by making selfless contributions to the Party's cause and doing their work conscientiously. In order to attain our strategic cross-century objectives of strengthening national defense and modernizing the army, to guarantee that the army will never lose its nature as the people's army, and to ensure that our army building constantly moves forward, we must further intensify the development of military cadres, improve the ideological, political, scientific and cultural quality of leading cadres at all levels and their grasp of military technology, and give particular emphasis to quickly selecting and training large numbers of outstanding young cadres who have both political integrity and professional ability in order to make our military cadres more dynamic and youthful.

# ON STRENGTHENING AND IMPROVING STUDY\*

*January 11, 1999*

When leading cadres gather together for a period of time, review their work experiences together, systematically study a topic and earnestly discuss issues with each other, this greatly improves their leadership skills and makes them better able to control the overall situation.

Those present here today include leading comrades from provinces, autonomous regions and municipalities directly under the central government and from government departments, and members of the Central Committee's Political Bureau and the Political Bureau's Standing Committee. We, together with all Party comrades, are sailing a ship toward the great goal of building socialism with Chinese characteristics under the guidance of Comrade Deng Xiaoping. On this ship, each person has his or her own position and responsibilities to meet. Everyone must do their duty, fulfill their responsibilities, work as one and pull together in times of trouble to ensure our ship rides the wind and cleaves the waves on its way forward.

Today, my comments will focus on encouraging all Party comrades, especially leading cadres at all levels, to strengthen their study.

## **I. Strengthening Study: a Necessary Requirement for Achieving the Cross-Century Goals Set Forth at the Fifteenth National Party Congress**

Over the years, the Central Committee has continually emphasized the need for the whole Party to strengthen its study and create a wholesome atmosphere of studying assiduously. Through concerted efforts, we have achieved remarkable success in the study of Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory, and made great progress in other areas of study. The ideological and theoretical levels and knowledge of leading cadres, as well as their ability to lead and the overall work situation, have improved significantly. Nevertheless, looking at the situation and tasks we face and the condition of our cadres, we can only conclude that

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\* Speech at a finance study session staged by the CPC Central Committee for principal leading cadres at the provincial and ministerial level.

we have not done enough, not nearly enough, and we must continue efforts to raise study to a new level throughout the Party.

What is the situation we face? From the international point of view, peace and development remain the two themes of the times, but changes have taken place. The deepening trend of world multipolarization and economic globalization and rapid advances in science and technology are profoundly changing the international political and economic landscape. We face pressure from the economic and technological superiority of developed countries. The inequitable and irrational old international political and economic order has not fundamentally changed. Hegemonism and power politics still exist. World socialism is at a low ebb, and international hostile forces have not given up their political conspiracy to Westernize and divide our country. The tasks we face in safeguarding our country's security are more widespread and complex, and it is more difficult to promote economic development. How to better grasp opportunities to develop our country, especially our economy, while meeting severe challenges and always occupying an impregnable position in the midst of a rapidly changing international situation and fierce international competition is an important problem we must continue to solve.

Domestically, we adhere to Deng Xiaoping Theory and the Party's basic line and continuously push forward reform and opening up, and our overall national strength and people's living standards have greatly improved. Our Party has withstood the tests of political, economic and natural perils, worked hard to overcome difficulties encountered along the way, and accumulated a wealth of experience. The Party's basic theory, line and platform have the wholehearted support of the people. All of this has greatly enhanced the material and ideological foundations for the development of our socialist cause. On the other hand, we still face a lot of new situations and problems, and there are still shortcomings and deficiencies in our work. Improving our work and making it better conform to reality and the people's wishes and demands is an important issue that we must continue to address.

The task our Party shoulders to unite with and lead the people of all our country's ethnic groups in basically achieving socialist modernization by the middle of the next century is both great and arduous. We have entered a crucial period in cross-century development. China is in the primary stage of socialism and will remain so for a long time. A large population and underdeveloped productive forces are the most basic conditions



facing the country. As reforms deepen, it becomes increasingly important for us to properly solve a number of deep-seated problems that have built up over a long period of time. This is a matter that we cannot avoid or work around. The problems we encounter in the future may be even more severe. Our development will be under increasing pressure from issues related to population, resources and the environment. All we can do is to press forward in the face of difficulties, advance bravely and absolutely not retreat or turn back.

Our Party now has more than 61 million members and constitutes a robust force. We have made significant progress in our cross-century plan of replacing older leaders with younger ones at all levels and ensuring cooperation between them. Currently, the overall condition of our contingent of cadres is good. However, some cadres are not well suited, and some are not suited at all, to deal with new situations, new tasks and the endless stream of new circumstances and new knowledge. Their shortcomings are mainly manifested in low levels of knowledge and theoretical attainment, inappropriate styles and methods of work, and unsuitable intellectual and psychological states. A considerable number of young and middle-aged comrades who have been promoted to leading positions at all levels during recent years are not familiar with or even have no knowledge of the history of our Party and People's Republic since their founding, and some comrades are even unfamiliar with our country's history since the adoption of the reform and opening up policy. It is imperative they improve and enrich themselves. Comprehensively raising the quality of cadres at all levels, especially leading cadres, in accordance with the principle of making them more revolutionary, younger, better educated and more professionally competent is still very urgent work.

Our situation and tasks, and the state of our corps of cadres, require that all Party comrades study harder. Our Party has always emphasized and been good at study. At every major turning point, when faced with new circumstances and tasks, the Central Committee has called on all Party comrades to study harder. Each time there is an upsurge in learning, it has led in turn to big changes and developments for our cause. This is an important historical experience of our Party. Comrades Mao Zedong and Deng Xiaoping attached great importance to study by the whole Party, especially leading cadres at all levels, which they repeatedly emphasized, and they offered many expositions on this matter. In 1941, in order to win victory in the War of Resistance Against Japanese Aggression and strengthen

our Party's unity, Comrade Mao Zedong published a speech entitled "Reform Our Study" in which he set out the task of reforming the method and the system of study throughout the Party and demanded that all Party members intensify their study of Marxism-Leninism, emphasize the study of current conditions and history, and stress the application of Marxism-Leninism. In 1949, on the eve of nationwide liberation, Comrade Mao Zedong again called on Party members to study harder. He urged all army cadres to learn how to take over and administer cities and how to be good at leading the workers and organizing trade unions, good at mobilizing and organizing the youth, good at uniting with and training cadres in the new Liberated Areas, good at managing industry and commerce, good at running schools, newspapers, news agencies and broadcasting stations, good at handling foreign affairs, good at handling problems relating to the democratic parties and people's organizations, good at adjusting the relations between the cities and the rural areas and solving the problems of food, coal and other daily necessities, and good at handling monetary and financial problems.<sup>1</sup> When we first implemented the reform and opening up policy, Comrade Deng Xiaoping gave a famous speech entitled "Emancipate the Mind, Seek Truth from Facts and Unite as One in Looking to the Future," in which he stated that achieving modernization represents a great and profound revolution and that all Party comrades must be adept in learning and relearning. The development of our cause is closely related to the entire Party's learning situation.

As the 20th century draws to a close, it is very advantageous to review our country's modern and contemporary history, and there is much to learn from doing so. By the end of the 18th century, as the Qing Dynasty's halcyon days under emperors Kangxi and Qianlong were drawing to a close, many defects in China's feudal system had manifested themselves, but China was still an important and powerful country in the world. In the 138 years from 1661 when Kangxi ascended the throne till 1799 when Qianlong passed away, the Western world underwent tremendous historic changes. The bourgeois revolution, the industrial revolution and the scientific and technological revolution stimulated the rapid development of the productive forces in Western countries, and the Western bourgeoisie began rushing to the farthest reaches of the world to compete for markets and raw and semi-finished materials. China's feudal rulers, however, did not have the slightest understanding of the great changes and progress that were occurring in the outside world. They shut their doors to the world, held fast

to established ways of doing things, became conceited from pure ignorance and refused to learn new knowledge, declaring that they “set no value on objects strange or ingenious.” China quickly fell behind under this policy. Japan, which is separated from China by only a strip of water, carried out the Meiji Reformation in the latter half of the 19th century and developed very rapidly by following the world’s development trends. In the late 19th century, after suffering defeat in the Opium Wars, China was reduced to a semi-colonial, semi-feudal state under the domination of foreigners, and the Chinese nation itself was in peril. In the first half of the 20th century, through the arduous struggle of Chinese Communists and all the country’s people, we experienced the new democracy period and founded a socialist people’s republic, thus ending the humiliating semi-colonial, semi-feudal period. In the latter half of the century, we undertook difficult explorations before we ultimately successfully took the great path of building socialism with Chinese characteristics. The human race is again about to enter a new century, and although socialism is at a low ebb around the world, it is full of vigor and vitality in China. An important reason China’s fate has changed so greatly in the past hundred years is that the Chinese people rose up in resistance to defeat an adversity, opened their eyes to the outside world, pursued scientific theory and advanced knowledge, and looked for a way to save the country and the nation. Chinese Communists studied and mastered the basic tenets of Marxism, integrated them with China’s concrete realities, and led the people in achieving the great transformations of revolution, construction and reform. History reveals to us an incontrovertible truth: If our Party is to lead the people of our country in achieving the great rejuvenation of the Chinese nation, we must persevere with our study, apply the scientific theory and advanced knowledge that we learn to China’s realities, and constantly promote sustained economic development and comprehensive social progress.

At this historic juncture on the threshold of the 21st century, our Party is the ruling party of the world’s largest socialist developing country. As such, our Party must correctly analyze and grasp the situation, continue to integrate the basic tenets of Marxism with China’s concrete realities, and comprehensively strengthen and improve study among its members. This is an important guarantee for our Party to always maintain its vigor and vitality. Our Party’s position as the country’s ruling party was not bestowed on it by heaven; our Party gained the full trust and support of the people because it gathered together progressives, made tremendous sacrifices in

a long struggle for the sake of the motherland and the people, and performed greatly. If we do not constantly improve ourselves through further study and praxis, we will fall behind the times and thereby risk becoming unfit to rule the country and risk losing the trust and support of the people. This is not just alarmist talk.

In recent years, the Central Committee has repeatedly emphasized the need for leading cadres to stress study, politics and integrity. Among these “three stresses,” why do we place study first? We place study first because it is a prerequisite and the foundation of politics and integrity. Only by studying well, mastering more theoretical, scientific and general knowledge and improving our political awareness and mental outlook can we begin to stress politics and foster and develop a healthy atmosphere.

All Party comrades, especially high-ranking cadres, must strengthen their study with a high sense of responsibility toward the Party, the people and history.

## **II. Steadfastly Using Marxist Theory to Guide Praxis and Enriching and Improving Ourselves Through All Kinds of Knowledge**

The cause we are engaged in is magnificent and of epic proportions, and we should study comprehensively and systematically. We need to steadfastly arm the whole Party with Marxism-Leninism, Mao Zedong Thought and especially Deng Xiaoping Theory, while at the same time assiduously enriching and improving ourselves with all the knowledge created by human society. To be qualified political leaders, we need to study philosophy, political science, economics, law, history, literature and science and technology. We should particularly emphasize new knowledge that reflects the latest political, economic and cultural developments in the world, and strive to raise our ideological and intellectual level so we can adapt to the needs of the times. The Central Committee has already addressed matters concerning the content, methods and requirements for study, and I hope everyone conscientiously implements them. Here, I would like to emphasize four areas for study.

### **1. Theory**

Ideological and theoretical qualities are the soul of leadership qualities. Conscientiously, assiduously and comprehensively studying Marxism-



Leninism, Mao Zedong Thought and especially Deng Xiaoping Theory is extremely important for raising the Party's ideological and political level and its governance capacity, and it must be given the highest priority in our study. Political and ideological unity throughout the Party and firm political convictions are the premise and basis for its unity in organization and action and its strong cohesiveness and capability. This kind of political and ideological unity and firm political convictions can be established only if all Party comrades consciously arm themselves ideologically with Marxist theory.

Comrade Mao Zedong quoted this statement of Lenin's, "Without revolutionary theory there can be no revolutionary movement."<sup>2</sup> He proposed that all Communist Party members who were capable of studying should study Marxist-Leninist theory, that cadres should study it carefully, and that Central Committee members and senior cadres in particular should intensify their studies of it. He also fervently hoped that our Party would have one or two hundred comrades with a systematic, rather than fragmentary, and genuine, rather than hollow, grasp of Marxism-Leninism.<sup>3</sup> This is still a very realistic task that we face today. High-ranking cadres, especially principal leading cadres at and above the provincial and ministerial level, should strive to become statesmen who are loyal to Marxism, who adhere to the path of socialism with Chinese characteristics, and who are capable of running the Party and the country.

The world's first socialist country, the Soviet Union, has already demised, and socialist countries in Eastern Europe have changed drastically. As such, world socialism has suffered a serious setback. Under these objective conditions, along with deliberate ideological propaganda by Western hostile forces, people are again proclaiming, "Marxism is obsolete." This is an enormous challenge we face on the ideological and theoretical front. The crucial questions are: Can Marxism still provide practical guidance? Is the path Marx and Engels pointed out for human liberation still scientific? Marxism was formed on the basis of a profound review of the law governing historical movements, and its basic tenets are universally applicable. As time progresses and historical conditions change, some specific expositions may be outdated and no longer applicable, but the path along which world history is developing has not deviated from the basic laws that Marxism reveals. Marxism is not a static and closed dogma, but a theoretical system that is tested and continuously develops through praxis. This is the source of Marxism's great vitality. Deng Xiaoping Theory integrates Marxism with

the praxes in contemporary China and the characteristics of the times, and it is a continuation and development of Mao Zedong Thought. It is Marxism in present-day China. It is a new stage in the development of Marxism in China, one that has opened up a new path in the new period for us to develop our socialist cause and ensure that socialism continues to flourish in China.

We are in the midst of the great praxis of building socialism with Chinese characteristics, which will continue to produce a wealth of new experiences. We need to excel not only at adhering to and creatively using Deng Xiaoping Theory in praxis, but also at continuing to enrich and develop Deng Xiaoping Theory by extracting knowledge and conclusions that accord with laws from experience. This is the solemn historical responsibility of all Party comrades.

Here, I would like to stress a point: In studying theory, the key is to learn how to use the Marxist stand, viewpoint and method to observe and solve problems and to improve our capacity for dialectical reasoning to avoid metaphysics and prevent one-sidedness. This requires that we conscientiously study and master the basic principles of Marxist philosophy. Marxist philosophy is the ideological basis of Marxist theory, and it provides the foundation for the Marxist stand, viewpoint and method. The development of things is a complex movement full of contradictions. If you reach simplistic conclusions and make simplistic decisions and do not observe the unity of opposites and their role in the development of contradictions, it will be easy for deviations and mistakes to arise. Some comrades' metaphysical ways of thinking have already reached serious proportions. Let me give some examples. First, when looking at a situation, they are blindly optimistic and look only at achievements and positive aspects while ignoring difficulties and problems; or they are blindly pessimistic and look only at the difficulties and problems without seeing achievements and progress. Second, they cannot adhere to the principle of doing two jobs at once and attaching equal importance to both. They either deviate from the central task of economic development and talk about meaningless ideals or ignore the need for cultural and ethical progress and even sacrifice it for the sake of temporary economic development. Third, they cannot comprehensively examine an overall picture of reform and development and properly handle the relationship between quantity and quality, between speed and results, between size and composition, and between development and environmental protection, thereby creating the problems of redundant construction,

wasted resources and environmental degradation. Fourth, they cannot fully understand the Party's principles and policies and are incapable of adopting a variety of methods adapted to specific conditions to revitalize small SOEs, instead taking the one-sided approach of simply selling them all off. There are also comrades who cannot correctly analyze and handle conflicts among the people and problems in society in this new period, intensifying problems that could have been resolved. Rural residents in some localities are subjected to arbitrary fees, fines and quotas, which drive some people to their death and spark mass discontent that can only be quelled through police power. These phenomena invariably undermine and endanger our work and cause irreparable harm to the Party and people's cause. Everybody must make it a priority to study Marxist philosophy, genuinely acquire the skill to discard the dross and keep the essence, eliminate the false and retain the true, and proceed from one to the other and from the outside to the inside. This will help to eliminate blindness, one-sidedness, superficiality and inflexibility from our work and make it more principled, systematic, foresighted and creative.

## **2. Modern economics**

Establishing a socialist market economy is unprecedented in history. There are no precedents to follow, and only through praxis can we constantly feel around and break new ground. In order to develop a market economy under socialism, achieve a fundamental transformation of our economic system and pattern of economic growth, carry out the strategies of rejuvenating the country through science and education and achieving sustainable development, and maintain sustained, rapid and sound development of the national economy, there are many things we need to study and many areas in which we need to improve.

Modern economics is a vast subject. We need to study selected aspects of it to suit the needs of our work. First of all, we need to study and master Deng Xiaoping Theory and conscientiously learn from the experience of the socialist modernization drive, especially reform and opening up. We also need to study knowledge concerning the socialist market economy, and modern finance and management. Leading cadres at all levels must have this basic economic knowledge.

You cannot appreciate the difficulty of a task until you have done it yourself. It was not easy for us to determine that our goal for economic restructuring should be to establish a socialist market economy. In the early

period after the founding of New China, we had no clear idea of how to build socialism and no experience in doing so. We urgently needed to organize economic development and rapidly restore an economy that had been devastated by a long period of war. At first, we followed the Soviet model of a planned economy in its entirety. Under the conditions at the time, we promoted rapid economic development and completed the development of our industrial base using this system. As our country underwent economic and social development, the shortcomings of this system gradually manifested themselves. After the Third Plenary Session of the Eleventh Central Committee, we undertook a period of constant exploration, and at the Fourteenth National Party Congress, we finally set the goal of reform as the creation of a socialist market economy. Switching from a planned economy to a socialist market economy, however, was very difficult.

After the political disturbances in 1989, the international situation began to change drastically. A number of socialist states in Eastern Europe fell like dominoes, and the Soviet Union, the world's first socialist country, disintegrated. The Gulf War<sup>4</sup> occurred in the early 1990s. Beginning in 1988, our national economy entered a period in which we tried to improve the economic environment and rectify the economic order. Owing to the adoption of a number of control measures, the economic growth rate decreased significantly, from 11.3% in 1988 to 4.1% in 1989 and 3.8% in 1990. Structural problems in the economy remained as stark as ever, and state finances were in difficulty. In 1991, the Huaihe River flooded. Given the situation, the Central Committee focused its attention on dealing with the complex international situation, safeguarding social and political stability, improving the economic environment and rectifying the economic order. Against the backdrop of this international situation, in 1990 and 1991, we held a series of conferences to address the important question of how to accelerate economic development as well as reform and opening up.

In the spring of 1992, Comrade Deng Xiaoping made an inspection tour of the south and gave important talks in which he provided profound theoretical solutions to major problems of understanding that had long perplexed and constrained people's thinking, further clarified the orientation of our country's reform and development, made it clear that the "three favorables"<sup>5</sup> should be the fundamental criterion for judging right or wrong, stated that development is the absolute principle and demanded that the whole country uphold economic development as its central task. He stipulated that once we are sure that something should be done, we



should dare to experiment and break new ground. Comrade Deng Xiaoping excelled at seizing the moment. These talks played an important role in rousing people's spirits and mobilizing all sides.

After Comrade Deng Xiaoping published these talks, there was an upsurge of enthusiasm among the people throughout the country, and a new atmosphere pervaded economic development. In 1992, the economic growth rate reached 14.2%, and a number of the problems in economic development were gradually alleviated and resolved through praxis. We deepened reform, expanded opening up, promoted political stability and economic prosperity, increased overall national strength, effectively broke out of the so-called sanctions that a number of Western countries had imposed on us and raised China's international standing to a new height.

On June 9, 1992, a few months before the Fourteenth National Party Congress, I delivered a report at the Central Party School, in which I proposed establishing a socialist market economy.<sup>6</sup> On June 12, I reported my proposal to Comrade Deng Xiaoping. He agreed with it and added, "I'm afraid that it will generate debate, which will only be undesirable. As a matter of fact, this is what we are doing. I discussed the one-quarter, three-quarter problem of Shenzhen. Three quarters of what we are doing there is socialist, and Shenzhen actually has a socialist market economy. If we do not have a market economy and allow competition and comparison, we won't even be able to develop science and technology. If we produce inferior products, it will affect consumption, trade and exports." I told Comrade Deng Xiaoping that my proposal was based on his statements that there are markets under socialism and planning under capitalism and that the proportion of planning to market forces is not the essential difference between socialism and capitalism. My speech at the Central Party School had not been published, but it had been distributed to localities for comments. Comrade Deng Xiaoping said, "We should first issue it as an internal document, and publish it if it gets a favorable response." This is how the theme for the Fourteenth Congress was chosen. Later all provinces, autonomous regions and municipalities directly under the central government agreed with my proposal. The Fourteenth Congress formally made creating a socialist market economy the goal of our country's economic restructuring.

As we accelerated development, temporary problems, such as the overheated development of real estate and development zones, and unauthorized fund raising, indiscriminate lending and arbitrarily setting up financial

institutions; overinvestment; and rapid inflation made it difficult to ensure sustained rapid and sound national economic development. On April 4, 1992 on the eve of my visit to Japan, I wrote a letter to the members of the Standing Committee of the Central Committee's Political Bureau and others<sup>7</sup> in which I said that we needed to do a good job guiding, preserving and unleashing the enthusiasm cadres and the masses have; emancipate our minds, act boldly, progress steadily and work meticulously in the process of completely implementing the guiding principles of Comrade Deng Xiaoping's important talks; make the most of opportune times and strive to achieve and maintain a relatively fast pace of development, but we must do this in a concrete manner by adjusting to the actual conditions of the various localities and departments and distinguishing different circumstances; and put great effort into deepening reform and avoid pursuing development solely by expanding the scale of investment in order to prevent the reoccurrence of redundant construction and high inventories. In December 1992, we held a meeting in Wuhan<sup>8</sup> to solve a number of outstanding problems then plaguing our agricultural and rural work. In April 1993, the central leadership held a meeting with secretaries of provincial Party committees and provincial governors to discuss how to solve the problems of unauthorized fund raising, indiscriminate lending and the overheating real estate and development zones. On May 19, I wrote a letter to the leading comrades concerned in the State Council in which I proposed that they seize the opportunity to resolve current problems in our economic work; otherwise the important chance to do so might be lost, which would allow problems to accumulate, thereby leading to disaster. We divided the provinces, autonomous regions and municipalities directly under the central government into four groups and held a working meeting of one group in each of the months of May, June, August and September, at which we discussed how to continue to reform investment, fiscal and taxation, and banking systems, and took the position that we needed to deepen reform to solve deep-seated economic problems. On June 22, I briefed Comrade Deng Xiaoping on the economic situation at that time and suggested strengthening macro-control and focusing on financial work. He was very supportive and noted, "Our government always needs to keep a close eye on financial affairs. In capitalist countries, most of the money is privately held, and if it is lost, that's nobody else's concern. But in a socialist country, the money lost belongs to the country itself. Currency devaluation and inflation hurt the people. People go to great pains to save money, hoping

it will bring them a better life, only to have their savings disappear when money loses its value. People in the West frequently discuss this problem, but they operate under a different system than we do. We have to be very vigilant. We cannot allow wealth to disappear when money loses its value. The renminbi cannot be allowed to depreciate too much, and we must control market prices.” On June 24, the Central Committee and the State Council promulgated 16 measures concerning the economic situation at the time and strengthening macro-control,<sup>9</sup> and stated that to maintain the momentum of economic development and genuinely grasp, cherish and make full use of our opportunities we must be firmly determined to deal with outstanding economic problems. Based on our economic and social development, the Central Committee promptly formulated reform and development principles and policies and correctly balanced reform, development and stability to sustain steady economic development and social progress. Last year, we were able to maintain the initiative in and the momentum of our national economic development in a complex international economic environment and during the constantly worsening Asian financial crisis. This success is intimately related to the series of correct principles and policies we have adopted and the positive economic situation we have achieved since Comrade Deng Xiaoping’s talks in the south.

The reason I am reviewing this period of history is to make it clear that we need to fully endorse the new policy of reform and opening up adopted by Comrade Deng Xiaoping and the talks he gave in the south and not vacillate from them in the slightest. Over the past few years, a number of problems concerning economic development occurred in some localities and departments because they did not completely, correctly and actively put Deng Xiaoping Theory into practice, with the result that some errors arose in their work. These problems need to be firmly dealt with and properly resolved. Our 31 provinces, autonomous regions and municipalities directly under the central government are an integral whole, and problems that arise in one of them affect them all. The central leadership and all localities and departments need to do their jobs well, have a high sense of political responsibility, and correctly handle the relationship between whole and part, between long and short-term interests, and between the state and individuals. When a problem arises, they should not blame each other or shirk their responsibilities. We should be of one heart and one mind, pool our wisdom and efforts, build on our past work and move it forward, carry forward our cause into the future, and do our work even better under the

unified leadership of the Central Committee and State Council.

Last year, two things in particular had a profound effect on our economic development: the serious financial crisis that erupted in a number of Asian countries and reverberated throughout the world economy, and the devastating floods that occurred in our country. Profound lessons can be drawn from observation and analysis of these two events.

Finance is the core of the modern economy. Handling financial affairs well is the key to success in this sphere. If they are handled badly, the whole game can be lost. Although the financial crisis occurred abroad, it gave us a very vivid and profound lesson concerning modern finance. We should thoroughly understand and take heed of the causes and effects of the financial crisis that occurred in a number of Southeast Asian countries.

From an overall perspective, China can maintain its financial stability. We have made achievements in our financial work, and finance plays an important role in stimulating economic growth and controlling national economic activities. Since 1994, the central leadership has listened to a report on financial work every year. Since 1996, it has studied the issues of economic security and guarding against financial risks on a number of occasions. In early 1997, the central leadership made arrangements to deepen financial reform, rectify the financial order, and guard against and defuse financial risks. In November, it held a national meeting on financial work where it continued to push forward financial restructuring. All this work played an important role in preparing us to deal with the Asian financial crisis. After the crisis occurred, the central leadership adopted correct policies and measures. These measures kept the renminbi stable, helped increase our foreign exchange reserves, and stimulated continued economic growth. We are in the process of deepening financial restructuring, but we are still far from achieving the goal of creating a new financial system suitable for a socialist market economy. Problems in the financial sector remain, and there are even a number of hidden perils. Financial irregularities and crimes seriously interfere with and threaten the normal order of the market economy and the economic security of the country. The fact that we can see these problems shows that we are clearheaded. The central leadership pointed out these problems long ago and has been continuously adopting measures to solve them. Different localities have different levels of economic development, they face different financial problems, and they should adopt measures suitable to their specific situations to deal with them. As long as we share a common understanding, are firmly resolved,



work to prevent and defuse financial risks in accordance with the central leadership's requirements and strive to deepen financial restructuring, we can solve all existing problems.

Current trends in international finance demand our highest attention. The prominent features of these trends are: New financial derivatives are emerging endlessly; the way transactions are conducted is constantly changing; the amount of international hot money is rapidly expanding; the use of modern information technology, in particular, has accelerated capital flows in international financial markets; and many aspects of the present international financial system are either irrational or less than perfect. These characteristics significantly increase the risks in financial operations, and make the likelihood of a hidden, sudden, and diffuse financial crisis more prominent. Excessive speculation involving international hot money, and by hedge funds in particular, can significantly impact national and international financial operations. A number of international financial speculators specifically target weaknesses in the economic systems and policies of some countries, and through reckless short-term investment strategies they inflict serious harm on the economies of a number of countries and regions, even threatening their sovereignty and security. We must be more vigilant against this threat. The euro was launched on January 1 this year, and we need to study closely the effect it has on international finance and our country's financial security.

We do not know enough about and do not have many means to deal with the rapidly developing and changing international financial markets, which are themselves intertwined with economic and political complexities. Even some of the most experienced financiers in the West are at a loss how to cope with the situation. A number of arrogant American hedge funds who usually fan the flames of disorder also suffered heavy losses this time. It can be said that there are many necessary truths concerning modern international financial markets that people still do not understand; therefore, these markets do not operate freely and often function blindly. Countries around the world are continuing to explore these matters. Whoever can learn and understand more will likewise quickly gain the initiative in mastering modern finance.

Developing a socialist financial system with Chinese characteristics is a massive task. Before the founding of New China, our Party engaged in armed struggle mainly in the countryside, and most of our cadres had little knowledge of urban financial matters. After nationwide liberation,

our country's financial sector developed considerably and made important contributions to socialist construction. Nevertheless, we operated under a highly centralized, planned economy for a long time, where the main function of state banks was to serve as cashiers and accountants. Under today's conditions of developing a socialist market economy, the types and scale of financial institutions are inevitably increasing and expanding, and their functions and roles are changing profoundly, rendering many of the financial management methods used under the planned economy useless. Our goal in carrying out financial reform is to create a new financial system compatible with developing a socialist market economy so that the financial sector better serves economic and social development. In this matter, we are still novices with little experience. I hope that we continue to strengthen our study of matters related to practical work and together promote the sound development of the socialist financial sector with Chinese characteristics.

From the strategic perspective of cross-century development, the whole Party must improve its understanding of the water problem. I discussed this matter at the CPPCC National Committee's New Year reception.<sup>10</sup> I raised this issue at the beginning of the year because I wanted all Party comrades, especially leading cadres at all levels, to take it very seriously. Water is the lifeline of human existence as well as the lifeline of agriculture and all economic development. There are two things we have always said about water: First, floods have always been a threat hanging over the heads of the Chinese people; and second, water shortages are increasingly restricting our country's agriculture and its economic and social development. This is already well substantiated by historical and contemporary facts. To achieve long-term development in China we must make strenuous efforts to solve the water problem. With regards to the problem of floods, the battle we fought against the floods last year deepened the entire Party and country's understanding of them. The central leadership and local authorities have all made arrangements; the key is to implement them promptly. Flood prevention is a long-term task that we need to work at tirelessly. We must also take very seriously the problem of droughts and water shortages experienced in some areas across the country. Droughts have occurred frequently in our country's history. Water shortages in some areas in China's north and northwest are already acute, and they are restricting economic and social development in these regions. If we cannot alleviate the problem quickly, more serious consequences will follow. The harm caused by droughts is every bit as great as that caused by floods.

Without water, people cannot survive, so what is the point of talking about development? We need to promptly put solving the problem of severe water shortages experienced in some areas on our agenda. The general requirement is to simultaneously develop water sources and conserve water, with priority given to the latter. First, we need to widely adopt water-saving measures, with particular emphasis on the vigorous development of water-saving agriculture. Second, we need to take a long-term perspective, consider all factors, make comparisons and choices scientifically, make detailed plans, and when the time is right, build major water conservancy projects. The water problem deeply affects the whole ecological environment. Preventing environmental degradation is another urgent problem we face. We should make unremitting efforts to enhance the environmental awareness of the whole Party and nation, implement a sustainable development strategy, strengthen environmental pollution controls, plant trees and grass seed, conserve water and soil, prevent desertification, improve the ecological environment, and strive to create a better environment for the development of the Chinese nation.

Modernization requires scientific management. Our country is in the process of establishing a socialist market economy, but some comrades have not changed their ways of thinking and have not yet grasped new management methods suitable to the needs of developing a market economy. Blind investment and poor management are still very serious problems, and many projects are doomed to lose money from the start. This phenomenon is ongoing, and if you get to the root of the matter, you find the reason is that consciously or unconsciously, our method of investing is still based on the way we allocated resources under the planned economy. Even though feasibility studies are carried out for proposed projects, they are usually just a formality and are turned into “studies slanted to win approval.” This situation should be changed as soon as possible. A number of enterprises have not really created scientific management systems, and their operations and management are extensive. This is the fundamental reason why they are not well run and why they incur long-term losses. Recently, the State Council carried out inspections of a number of large and medium-sized SOEs, and the problems they revealed were shocking. Many such problems are caused by poor management and lax oversight. To fundamentally clear up these problems we need to deepen reform, improve systems and strengthen scientific management. Relationships between boards of directors, supervisory committees, general managers,

Party organizations and workers' congresses must be standardized according to strict rules, with each having its function and role, and all must fully play their part and no one can violate the system. The investment in and construction of any kind of project needs to be subject to stringent cost-benefit analysis and feasibility studies, and after work has begun, strong supervision is needed to ensure quality and quantity requirements are met. Leading cadres in the Party and government need to understand that enterprises must have a fixed proportion of the capital beforehand; they cannot rely solely on loans. They must comprehend that in the process of shifting from a planned economy to a socialist market economy, funding for construction projects has undergone the historical process of shifting from government appropriations to loans and from loans to investment. They need to be clear on the two different concepts of capital and credit. Leading Party and government cadres should learn some accounting so they can perform simple analyses of balance sheets. An enterprise's production operations are fully reflected in its balance sheet. By analyzing enterprise balance sheets, one can identify enterprise management problems and be better placed to propose measures to improve management. In short, specific management systems in all areas are very important and must be fully standardized and strictly carried out, without negligence.

There is another phenomenon that we must take very seriously. At present, there are many lawsuits for which the courts gave a clear verdict, but the verdicts are very slow in being enforced. Judicial bodies are incapable of dealing with a number of cases involving multiple regions or departments. An important reason for this is the troublesome influence of local and departmental protectionism. This is intolerable. If a country does not have a unified legal system, it will end up in chaos. Leading cadres at all levels must firmly implement the rule of law as a basic strategy, do their work in strict accordance with the law, and resolutely overcome local and departmental protectionism.

Praxes show that creating and improving a good system is realized and guaranteed through relevant specific institutions. The whole is made up of its parts, and if the parts do not work, how can the whole work? We must promptly establish and implement strict scientific management systems in all areas. We can no longer allow lax management.

### **3. Science and technology**

Science and technology constitute a primary productive force. In the



present era, scientific and technological progress is playing an ever more decisive role in a country's economic and social development. We must firmly implement the strategy of invigorating the country through science and education, give accelerating scientific and technological progress an important place in our economic and social development, promptly develop our own science and technology innovation system, and work hard to translate scientific and technological achievements into actual productive forces. This is a very urgent need. If we do not strive to improve our scientific and technological knowledge, and have an inadequate understanding of today's global trends in scientific and technological progress, it will be very difficult for us to do our leadership work well in this area.

Marx, Engels, Lenin, and comrades Mao Zedong and Deng Xiaoping all placed great emphasis on science and technology. They were always quick to grasp the social significance of every major scientific and technological discovery, and then to enrich and improve their own theoretical systems and reveal the direction of social development and progress. Every major scientific and technological breakthrough gives rise to profound changes in the productive forces and tremendous progress for human civilization. In *The Communist Manifesto* in 1848, Marx and Engels said, "The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together." The main reason for this was a series of scientific and technological breakthroughs during that period. In the 150 years since then, unprecedented changes have taken place in world science and technology. This century witnessed rapid development of new scientific and technological discoveries and inventions and the new industries and products they spawned. Especially since the middle of this century, great progress has been made in fields like atomic energy technology, space technology, microelectronics and information technology, bioengineering technology and new materials research, which has greatly increased human beings' understanding of nature and society and greatly stimulated the development of the productive forces. The human race is in the midst of a global scientific and technological revolution. Materials science research, bioengineering technology, information technology, space science and the earth sciences are all developing rapidly, and scientific and technological knowledge is being produced, disseminated and transformed into productive forces at an unprecedented rate. In 1998, many new advances were made in science and technology around the world. The revolutionary changes occurring in the

field of science and technology stimulate the development of the productive forces, and this not only affects the way we work and live, but also will have profound implications on the political, economic, cultural and military situation in the world in the next century. We must not underestimate this.

When I visited Russia last November, I gave a speech on science and technology at the Novosibirsk Science City,<sup>11</sup> which drew a lot of attention and a significant response in the United States and other countries. Many foreign newspapers also published editorials concerning this speech. Why did it draw so much attention? There are two reasons: One, people want to know about the increased scientific and technological cooperation between China and Russia; and two, people are interested in the historic impact of China's strategy of rejuvenating the country through science and education.

When we study science and technology, the first thing we should do is understand the general trends of world development and increase our sense of urgency and responsibility concerning our work through this study. One important reason Western capitalist countries have dominated the world for several hundred years is that they were the first to master and utilize advanced science and technology, which gave them overwhelming economic and military advantages over other countries. An important reason why China was repeatedly invaded and trampled on by the Western powers, aside from corrupt political rule, was that China lagged behind economically and technologically. We must never forget this historical lesson. If we do not closely follow the contemporary trend of scientific and technological progress and make great efforts to raise our country's scientific and technological level, we will be left behind. Once an incident occurs, we will find ourselves in a passive, vulnerable position. This is something our high-ranking cadres must understand clearly.

The economies of some developed countries are becoming primarily reliant on knowledge innovation and the creative application of knowledge. This trend requires our close attention. Our country already has a number of new- and high-technology industries, but for the most part, our economy is an ordinary industrial economy, and a significant portion of it is a natural economy. In this situation, is it premature for us to learn about the knowledge economy? Of course not. We need to quickly master all matters that represent the direction of future economic development and scientific and technological progress. We should make the most of the superiority of our country's socialist system, concentrate our energy on exploiting and

using the newest technological achievements in a selective and focused way to meet our practical needs, achieve extraordinary technological progress, and take our place in the forefront of the world in terms of new and high technologies. If we do not, it will be difficult to narrow the gap between China and the developed countries, and the gap will likely widen.

Praxis has shown that even if a country's overall scientific and technological level is relatively backward, it can still make breakthroughs in some areas. In the 1960s and 70s, we succeeded in building atomic and hydrogen bombs and an artificial satellite, which greatly improved China's international status. Data show that in the last five or six years, India's software industry has maintained an annual growth rate of more than 50%, much greater than the average global rate of 20%. In 1991, India's software exports were worth less than \$140 million, but had reached \$1.8 billion in 1998. By designing software according to customer's specifications worldwide, India already accounts for 16.7% of the software development market and is second only to the United States in total software exports. Many developing countries understand the great importance that developing science and technology holds for their own economic and social development, and have taken measures to stimulate development in these fields. Even though Malaysia suffered a serious setback during the Asian financial crisis, it is still moving forward with plans to build its own science city. The American magazine *Newsweek* recently published an article that noted that the United States already has various science and technology centers, such as Silicon Valley, and it expressed the opinion that other countries in the world today should establish their own science and technology cities as well as their own high-tech R&D centers. This is an important matter of national security. Failure to do so would be irresponsible with respect to the country's future development and security. This is only reasonable.

At present, new knowledge and new science and technology are emerging in an endless stream, and even in the natural sciences, you will soon be left behind if you do not continue to study. If leading cadres are completely ignorant about modern science and technology and have no interest in these fields, then how can they attach importance to and lead science and technology work? A small number of our comrades believe it is possible to turn water into oil, build a perpetual motion machine and do other things that are impossible according to the laws of science, and they engage in superstitious activities such as practicing astrology and divination, burning incense offerings and praying to Buddha. How can people who lack the

most basic scientific spirit promote scientific and technological progress? We need to tirelessly study science and technology, eradicate feudal superstition, and eliminate all kinds of pseudo-scientific and anti-scientific phenomena. If we do a better job of promoting scientific and technological innovation and translating scientific and technological advances into actual productive forces, we will be better able to sustain our country's economic and social development.

#### **4. History**

Our Party has always stressed the importance of looking at history and reality from the standpoint of dialectical materialism, namely, from the standpoint of development. Comrade Mao stated, "Another of our tasks is to study our historical heritage and use the Marxist method to sum it up critically."<sup>12</sup> Our Party's older generation of proletarian revolutionaries excelled at drawing lessons from history to gain a thorough understanding of the unique characteristics of Chinese society, and correctly formulated the theory, line, principles and policies to guide China's revolution, construction and reform. To successfully carry out reform, opening up and modernization, we need to understand not only the China of today, but also the China of yesterday and the day before. This helps us broaden our horizons and learn from the past to anticipate the future. It can be said that leading cadres who are not good at drawing nourishment from history are also unable to become wise leaders; if a political party is not good at using the lessons of history to acquire an understanding of the laws of social development, it cannot consciously adapt to the trends of history; and if a nation is not good at drawing upon and carrying forward the outstanding products of its own civilization and the other civilizations of the world, it cannot take its place among the great nations of the world.

China has a long history and was one of the world's four great ancient civilizations along with Egypt, Babylon and India. The ancient civilizations in these other three places all collapsed at some point. From ancient times until today, only the Chinese civilization has an unbroken history of more than 5,000 years. The Chinese nation has experienced every possible kind of trial and tribulation, but it has never been broken up. In the 20th century, the Chinese people struggled tenaciously to change their fate, and in so doing they experienced three enormous historic changes: the Revolution of 1911, the founding of New China and the socialist system, and the implementation of the reform and opening up policy. And the country



produced three great leaders who stood at the forefront of their times: Sun Yat-sen, Mao Zedong and Deng Xiaoping. All of these facts prove that our nation has tremendous cohesiveness and vitality. The magnificent history of the Chinese nation is a valuable asset. With a firm grasp of history, we can create a better future. We still need another 50 years of hard work to achieve our goal of basic modernization. Consolidating and developing the socialist system will take several generations, or perhaps even more than ten or even several tens of generations of people working together tirelessly to achieve. All Party comrades must conscientiously study the entire history of the Chinese nation, especially the history of the Chinese people's arduous struggle in modern times to liberate themselves and gain national independence, in order to draw from it the psychological motivation to carry our cause forward into the future.

China has an extensive and colorful historical culture. The teachings of various schools of thought from the Spring and Autumn and Warring States periods to Dr. Sun Yat-sen; our literary and artistic heritage from the anthology of Chu, the rhymed prose and folk songs of the Han Dynasty, and the poetry of the Tang and Song dynasties, to Yuan opera and beyond; our ancient science and technology, best exemplified by the four great inventions: papermaking, gunpowder, printing and the compass; the Chinese nation's history of transforming and using nature and building a homeland since Yu the Great's taming of the floods; and the glorious traditions formed in the long battle of all of our country's ethnic groups to survive and develop — all of these abound with different thoughts on managing state affairs, artistic interests and cultural traditions, all created by the Chinese nation. Our historical heritage contains both essence and dross, and we cannot indiscriminately accept it all. That is not the right way to study history. We must uphold the Marxist stand, viewpoint and method, make the past serve the present, and bring forth the new from the old, in order to utilize and develop the essence of our national culture under these new historical conditions in the service of socialist modernization.

Throughout people's lives, they receive education at home, at school and from society. All of these forms of education are important and play a significant role in helping people form their worldview, outlook on life and sense of values. The study of history should be valued and permeate all educational experiences. It is very difficult for people to consciously and firmly adopt a patriotic outlook and national spirit if they do not understand their motherland's history and culture. This is an important social

and life experience that has been fully proven by a large body of facts. In universities, secondary and primary schools, at all levels of Party and cadre schools, and in our own independent studies, we must never underestimate the importance of studying Chinese history, geography and literature.

Through several thousand years of national evolution, we achieved something very important: a unified, multiethnic country. Understanding the long history of mutual integration of China's ethnic groups and their glorious tradition of courageously safeguarding national independence is an important ideological condition for leading cadres at all levels to resolutely preserve the unity of the motherland and firmly maintain the initiative in important international disputes that affect our country's sovereignty and security. For example, in the struggle against the attempts of the Dalai Lama<sup>13</sup> clique to split the country, if everyone knew the historical fact that Tibet officially became a part of Chinese territory more than 700 years ago during the Yuan Dynasty, if they understood the systems previous Chinese central governments used for supervising Tibetan Buddhism and its religious rituals and historical practices, if they knew about the many imperialist plots to seize Tibet during modern times, and if they were aware of the brutality and darkness of the feudal system of serfdom practiced in Tibet before democratic reform, then they could more fully expose the true nature of the Dalai Lama's attempts to split the motherland and more effectively combat his clique and all the forces that support it. In recent years, I have frequently discussed Tibetan history with prominent political leaders in the West and used facts to prove that Tibet is a territory that has historically been under the jurisdiction of our sovereignty and to show the great changes that have occurred in Tibet since democratic reform, especially since reform and opening up. The Taiwan question presents another example. If everyone understood the history of Taiwan belonging to China since ancient times, if they understood the history of Japan's 50-year occupation of Taiwan and the Japanization Movement<sup>14</sup> it launched there, if they knew the history of Taiwan's return to the motherland at the end of World War II, and if they knew the history of the United States' interference in China's internal affairs, of the United States' support for the KMT, Chiang Kai-shek and the Taiwan authorities, then they would more clearly see the complexity and difficulty of the struggle surrounding the Taiwan question and could fight more effectively to safeguard the motherland's sovereignty and territorial integrity. I have cited just two examples. In fact, there are many problems we can handle more actively and effectively if we

better understand their historical contexts.

We also need to study the history of other countries. Whether we are dealing with work related to domestic reform and development or work related to opening up and foreign contacts, we should always have a global perspective. This global perspective should encompass not only a broad range of current events but also historical depth. We need a better understanding of the historical aspects of the external world in order to improve our domestic and foreign-oriented work.

### **III. Further Correcting Our Style of Study and Working Hard to Raise the Whole Party's Study to a New Level**

To enhance our study, it is very important to create a good style of study. Here, I would like to put forward five requirements.

First, we must focus our study on the actual problems facing China. Study should not be pedantic, but targeted and applied. Comrade Mao Zedong demanded the whole Party establish a policy of focusing study on the practical problems of the Chinese revolution and using the basic principles of Marxism-Leninism as its guide and discard the method of studying Marxism-Leninism statically and in isolation. We must always adhere to this guiding thought to be successful in our studies. We need to focus study on the practical problems concerning our country's reform, opening up and modernization and on the work we are currently doing while focusing on the application of Marxist theory, on theoretical consideration of practical problems, and on new praxes and development. We need to adhere to the ideological line of emancipating our minds and seeking truth from facts, and systematically and thoroughly study practical problems concerning China's reform and development. We must not be content with superficial knowledge, but must constantly study new situations and solve new problems, and boldly open up a new realm of theory and praxis.

I have a number of questions I would like to raise, and I hope everyone considers them in light of their own studies and work. For example, how can we make SOEs speed up the establishment of a modern corporate structure and better play the leading role in a socialist market economy? How can we ensure the sound operation of our country's financial sector while we open wider to the outside world? How can we balance the need to actively participate in international economic cooperation and competition with the need to effectively safeguard our country's independence, security

and interests as economic globalization gains momentum? How can we adapt to modern scientific and technological developments, mainly symbolized by information technology and the life sciences, and accelerate the development of our country's new- and high-technology industries and the creation of a science and technology innovation system? How can we take further effective measures to solve the problems of increasing agricultural production and farmers' incomes and developing rural markets? What is the correct way to handle the relationship between relying on the domestic market as the basic foothold for economic development and actively utilizing the international market and foreign resources? How can we accelerate the pace of development in the central and western regions and achieve balanced regional economic development? How can we fully understand and correctly handle conflicts among the people in the new period and promote social and political stability? All these questions directly impact our ability to achieve our cross-century development goals, and I hope all Party comrades will think hard and search for correct solutions to them in praxis so that our country's reform, opening up and modernization move forward more smoothly.

Second, we must integrate theory with actual conditions. In this new historical period, to insist on the unity of theory and practice is to keep the realities of reform and development uppermost in one's mind, better oneself through theoretical study, improve praxis, and then further enrich and develop theory through practice. We need to learn not only from books but also from praxis. Our Party's history of leading the people in revolution, construction and reform is a real life textbook, one that contains and reflects Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory. The purpose of the review we have just made of our rich experience over the course of 20 years of reform and opening up is to use these valuable experiences to educate all Party comrades and get everyone to more firmly and consciously adhere to the Party's basic theory, line and platform. In our long years of praxes, we learned lessons, but also paid a terrible price. We should never forget this. If a political party and a nation are unable to learn from both their positive and negative experiences during the course of their development, there is no hope for them.

Reform, opening up and modernization are large classrooms, and the masses are our wisest teachers. If we want to learn through praxis, we first of all need to learn from the people and be their willing pupils. We need to be good at learning from and improving on the new experiences created by



the masses and continuously improve our work. Leading cadres, especially young ones, should dare to temper themselves through praxis and put themselves to the test to increase their abilities. If cadres are not tempered and tested by all kinds of hardships, difficulties, and acute, complicated struggles, it will be hard for them to mature. They need to share both good and bad times with the masses, pool the wisdom and efforts of everyone to overcome difficulties, and implement the Party's line, principles and policies. In judging whether cadres are politically qualified and do satisfactory work, we not only have to look at how they study, but also consider whether they can creatively implement the Central Committee's line, principles and policies in praxis and whether they can unite with and lead the masses in persistently and dauntlessly making breakthroughs in their work under difficult circumstances.

Third, we must steadfastly transform our subjective world while transforming the objective world. Transforming the objective world and remolding our subjective world have always been two important tasks for Communists. These two tasks form a unity. In the process of transforming the objective world, our subjective world can be put to the test and improved. As our subjective world is constantly transformed, it can propel us to better transform the objective world. The key to transforming our subjective world is to firmly establish a correct worldview, outlook on life and sense of values, as well as a strong conviction that we will struggle unrelentingly for the Party and people's cause. As we have opened to the outside world and developed a socialist market economy, a number of cadres have been unable to resist the temptations of power, money and sex, and they have sunk into the quagmire of crime and corruption. An important reason for this is that they are too lax in transforming their own subjective world. Studying diligently and well is beneficial not only for establishing our thinking and actions on a scientific foundation but also for refining our revolutionary character and improving our mental outlook.

The reason we stress the importance of continuously transforming our subjective world is to get the whole Party to maintain a fine mental attitude of tenacity and exertion. Vulgar philosophies on life and turning a deaf ear to the sufferings of the masses are incompatible with our Party's nature and purpose, and must be firmly opposed and stopped. We must carry out our work with a high sense of responsibility to the Party and the people. Being irresponsible, drifting along and doing perfunctory work will lead to big problems. Recently, the substandard construction of the Kunming-

Luquan Highway in Yunnan was exposed, the Qingyang River Bridge on the Shenyang-Siping Freeway in Liaoning caved in, and a pedestrian bridge in Qijiang County, Chongqing collapsed. After seeing this information I was shocked. The central leadership has decided to increase spending on infrastructure construction to boost domestic demand and stimulate economic growth. This is an important decision. Oversight and supervision must be strengthened on every project to ensure quality; otherwise there will be endless trouble.

All Party comrades, especially leading cadres at all levels, must always maintain a strong pioneering spirit and a highly responsible attitude toward work. We need to be honest, speak the truth and do honest work, and always sincerely put the interests of the people first. "To be above the power of riches and honors to make dissipated, of poverty and mean condition to make swerve from principle, and of power and force to make bow down."<sup>15</sup> "Studies thrive on diligence and fail with frivolity, and character is shaped by deliberation and ruined by indifference."<sup>16</sup> "Be the first to worry about the world's troubles, and the last to enjoy its pleasures."<sup>17</sup> "Everyone shares responsibility for the fate of the country."<sup>18</sup> These thoughts of the ancients are all valuable. Even the ancients understood the principles, "Cultivate yourself, put your family in order, run the local government well, and bring peace to the entire country,"<sup>19</sup> and "Each day, I examine myself on three counts."<sup>20</sup> We Communists should consciously increase our efforts to transform our subjective world.

Fourth, we must unify the study of general knowledge with the study of specialized knowledge. Reform, opening up and modernization constitute a vast and complex systems engineering project. All aspects of the work must be coordinated, and we will not succeed if we focus on some aspects while neglecting others or attach too much weight to some aspects and too little to others. If a sculptor is shaping a human head, the eyes, nose, mouth, ears and eyebrows should be proportional. If disproportionate, it does not matter how exquisitely each of the parts is executed. If one part is disproportionate, it will ruin the balance and beauty of the whole. My point in making this analogy is that when we do our work, we must make overall plans that take all factors into account. Our forefathers had a saying, "Anyone who does not consider the whole situation is not capable of managing one aspect." This is what I mean. If a cadre who holds a leadership position in a locality or department, especially a Party or government official first in command, does not have basic knowledge in

a number of areas, then he or she cannot effectively observe or grasp the overall work situation. An important aspect of stressing politics is stressing, understanding and considering the overall situation. This is extremely important for Party and government cadres at all levels who are first in command. Without a grasp of the overall situation, we have no direction; therefore, everyone should constantly expand the scope of their knowledge, get a better understanding of the overall picture, do their work more comprehensively and systematically, and reduce and avoid one-sidedness.

On the other hand, leading cadres at all levels need to strive to become experts in the fields in which they work. Today, no one can be a competent leader without having some level of professional knowledge. How can someone do a good job managing financial affairs, water conservancy or industry if one does not have a corresponding, professional understanding of such matters? This principle is obvious. One of the four criteria for improving the body of cadres is to make them more professionally competent, the other criteria being to make them more revolutionary, younger and better educated. Striving to increase the professional quality and competence of cadres is a task that we must work harder and more effectively on in the future in order to develop the corps of cadres overall.

Fifth, while taking the study of China's unique characteristics as our foundation, we must constantly make use of pertinent knowledge and experiences from foreign countries. The basic starting point for our study is to exhaustively study China's unique characteristics and to effectively solve its problems. If we depart from this, our study will be pointless. At the same time, we must energetically study and draw upon the outstanding cultural achievements made by people across the world, including the methods of operations and management devised by Western developed countries that are in keeping with the laws of socialized mass production. Our Party has always attached great importance to studying the advanced knowledge of other countries. Marxism-Leninism is something we learned from abroad. After we learned it, we integrated it with China's concrete realities and found the correct path suitable to our country's conditions for revolution, construction and reform. We need to study China's politics, economy, culture and military affairs, and also the politics, economics, culture and military affairs of other countries. To develop modern science and technology, manage our market economy and operate a modern financial system, there are a number of specific areas in which we must study and borrow from Western developed countries. After all, they have operated in these

areas for a long time and accumulated valuable knowledge and experience. Of course, in learning from foreign countries, we need to stay focused on what is useful to us and use it discriminatingly. We must know what we should study and what we should not. As for things we should study, we need to digest and absorb them in light of our own situation. We cannot amass information without assimilating it, nor can we apply it mechanically. More importantly, we cannot blindly imitate others and forget how we do things ourselves.

From a long-term perspective, the key to achieving our grand cross-century development goals lies in the healthy growth of a large group of young cadres. If young cadres want to mature as quickly as possible, there are no shortcuts. They must study diligently, keep in close contact with reality, strive to learn all kinds of substantive knowledge and undergo arduous training. It is not only high-ranking Party cadres who need to strengthen their study; cadres at all levels and all Party comrades need to do so as well. We also need to extend the atmosphere of studying diligently to the whole society by setting an example for the people with our actions. Our leading cadres and the talent that will contribute to our country's development in the future will come from our youth. Thus, mobilizing our youth to study diligently by accentuating study throughout the Party is an important matter that has a direct bearing on whether or not the Party and country's cause will prosper and whether or not there will be qualified people to succeed us. The whole Party needs to undertake this work, with high-ranking cadres at the forefront. If the atmosphere of study is greatly strengthened throughout society, then there is great hope for the Chinese nation.

The conclusion of my speech today is that I hope you will study, study, then study some more, and practice, practice, then practice some more.

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<sup>1</sup> Cf. "Turn the Army into a Working Force," *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1961, Vol. IV, p. 337.

<sup>2</sup> Mao Zedong used this quote in "On Practice" and other writings. V. I. Lenin, "The Tasks of Russian Social-Democrats," *Collected Works*, Eng. ed., Moscow, Progress Publishers, 1986, Vol. 2, p. 343, and "What Is To Be Done?": I: "Dogmatism and 'Freedom of Criticism,'" *Collected Works*, Eng. ed., Progress Publishers, Moscow, 1961, Vol. 5, p. 369.

<sup>3</sup> Cf. "The Role of the Chinese Communist Party in the National War," *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1967, Vol. II, pp. 208-09.

<sup>4</sup> A reference to the 1991 war against Iraq by a multinational force led by the United States. Iraq invaded and occupied Kuwait on August 2, 1990, and officially announced its annexation of the country on August 8. Iraq's actions constituted a serious violation of international law and upset the strategic balance of interests in the Gulf Region. The United Nations Security Council passed several resolu-



tions demanding Iraq withdraw immediately, and the Soviet Union, some Western European countries, China and most Arab countries made many proposals for a political solution, all of which were refused by Iraq. With the authorization of the Security Council, a multinational force composed of troops from 39 countries including the United Kingdom, France, Egypt and Saudi Arabia and led by the United States launched a military attack on Iraq on January 17, 1991. The multinational force pounded Iraq with an aerial bombardment lasting 38 days, weakening its resistance, launched a ground assault on February 24 and quickly broke through the Iraqi defenses. Iraq was forced to accept a ceasefire and announce its withdrawal from Kuwait. The Gulf War ended on February 28.

<sup>5</sup> "Promote Further Development of Township and Village Enterprises," note 1, p. 119, this volume.

<sup>6</sup> "Concerning China's Establishment of a Socialist Market Economy," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 188-94.

<sup>7</sup> "Do a Good Job Guiding, Preserving and Unleashing the Enthusiasm of Cadres and the Masses," *ibid.*, pp. 185-87.

<sup>8</sup> A reference to the forum chaired by Jiang Zemin in Wuhan in December 1992 on agricultural and rural work in Anhui, Jiangxi, Henan, Hubei, Hunan and Sichuan provinces. Jiang Zemin's speech at that meeting is included in *Selected Works, ibid.*, under the title, "Give High Priority to Problems Facing Agriculture, Rural Areas and Farmers," pp. 248-68.

<sup>9</sup> These 16 measures were adopted by the Central Committee and State Council to strengthen and improve macro-control in order to solve problems that existed in economic activities at the time. These measures were included in the Guidelines Concerning the Present Economic Situation and Strengthening Macro-Control promulgated by the Central Committee and State Council on June 24, 1993. These measures are:

- 1) strictly control the issuance of money to stabilize the financial situation;
- 2) resolutely correct the problem of unauthorized granting of interbank loans;
- 3) flexibly use interest rates as a lever to significantly increase savings deposits;
- 4) firmly put a stop to the unauthorized pooling of funds under various pretexts;
- 5) strictly control the volume of credit;
- 6) ensure that specialized banks pay depositors on demand;
- 7) pick up the pace of financial reform and strengthen the central bank's macro-control capability;
- 8) integrate reforms in the investment system with reforms in the financial system;
- 9) complete the task of issuing government bonds within the prescribed time;
- 10) further improve the issuance of negotiable securities and standardize supervision of the market;
- 11) improve the foreign exchange management method and stabilize foreign exchange market prices;
- 12) strengthen macro management of the real estate market and promote the sound growth of the real estate industry;
- 13) strengthen tax collection and administration and plug tax reduction and exemption loopholes;
- 14) examine and prioritize projects under construction and strictly control the launching of new projects;
- 15) actively yet prudently carry out price reforms and prevent prices from rising too rapidly; and
- 16) strictly control the pace at which institutional purchasing power increases.

<sup>10</sup> In his speech at the CPPCC National Committee's New Year reception on January 1, 1999, Jiang Zemin stated, "Water is the lifeline of human existence as well as the lifeline of agriculture and all economic development. We must give high priority to the water problem.... On the one hand floods have always been a threat hanging over the heads of the Chinese people, and on the other hand water shortages are increasingly restricting our country's agriculture and its economic and social development. We need to make a great effort to raise the consciousness of the whole nation about the importance of preserving water resources and using them wisely. We need to make construction of water conservancy projects an important strategic measure for achieving our cross-century development goals.... We need to take a long-term perspective, consider all factors, make comparisons and choices scientifically,

make detailed plans, and when the time is right, build major water conservancy projects directly bearing on the needs of the national economy and the people, while at the same time tirelessly improving our work of reducing water usage and preventing and controlling the pollution of water resources and initiating a new phase in our water control efforts.”

<sup>11</sup> “Speech at the Science City of Novosibirsk,” pp. 231-35, this volume.

<sup>12</sup> “The Role of the Chinese Communist Party in the National War,” *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1967, Vol. II, p. 209.

<sup>13</sup> A reference to Dalai Lama Tenzin Gyatso (1935- ), a native of Qijiachuan, Xining, Qinghai Province (now in Ping'an, Qinghai Province). He was selected to be the 14th Dalai Lama on February 5, 1940 with the approval of the KMT government. He was formerly a local religious and political leader in Tibet. After the peaceful liberation of Tibet in 1951, he served in capacities such as Vice Chairman of the Standing Committee of the National People's Congress (NPC) and Chairman of the Tibet Autonomous Region Preparatory Committee. An upper-class reactionary clique in Tibet launched an armed rebellion on March 10, 1959, and the Dalai Lama fled to India on March 17.

<sup>14</sup> “Tasks for Work Related to Taiwan in the New Circumstances,” pp. 126-31, this volume.

<sup>15</sup> *Mencius*, Book VI, “Teng Wen Gong,” Part II. The original text reads, “To dwell in the wide house of the world, to stand in the correct seat of the world, and to walk in the great path of the world; when he obtains his desire for office, to practise his principles for the good of the people; and when that desire is disappointed, to practise them alone; to be above the power of riches and honors to make dissipated, of poverty and mean condition to make swerve from principle, and of power and force to make bow down - these characteristics constitute the great man.”

<sup>16</sup> Han Yu (768-824), Tang Dynasty, “Explication of Progress in Learning.”

<sup>17</sup> Fan Zhongyan (989-1052), Northern Song Dynasty, “On Yueyang Tower.”

<sup>18</sup> Cf. *Record of Daily Study*, Book 13, “Standard Histories” by Gu Yanwu (1613-82), late Ming and early Qing dynasties. The original text reads, “Every individual, no matter how low his social status, must hold himself responsible for the defense of his country.”

<sup>19</sup> Cf. *The Book of Rites*, “The Great Learning.” The original passage reads, “When the self is cultivated, the clan is harmonized. When the clan is harmonized, the country is well-governed. When the country is well-governed, there will be peace throughout the land.”

<sup>20</sup> *The Analects of Confucius*, “Xue Er.” The original passage reads, “Each day I examine myself on three counts: Whether or not I am loyal to those in whose behalf I act; whether or not I am trustworthy in my dealings with friends; and whether or not I practise what is imparted.”

<sup>21</sup> Chen Danran (1859-1930), *Reflections*, Vol. II, “Move the Qing Dynasty's Capital from Beijing to China's Interior and Build Barriers to Keep Out Aggressors.” The original passage reads, “It has been true since ancient times that anyone who doesn't consider the future is not capable of making good decisions about the present, and that anyone who doesn't consider the whole situation is not capable of managing one aspect.”

## ESTABLISH A NEW SECURITY CONCEPT SUITED TO THE NEEDS OF THE TIMES\*

*March 26, 1999*

The Conference on Disarmament, located on the shores of Lake Geneva, is currently the sole international multilateral disarmament negotiating body, and it plays an indispensable role in safeguarding world peace and security. You are all doing a difficult but noble job.

Looking back over the 20th century, we see that the world has been subjected to unprecedented calamities of war, and the people of all countries have struggled tenaciously to achieve and safeguard world peace. The trauma and lessons brought about by the two world wars and the Cold War, which lasted more than four decades, were bitter and profound. Since the end of the Cold War, significant and deep changes have taken place in the international situation. The trend toward world multipolarization and economic globalization is intensifying and, on the whole, is conducive to the relaxing of the international situation and to world peace and development.

The turn of the century offers us a good opportunity to learn lessons from history, look to the future and build a lasting peace. As we comprehensively assess current global realities, we need to note that the Cold War mentality still exists and hegemonism and power politics manifest themselves from time to time. The tendency to strengthen military alliances is on the rise, the new “gunboat policy” is running rampant, and regional conflicts keep cropping up. As soon as air strikes and armed intervention were launched against Kosovo and other parts of Yugoslavia two days ago,<sup>1</sup> I promptly expressed my deep concern and trepidation, and called for an immediate cessation of military strikes in order to bring the Kosovo issue back on the track of political settlement. I hereby solemnly reiterate that the military actions against Kosovo and other parts of Yugoslavia violate the norms of international relations and are detrimental to peace in the Balkan region. The international community should work together to defuse this crisis as soon as possible.

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\* Speech at the Geneva Conference on Disarmament during a visit to Switzerland delivered under the title “Advance the Disarmament Process and Safeguard International Security.”

On disarmament issues, with regret I cannot help but to regret that military powers have not reduced their sophisticated weapons by even a single piece. On the contrary, they are still developing them. International efforts to prevent nuclear proliferation face severe challenges. Under these circumstances, the question of how to advance the disarmament process and safeguard international security necessarily becomes an important and pressing task of common concern to all countries of the world.

History tells us the old security concept that takes military alliances as its basis and arms buildups as its means does not help ensure international security, let alone create lasting peace in the world. This situation requires the establishment of a new security concept suitable to the needs of the times and a vigorous search for new ways to safeguard peace and security.

We believe that the core of the new security concept should include mutual trust, mutual benefit, equality and cooperation. The five principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression and noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence, and other universally recognized norms of international relations make up the political foundation for peace. Mutually beneficial cooperation and common prosperity constitute the economic guarantee for maintaining peace. The correct approach to resolving disputes and safeguarding peace is through dialogue, consultation and negotiation on equal terms. The only way to fundamentally promote the sound development of the disarmament process and guarantee world peace and international security is to establish a new concept of security and a just and equitable new international order.

The aim of disarmament is to increase security; this must be universal security for all countries. Every country, regardless of its size, strength or wealth, has an equal right to enjoy security. If developing countries do not have security, the world will never be tranquil. Disarmament should not become a tool strong countries use to control weak ones, much less a means by which a handful of countries optimize their arms in order to seek unilateral security superiority. Reducing others' arms while retaining one's own, reducing some while increasing others, or even sacrificing others' security for one's own so-called security, and requiring other countries to scrupulously abide by treaties while placing domestic laws above international law and doing whatever one pleases — such actions are based on double standards and make a mockery of international disarmament efforts and they are contrary to the fundamental purposes and objectives of disarmament.



Historical experience shows that the unrestrained buildup of arms inevitably hampers economic development and also does not help maintain peace and security. Disarmament should also save more resources and create better conditions for the economic development of all countries, especially developing countries. One important criterion for judging a disarmament treaty is whether it is favorable to developing the economies of all countries, especially developing countries, and to strengthening international cooperation in science and technology. No disarmament measure will be able to garner universal support from the international community or have lasting viability if it comes at the expense of the economic or scientific and technological development of most countries.

Disarmament is not the prerogative of just a few countries. All have the right to equal participation. Multilateral disarmament treaties are the result of universal participation in negotiations by all countries and reflect the common will of the international community. The export control regimes of a small number of countries cannot compare with multilateral treaties in terms of either impartiality or universality. If blocs retain their existing arrangements after concluding multilateral treaties and especially if they place the former above the latter, this will only weaken the authority and universality of multilateral treaties and thereby affect the sound development of the international disarmament. Therefore, vigorous efforts should be made to strengthen the role of the disarmament agencies of the United Nations so that multilateral treaties may gradually replace bloc arrangements.

For over half a century, nuclear weapons have constantly threatened humanity's survival, hanging like a sword of Damocles over humankind. The end of the Cold War has not heralded the end of nuclear weapons. US-Russian nuclear disarmament efforts have stalemated after a brief period of progress. Nuclear weapons tests are still occurring, even after the conclusion of the Comprehensive Nuclear-Test-Ban Treaty (CTBT). These developments clearly demonstrate that currently, and for a long time to come, preventing nuclear proliferation and promoting nuclear disarmament will remain important tasks facing the international community. Accomplishing these tasks will require the international community to make unrelenting joint efforts. We believe that at this stage the focus should be on making progress in the following areas.

First, as the countries possessing the largest nuclear arsenals in the world, the United States and Russia shoulder greater responsibility for nuclear disarmament. The two countries should effectively implement

the nuclear reduction treaties that have been reached, and on that basis continue to substantially cut down their respective nuclear arsenals. This will make other nuclear countries participate in the multilateral nuclear disarmament process.

Second, the Nuclear Non-Proliferation Treaty (NPT) is both the basis of the international nuclear nonproliferation regime and the prerequisite for progress in the nuclear disarmament process. It must be observed in full and in good faith; otherwise, international efforts for nuclear disarmament and nonproliferation will be seriously harmed. Countries that have not yet joined the NPT should do so at the earliest possible date in order to make the treaty truly universal.

Preventing the proliferation of nuclear weapons and completely destroying nuclear weapons are mutually complementary. Completely destroying nuclear weapons is the objective we are all striving for, while preventing their proliferation is an effective means and a necessary stage for attaining this objective. It was in line with this understanding that China supported the indefinite extension of the NPT, but its indefinite extension has by no means given nuclear states the prerogative to permanently retain their nuclear weapons. On the contrary, they should faithfully fulfill their nuclear disarmament obligations in order to promote, with concrete action, an early realization of complete and thorough nuclear disarmament.

Third, nuclear weapon states should, as soon as possible and in a legally binding manner, undertake unconditionally the policy of not being the first to use nuclear weapons and also not to use them against non-nuclear weapon states. On the first day China came into possession of nuclear weapons, it openly announced that it would not be the first to use them at any time, under any circumstances. Later, it also unequivocally pledged not to use or threaten to use them against non-nuclear weapon states. These states have explicitly forgone the development of nuclear weapons and it goes without saying that they deserve the right to be free from the threat of nuclear weapons. Now that the Cold War has ended, and the relations between nuclear weapon states have improved, the conditions are ripe for them to mutually commit to a no-first-use policy. China is willing to actively push for the early conclusion of an international legal instrument on this issue.

Fourth, efforts should be made to put the CTBT into effect in accordance with its provisions as soon as possible. Recent nuclear tests have made it an even more pressing task to make the CTBT effective as soon as

possible. As one of the first countries to sign the treaty, China will continue to work to this end. The Chinese government will soon officially submit the treaty to the National People's Congress for ratification.

Fifth, negotiations should be conducted as soon as possible for the conclusion of a universal and verifiable Fissile Material Cut-off Treaty (FMCT). Once concluded, the FMCT will be yet another major achievement following the CTBT in promoting nuclear disarmament and preventing nuclear proliferation. All of you present here are working hard on these negotiations and I wish you success.

Sixth, on the basis of the above efforts, a pact on the comprehensive ban of nuclear weapons should be negotiated. In view of the fact that biological and chemical weapons, both of which are weapons of mass destruction, have been comprehensively prohibited, there is no reason why nuclear weapons, which are of greater destructive force, should not be completely prohibited and thoroughly destroyed. All that is needed to achieve this goal is strong political will.

Eradicating nuclear weapons and eliminating the danger of nuclear war at the roots are the common wish of people around the world. They are also an objective that the Chinese government and people have been firmly striving for. Let us all work together to ultimately attain a world without nuclear weapons.

Progress in nuclear disarmament cannot be achieved without a global strategic equilibrium and stability. Developing, deploying and proliferating sophisticated anti-missile systems and modifying or even withdrawing from existing arms control treaties, on which global strategic equilibrium hinges, will inevitably exert an extensive negative impact on international security and stability and trigger a new round of arms races in new areas, thereby seriously obstructing or offsetting international nuclear disarmament and nonproliferation efforts. The international community should pay close attention to this and take necessary measures to curb such dangerous developments.

The Chinese nation is a peace-loving nation. The tapestry of the Hall of Prayer for Good Harvest in the Temple of Heaven in Beijing, which is on display in the Palace of Nations as a gift from China to the United Nations, gives expression to the wish of the Chinese people for good weather, national stability and happiness of all peoples throughout the world. Peace-loving countries and peoples advocate peace, stability, cooperation and development. The planet we live on should become a home

where the people of all countries can live together in harmony and enjoy their life and work. We should never forget the bitter lessons of the two world wars and never waver in our efforts for safeguarding world peace and international security.

The great Tang Dynasty poet, Li Bai, wrote, “I will mount a long wind some day and break the heavy waves / And set my cloudy sail straight and bridge the deep, deep sea.”<sup>\*</sup> I am confident that with the joint efforts of people around the world, the genuine will of statesmen of all countries and the hard work of all of you here today, the cause of disarmament will surely overcome one obstacle after another, and continue to make progress. The world will be better tomorrow.

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<sup>1</sup> A reference to the war carried out by the US-led NATO against the Federal Republic of Yugoslavia from March to June 1999, known as the Kosovo War. According to Yugoslavian law, Kosovo was an autonomous province of the Yugoslavian Republic of Serbia. There had been longstanding ethnic and religious conflicts between Albanians and Serbians in the province. At the end of the 20th century, the desire of Albanians for independence increased, and armed clashes erupted between them and the Yugoslavian government. The Kosovo War broke out on March 24, 1999, when the US-led NATO interfered militarily in the internal affairs of Yugoslavia in order to protect the human rights of Kosovo Albanians on the pretext that human rights override sovereignty. During the war, NATO wantonly and indiscriminately bombed military and civilian targets inside Yugoslavia for 78 days, and even attacked the Chinese embassy in Yugoslavia with guided missiles. On June 9, the Yugoslavian government was forced to sign an agreement to withdraw its army and police forces from Kosovo. On June 12, a NATO-led multinational force was stationed in Kosovo to provide military protection.

<sup>2</sup> Li Bai (701-62), Tang Dynasty, “The Hard Road: Three Poems,” Poem I.



## A NEW SIGNAL<sup>\*</sup>

*April 25, 1999*

Today's incident deserves our consideration. Without prior knowledge and from out of nowhere more than ten thousand people suddenly gathered at the entrance to the center of Party and government power, surrounding it for the whole day. Such rigorous organization and discipline and the rapid transmission of information are rare. Nevertheless, our relevant departments knew nothing of this beforehand; despite the fact information about local Falungong organizations and their contact systems is readily available on the Internet. Is this not thought provoking? The rapid development of information technology presents us with new challenges. All our relevant government agencies are well equipped with computers, but did anybody notice these important social trends? If they did, why did they not report them? These issues require careful study. Immediately after the incident, the Western media published provocative and exaggerated reports. Is Falungong actually connected to foreign countries or the West? Are there experts conspiring and manipulating things behind the scenes? This is a new signal that we must give our full attention to. We have entered a sensitive period, and we must quickly adopt effective measures to prevent similar incidents from happening.

This incident involved more people than any other incident in Beijing since the political disturbances in 1989. I have repeatedly emphasized the need to nip harmful tendencies in the bud and more readily report major incidents to higher authorities for instructions. Falungong activities have caused constant controversy since 1992. It has already become a national organization, and it is a social group that involves a considerable number of Party members, cadres, intellectuals, soldiers, workers, and farmers, but it was slow in attracting our vigilance. I feel guilty about this. The other day, Falungong practitioners surrounded and blocked the editorial department of a magazine in Tianjin. Before that, incidents of Falungong practitioners surrounding and blocking government agencies and carrying out sit-ins had occurred in other places. However, relevant localities and departments did not pay enough attention to those incidents and did not closely observe the

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<sup>\*</sup> Letter to members of the Standing Committee of the Political Bureau of the Central Committee and other relevant leaders.

trend of events. They must conscientiously learn the lessons this incident teaches and draw inferences for other cases.

This incident also shows how weak our ideological, political, and mass work is in some localities and departments. We must foster a correct world-view, outlook on life and sense of values among cadres and the masses. Is the Marxist theory of Communists and the materialism and atheism we espouse insufficient to defeat the heresy preached by Falungong? If that were true, we would become an extremely big joke. Our leading cadres at all levels, especially high-ranking ones, need to wake up.

## SHARE A BITTER HATRED OF THE ENEMY AND UNITE AGAINST FOREIGN AGGRESSION<sup>\*</sup>

*May 8, 9 and 11, 1999*

### I

Early this morning, I was shocked and indignant to learn that the US-led NATO had attacked our country's embassy in the Federal Republic of Yugoslavia<sup>1</sup> with missiles, resulting in casualties and causing destruction. This is no small matter and demands our immediate attention. Correctly responding to and handling this incident greatly affects the overall work of our Party and government as well as the broader international situation.

It is a longstanding tradition that envoys should always be granted safe passage during wartime. Has the embassy of a country, especially one not involved in war, ever been bombed anywhere in the world? Attacking the embassy of a sovereign state grossly violates its sovereignty and is a criminal act that flagrantly tramples conventions on diplomatic relations and the basic norms of international relations.

First of all, we need to make a judgment on whether or not it was intentional. Are there any military installations next to our embassy? They attacked it with several missiles, not just one, and from different angles. The United States and other NATO countries will surely do their utmost to explain this away, but regardless of what is said, this is a consequence of the aggressive war the US-led NATO is brazenly waging. We need to comprehensively and thoroughly consider this situation and take appropriate steps. We must adopt a stern attitude and condemn this barbaric atrocity in the strongest possible terms. We must make it perfectly clear to the US-led NATO: The Chinese people will not be humiliated! The Chinese nation will not be bullied!

You all have just expressed your opinions. As I see it, the first order of business is to determine to do the following five things. First, the Chinese government will issue a statement strongly condemning this barbaric atrocity committed by the US-led NATO — the attack on our embassy in Yugo-

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<sup>\*</sup> Excerpts from three different speeches delivered to the Standing Committee of the Political Bureau of the CPC Central Committee on the topic of the US-led NATO missile attack on China's embassy in the Federal Republic of Yugoslavia.

slavia and gross violation of China's sovereignty - and demand that NATO accept full responsibility for their actions. Second, the Ministry of Foreign Affairs will immediately summon the US Ambassador to China and lodge the strongest protest. Third, we will call for an emergency meeting of the United Nations Security Council to discuss this incident, and forcefully state the Chinese government and people's principled position and stern attitude toward this barbaric atrocity. Fourth, we will express our profound grief for the deaths of our comrades who died in this attack,<sup>2</sup> take all possible steps to assist those injured, and immediately send a special plane to bring back all our people in Belgrade who were affected by this assault. Fifth, we will effectively guide public protests against this atrocity.

Once the missile attack on our embassy in Yugoslavia is made public, there will inevitably be a fierce reaction by the Chinese people and their patriotic fervor will inevitably run high. This atrocity is a huge wake-up call and a lesson to the whole Party and the people of all our ethnic groups. We must handle this matter correctly. Party committees and governments at all levels must support and earnestly strengthen their leadership over the masses' just words and actions against this atrocity. All localities and departments need to act immediately, take the initiative and do a good job.

From the very beginning we have resolutely opposed the high-handed armed attacks by the US-led NATO on Yugoslavia in an attempt to impose its will on the Yugoslavian people. We must steadfastly adhere to this clear stand. We hope Yugoslavia considers the lawful interests of all its ethnic groups, but we are opposed to NATO's interference in Yugoslavia's internal affairs and its use of force. NATO did not receive United Nations authorization to use military force against a sovereign state. Its actions are illegal and constitute an act of aggression. Our stand has always been consistent. To resolve international disputes, one cannot resort to war; rather, one should hold peace talks. This is an overriding principle that demands universal respect from the international community.

From a global perspective, the US-led NATO attack on our embassy was by no means accidental, and we must not be naïve. Some Americans are uncomfortable that China steadfastly upholds international justice. They do not show it on the surface, but deep down they hate us to death. Our journalists have broadcast their just voices opposing American interference in Yugoslavia's internal affairs and exposing American hegemonism and power politics. They have reported many times on the injuries and deaths of innocent civilians. Americans say that we publish one-sided



views and not theirs. What right do they have to reprimand us when they are invading a sovereign country by force? Three of our journalists laid down their lives in this attack. We must express our strong condemnation of the US-led NATO. We also need to pay close attention to the attitude they adopt and reserve our right to take further action.

Regardless of what happens, we must be unwavering on one point: We must pick up the pace of our own work and greatly increase our country's economic strength, national defense strength and national cohesiveness. The current situation demonstrates that we must pay close attention to building up our national defense. We love and safeguard peace, but we must be prepared for the day we are attacked — if we are prepared, only then will we be safe. Although economic development is our central task, we also need to constantly strengthen national defense; otherwise, we will be unable to effectively protect the achievements of our economic development and the security of our motherland in the event of war. Without the atomic bombs, hydrogen bombs and artificial satellites developed under the leadership of Chairman Mao and Premier Zhou in extremely difficult conditions, we would not be as safe as we are today and would probably have been attacked already. In this world, power is the decisive factor. We must endure self-imposed hardships and make good preparations.

## II

Since yesterday morning, when the Standing Committee of the Political Bureau of the Central Committee met, till now, the Central Committee's handling of this incident has been resolute and its measures, which all regions and departments are quickly implementing, have been effective. The protest against the US-led NATO atrocity is gaining tremendous political momentum. This fully demonstrates the great strength of the Party, government and people.

First, students and others across the country are protesting against the brutal US-led NATO attack of our embassy in Yugoslavia and mourning for the martyrs. Everyone is filled with fury and indignation. We should fully affirm their patriotic actions and support them.

Second, at a moment like this, we need to give high priority to ensuring social stability and keep reform and development in all areas progressing in an orderly manner. Students and others are expressing their patriotic indignation in many ways, and this great patriotic enthusiasm will turn into a

powerful driving force that binds all the people in the country more closely so they can work together to make the motherland prosperous and strong. Our Party committees and governments at all levels need to strengthen their leadership and guidance. We need to make it clear to students and others that they should carry out their protests legally and that our struggle needs to be launched on just grounds, to our advantage, and with restraint. We must display the power and strength of the whole nation sharing a bitter hatred of the enemy while also showing the world that China is a great, civilized country. All protest activities need to be carried out in a civilized, rational and orderly manner, to prevent the rise of extremism. We need to let everyone know that extremism neither benefits the overall struggle against this atrocity, nor does it represent our fighting capacity. Extremism is not conducive to social stability. We need to be especially vigilant against and prevent hostile elements and forces from creating confusion in order to take advantage of the situation. We need to firmly deal with such trends in accordance with the law as soon as they are identified.

Third, although the United States played the leading role in the NATO raid on our embassy in Yugoslavia, other major NATO member countries cannot evade responsibility. Our struggle against them needs to be carried out in a focused and prioritized way that concentrates our wrath. We must be aware that NATO is not a monolithic bloc and there are differing views within it concerning its military interference in Yugoslavia. We need to be adept at taking advantage of their conflicts and treat each party differently. Globally speaking, we need to win over all forces that can be won over and unite with all forces that can be united with, especially other developing countries, to expand the international forces opposing hegemonism and power politics. We need to further improve our work in this area in the future.

Fourth, Comrade Deng Xiaoping exhorted us to observe calmly and respond coolly. This is a very important idea. Comrade Deng Xiaoping comprehensively assessed the international balance of power in the present stage, thoroughly considered the need to promptly accomplish the central task of modernization, and fully appraised the necessity of gaining greater initiative in the international struggle by concentrating on developing the productive forces and enhancing our overall national strength. Twenty years of reform and opening up have brought us new and greater development. Nevertheless, we still lag far behind the United States and other Western powers in economic power, scientific and

technological strength, and national defense capability, and at the same time we are under pressure from hegemonism and power politics. Under these circumstances, we must follow the principle of observing calmly and responding coolly to win more time and seize all opportunities to concentrate on accelerating domestic development. A great increase in our national strength would provide us with a fundamental guarantee of national security in this world. We must wage a stern political struggle against the NATO attack on our embassy in Yugoslavia, but still adhere to the tactics of responding to their two-sided policy with a two-pronged approach. We still need to continue our dealings with the United States. We will never give in to the harsh, unreasonable demands they have made on China's accession to the WTO; we must resolutely refuse them. Safeguarding the interests of our country and nation is our fundamental principle. Can China survive another ten years of absence from the WTO's membership list? Yes, and we might even be living a better life. Has it not been 13 years since we started WTO accession talks? China will still continue to develop as usual, even if the talks last another 13 years. We must have this resolve. With such resolve, we will have enough courage. In short, we will never be cowards. Even if our entry into the WTO is delayed, this will by no means affect our implementation of the reform and opening up policy, nor will it have an enormous effect on our foreign trade. We protect foreign nationals pursuing normal business in China in accordance with the law and welcome all investors from abroad. We promote patriotism, yet we need to teach and guide the masses to guard against some ill-intentioned people, who take advantage of opportunities to incite xenophobia. We will continue to implement the basic state policy of opening up. Internationally, we will unite with as many people as possible so that they work with us to oppose hegemonism and power politics and promote world peace and development.

Fifth, leaders at all levels need to stick to their posts and effectively assume responsibility for maintaining social stability. We all must turn our righteous indignation into strength, and promote learning and work. Comrades throughout the country from all sectors and fields need to do their work better. We will remain invincible only by immersing ourselves in hard work and enduring self-imposed hardships to increase our economic power and national defense capability and greatly strengthen our national cohesiveness.

### III

The attack on our embassy in Yugoslavia by the US-led NATO is an unprecedented and serious incident in the history of global foreign affairs as well as a complex struggle in current international relations. We cannot expect this struggle to end anytime soon. Americans will definitely continue to resort to sophistry and stratagems. We must be well aware of this. We need to take a firm stand and demand that the US-led NATO bear all responsibility and above all meet the four stern demands we have made.<sup>3</sup> In addition, we will continue to insist on reserving our right to take further action. We need to carry out the struggle on just grounds, to our advantage and with restraint on the basis of the attitude of the United States and developments in the overall situation.

These nationwide protests by the Chinese people expressing their common hatred of the enemy have demonstrated to the world once again that our people are united against foreign aggression and invincible. We have learned from past experience that we must strengthen the leadership and guidance of the masses once they are fully mobilized. Comrade Deng Xiaoping said that no matter what happens, barring a large-scale foreign invasion, we need to firmly maintain economic development as our central task. The whole Party and country must immerse themselves in hard work and endure self-imposed hardships to improve our productive forces, overall national strength and international competitiveness. This is our fundamental task. Once our country is developed, prosperous and strong, we can gain greater initiative in the international struggle and occupy an invincible position.

Party committees and governments at all levels must do their job in accordance with the Central Committee's requirements. Stability is of overriding importance, and we must steadfastly continue to maintain stability. International hostile forces are anxious to see unrest in China so that they can take advantage of it to succeed in their political schemes to Westernize and divide our country. We must make our cadres and the masses understand that China must never slide into chaos. If it does, then the fruits of reform and development that we have already achieved will be lost, our ambitious goals will disappear into thin air, and a historic tragedy and national disaster of self-destruction will occur. In accordance with the Central Committee's major arrangements, we need to mobilize and rely on cadres and the masses to take the initiative to safeguard the



excellent situation of stability and unity. Stressing stability is of supreme importance.

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<sup>1</sup> On March 24, 1999, the US-led NATO launched the Kosovo War to militarily interfere in the internal affairs of the Federal Republic of Yugoslavia. At 23:45 Yugoslav time on May 7 (05:45 May 8, Beijing time), United States strategic bombers from an air force base in the United States attacked China's embassy in Yugoslavia firing five missiles from different angles. The attack killed three Chinese journalists, wounded more than 20 Chinese staff members, and seriously damaged the Embassy's buildings. The Chinese government made four stern demands to the US-led NATO following this incident: 1) to make an open and official apology to the Chinese government, the Chinese people and the families of the Chinese victims; 2) to carry out a complete and thorough investigation of the attack; 3) to promptly disclose the investigation's detailed findings; and 4) to severely punish those responsible for the attack. After strong protests by the Chinese people and the Chinese government's serious presentations, the United States government made an open, official apology and a compensatory payment, but it still insisted that the bombing was a mistake and failed to give a convincing explanation for the incident.

<sup>2</sup> The comrades killed in the attack were Shao Yunhuan, a journalist with Xinhua News Agency in Belgrade, and Xu Xinghu and Zhu Ying, Yugoslavia-based journalists of *Guangming Daily*.

<sup>3</sup> Cf. note 1.

## THE FUNDAMENTAL PURPOSE OF EDUCATION MUST BE TO IMPROVE THE QUALITY OF OUR CITIZENS<sup>\*</sup>

*June 15, 1999*

In today's world, competition in overall national strength is increasingly manifested as competition in economic power, defense capabilities and national cohesiveness. Regardless of which of these one wishes to strengthen, education is the foundation.

At present, science and technology play an increasingly important and noticeable role in economic, defense and social development, and the pace of updating knowledge and translating it into actual productive forces is constantly increasing. If international military and political conflicts of the past were principally manifested in direct rivalries over resources needed for industrialization and over markets for capital and commodity exports, then today's international economic, scientific and technological competition is increasingly focused on talent and knowledge. Knowledge and technology are developmental advantages, and wealth is increasingly concentrated in the hands of countries and regions with the best knowledge and technology. Whoever possesses an advantage in knowledge and technological innovations will be in the dominant position in development. This development situation not only gives third world countries a favorable opportunity to use high technology and advanced knowledge to bypass traditional models of development, but also presents them with unprecedented and severe challenges. Whether or not China, a developing socialist country, can promptly seize this opportunity, constantly increase its overall strength and international competitiveness, and effectively overcome challenges is a major test that will determine the future of the Party, the state and the nation.

China has a large population and a weak foundation, and our education level and science and technology level lags far behind those of Western developed countries. If we are to basically achieve modernization by the middle of the next century, we must continue to take China's reality as our starting point, persist with reform and opening up, be self-reliant, firmly

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<sup>\*</sup> Excerpt from a speech at the Third National Conference on Education.

believe in the creativity of the Chinese people, and take a path of economic development with Chinese characteristics — a path different from the one taken by traditional industrialized countries. The profound lessons of the Asian financial crisis deserve our full attention. A number of emerging economies that were once highly regarded internationally suffered a serious Setback during this crisis. This shows that if a developing country relies too heavily on Western developed countries, tries to develop its economy by depending on low-priced labor, consuming its natural resources, and using ready-made foreign technologies and products, and refrains from striving to raise the scientific and cultural quality of its people and improve its capacity for knowledge and technological innovation, then it will be in a passive and dependent position in international economic competition. In turn, such conditions will inevitably widen the development gap between it and developed countries.

In 20 years of reform and opening up, our country has made great achievements in economic development and scientific and technological progress. Nevertheless, we must clearly recognize that our pattern of economic growth has not fundamentally changed, and the heavy burden of providing for a large population has not yet been transformed into a human resource advantage. Facts prove time and again that the low quality of our workforce and our low capacity for scientific and technological innovation constitute major factors restricting our economic development and international competitiveness. The central leadership has conducted a thorough analysis of the general international and domestic development trends and has concluded that we must unwaveringly implement the strategy of reinvigorating the country through science and education, vigorously raise the ideological and ethical standards and scientific and cultural levels of the entire nation, increase our capacity for knowledge and technological innovation, integrate education intimately with the economy and with science and technology, and fundamentally transform the economic system and the pattern of economic growth more quickly. These are the inevitable choices for comprehensively advancing modernization in China and provide a fundamental guarantee that the Chinese nation can be self-reliant in the family of nations. As for developing science and technology, we have already accumulated important experiences in developing atomic and hydrogen bombs and artificial satellites. These are valuable assets. In our new circumstances, we need to continue to make full use of and build upon experiences like these.

Education is the main basis for knowledge innovation, dissemination and application as well as an important incubator for breeding an innovative spirit and cultivating innovative people. Education plays a unique and important role in training high-quality workers and professionals, increasing innovation capacity and generating knowledge and technological innovations. Here I would like to especially remind you of the important role of education in making the nation more cohesive. After the devastating floods last year, the lives and property of the people in the disaster areas were threatened. Our Party organized and led tens of thousands of soldiers and civilians in fighting as one and battling tenaciously, and it achieved a great victory and created a great fighting spirit in the battle against the floods. During this battle, the Party and government made correct decisions, organizations at all levels worked hard, CPC members led the assault, and soldiers and civilians worked closely together. This was a test of the fighting capacity of the whole Party and our ranks of cadres as well as a test of the cohesiveness of our whole nation. We can overcome any hardship or enemy with such great national cohesiveness. This again shows that only the CPC, armed with Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory, and only the Chinese people who have a firm belief in the cause of socialism under the leadership of this Party, can forge a powerful united will and become a tower of strength. I want you to ask yourselves, where does such national cohesiveness come from? It comes from the fine traditions of the Chinese nation, from the noble ideals of Communists and the superiority of the socialist system, as well as from education in patriotism, collectivism, socialism and Marxism. Establishing a correct worldview, outlook on life and sense of values; promoting our nation's fine traditions; forming and consolidating common ideals and moral pillars; and raising our scientific and cultural levels are major components of what makes our nation cohesive, and they are all dependent on education work. All educational bodies at all levels and everyone working in the field of education have a solemn responsibility to increase our overall national strength, including the cohesiveness of our nation.

We must realize that in these new international and domestic circumstances, our educational philosophy, system, structure, content and methods are already in conflict with the needs of the development of socialist modernization, and this conflict is becoming more pronounced by the day. Ten years ago, Comrade Deng Xiaoping pointedly remarked, "Over the last ten years our greatest mistake has been our failure in education. We



haven't paid enough attention to the political and ideological education of young people and to the expansion of education."<sup>1</sup> He said this in order to address the situation at that time. Party committees and governments at all levels and everyone working in the field of education should be fully aware of the problems and inadequacies in education work. Ideological and political education must be given high priority in all schools at all levels, and we can never afford to relax or dilute it. In terms of quality, ideological and political quality is most important. Constantly strengthening students and the masses' sense of patriotism, collectivism and socialism is the soul of a well-rounded education. In my speech<sup>2</sup> at the finance study session held by the Central Committee early this year, I stressed that we must conscientiously educate cadres, the masses and students in Chinese history, geography, literature and politics. Without arming them with such knowledge, it is difficult to establish a sense of patriotism, collectivism and socialism. Classroom teaching has to emphasize not only mathematics, physics, chemistry and foreign languages, but also the aforementioned subjects. If we neglect ideological and political education, knowledge of history and character building, students will become one-sided, adversely affecting the course their lives take. I want educational leaders and administrators and the vast number of teachers to take careful note of this. We must fully implement the Party's principle regarding education, insist that education serves socialist modernization and the people, and integrate education with social realities. We must make improving the quality of our citizens the fundamental purpose of education; focus on cultivating students' creativity and practical ability; and train the builders of and successors to the socialist cause who have high ideals, moral integrity, a good education and a strong sense of discipline, and who have comprehensively developed morally, intellectually, physically and esthetically.

The primary goals of our education work are to provide nine years of compulsory education for every child, satisfy basic study needs and raise overall worker quality as we strive to raise the educational level of the vast majority of the people. For urban and rural students and others who are unable to continue their studies at institutions of higher education, we need to operate all kinds of vocational and technical schools at all levels and widely recruit students to study and master one or several production technologies and management and service skills. Students who cannot enter the university ranks should not be allowed to leave secondary school with only a general knowledge of the Chinese language,

mathematics, physics and chemistry. Studying one or several applied skills would expand their job opportunities and play an important role in promoting urban and rural development and stability. It is therefore an important task to provide various types of high-quality vocational and technical education at all levels. Although we have already developed vocational and technical education at the secondary level, we have only just begun. If all regions and departments throw themselves into this work in the next ten to 20 years, they will make great achievements. While making every effort to provide high-quality nine-year compulsory education, general senior secondary education, and vocational and technical secondary education of all kinds, we will adopt a variety of measures to vigorously develop higher education, especially community-based vocational higher education, and expand enrollments for existing universities and adult higher education programs in order to meet people's needs for higher education to the best of our ability. We can also encourage nongovernmental sectors to open privately run colleges to supplement existing universities. Setting up new universities is very difficult, but if relevant government departments improve management and guidance, formulate corresponding policies and measures, and rationally allocate resources, then we could gradually establish them through a period of great efforts. Governments at all levels must do everything possible to provide equal educational opportunities to all students, paying special attention to solving educational problems in disadvantaged areas and for disadvantaged groups, and increase educational subsidies to poverty-stricken areas and poor families. Special attention needs to be paid to improving rural education. Of China's population of 1.2 billion plus people, more than 800 million live in rural areas. Whether or not our vast rural population can receive a good education is a major issue that has a direct bearing on bringing a moderately prosperous standard of living to rural people and modernizing the countryside. Governments at all levels must guarantee spending on rural education and constantly increase it. The State Council must continue to provide the financial assistance poverty-stricken areas need to develop rural compulsory education. The strategic focus of all kinds of education work at all levels must be to thoroughly promote well-rounded education and raise the comprehensive quality of people who receive an education. We need to emphasize and constantly improve not only education in general knowledge but also ideological and moral education. Through ideological and moral education, students will increase

their ideological and political quality and sense of social responsibility, cultivate professional ethics and a commitment to quality service, and develop a spirit of competing to get ahead while also stressing unity and cooperation. We also need to work hard to spread science and technology education and raise people's scientific and technological levels in order to provide the human resources base for disseminating the use of applied and appropriate technologies and developing new and high technologies.

The Chinese nation is a great nation full of creative spirit and innovative ability. The ancient Chinese people were world-renowned for many scientific and technological creations including the four great inventions - papermaking, gunpowder, printing and the compass - and made an enormous contribution to the development of world civilization. Today, facing the challenges of rapid scientific and technological development worldwide, we must view making the Chinese nation more innovative as a matter of prosperity and adversity, and of life and death. Education has a unique responsibility in cultivating our nation's innovative spirit and developing creative people. Every school needs to cherish and cultivate students' curiosity and thirst for knowledge, help them learn on their own and think for themselves, preserve their sense of exploration and innovative thinking, and produce an atmosphere of respecting knowledge and pursuing truth in order to create a relaxed environment in which students can fully develop their innate gifts and potential. This means we must change our educational thinking and models that hinder the development of students' innovative spirit and ability, especially the system of overly standardized and rigid teaching in which the teacher unidirectionally instills knowledge into students and the sole criterion for measuring educational results is students' exam scores. School principals and teachers have a special responsibility to make every effort to train talented people. They need to make strict demands on students while treating everyone fairly, but more important, they have to be able to discover and develop students' latent creativity. Teachers and students need to learn from each other, exchange ideas, and inspire and encourage each other. Teachers and students growing together is a fine tradition, one that the Chinese nation has been observing since ancient times. While training large numbers of people in all academic disciplines, universities must also create conditions for people of outstanding talent to emerge, focusing especially on training academic leaders and top talent to stand at the forefront of world science and technology. This must be done in order to stimulate

and promote the advancement of the science and technology and creativity of the Chinese nation. This is a strategic task for the whole Party and all of society, not just a responsibility of the education community alone. In order for talented people to emerge, we must encourage and support those students who are in the foremost position to take the lead. I am not advocating individual heroism, but only conforming to the inexorable laws of talent development. If fast learners influence and motivate slow learners, and those who know more influence and motivate those who know less, then everyone will make common progress. We must firmly overcome the tendency to try to cast all talented people from the same mold. Many people think that preventing others from excelling, and isolating and pressuring anyone who stands out from the crowd ensure equality and makes things comfortable for everyone. They do not realize that acting this way is completely wrong, suffocates the most talented people and is anti-progressive. If we allow this kind of phenomena to spread and cause trouble, how can we talk about innovative spirit? What hope will there be for our country and nation?

Facts already clearly illustrate that an ivory tower approach to education cannot meet the needs of our times. Education is ever more intimately integrated with the economy, science and technology as well as social practice, and it is becoming an important force driving scientific and technological progress along with economic and social development. China is in the primary stage of socialism, and education is the foundation of economic, political and cultural development. It not only has to provide the human resources and intellectual support necessary for modernization, but also has to participate directly in all kinds of development tasks and contribute to their completion. This means that we must change educational philosophy and models that are divorced from social realities, coordinate simultaneous reforms of the economic, scientific and educational systems, and promptly create a new mechanism that intimately integrates education with the economy, science and technology. Both vocational and adult education must integrate education and training with technological innovation and the dissemination of applied technology in order to raise the technological level of industrial and agricultural production. Higher education must actively address the main arena of economic development and study and solve the important theoretical and practical problems concerning economic and social development, promote the translation of scientific and technological results into actual productive forces, and become



an important force driving knowledge and technological innovation and the industrialization of new and high technologies. We need to expand local governments' authority over education planning and management through reform of the system for managing education, carry out comprehensive reform of regional education, and make education better serve regional economic and social development. We need to help students cultivate an entrepreneurial sense and entrepreneurial capabilities. Through the efforts of the education sector, we will give increasing numbers of people the skills to start their own businesses in various fields. This will create more job opportunities and play an important role in safeguarding social stability and promoting all undertakings.

Lifelong learning is an inexorable trend in the development of contemporary society. A one-time school education alone cannot meet people's need to constantly update their knowledge. We need to gradually establish a sound education system beneficial to lifelong learning. Schools need to open themselves wider to society and expand diploma education, non-diploma education, continuing education, and vocational and technical training. General education, vocational education, adult education and higher education need to become more integrated to give people a greater variety and number of opportunities to study. We need to rely on a distance learning network to create an open education system that covers all urban and rural areas of the country to provide multilevel and diverse education services to people from all sectors of society. The Chinese nation has a fine tradition of honoring education, and 21st century China should be a country in which everyone studies.

The fate of the country is linked to education, and everyone has the responsibility to revitalize education. All Party members and the people of all our ethnic groups should be aware of education's role in strengthening our country and revitalizing our nation and continue to be concerned about and support its development. While the government is doing its part in improving education, we also need to mobilize all nongovernmental sectors to launch and support educational programs, especially all levels and all kinds of vocational and technical education. In short, we need to genuinely make giving strategic priority to education development the broad consensus of the whole nation and the practical action of the whole society, so as to provide a firm mass foundation and a cohesive social force for the prosperity of education in China.

If leadership is farsighted, mature and qualified, it will emphasize edu-

cation. Party committees and governments at all levels need to make education a strategic development priority and incorporate it into their comprehensive modernization plans; genuinely make it a knowledge industry that is a trend-setting, pervasive and basic industry and a key component of infrastructure; and give it strategic priority for early development. Leading Party and government cadres at all levels need to do their education work well. When formulating their plans for economic and social development, they need to give top priority to education and allow it to have an appropriately higher level of development than other sectors. When formulating budgets at all levels, they need to ensure the three increases in education spending.<sup>3</sup> Even if it means going more slowly in other areas, we need to raise the proportion of budget expenditures devoted to education in order to provide material assurances that education development is a top priority. We need to use capital more efficiently, create a sound oversight mechanism, ensure that education funds are used in the right places, and firmly oppose and prevent waste.

Party committees and governments at all levels need to constantly address and help solve difficulties and problems arising in education work. We will create a sound target management responsibility system that clearly sets goals and responsibilities at each level. We will make results in education work, especially in providing a well-rounded education, an important component of the assessment of the performance of Party and government cadres at all levels, the evaluation of lower-level bodies by those over them, and the selection of cadres for promotion. We need to create a system to keep leading cadres in contact with schools. Leaders at all levels, and especially principal leaders, should be in contact with schools, thoroughly understand their conditions, listen closely to teachers and students, personally investigate and solve problems, promote good examples, launch pilot projects, and promote school reform and administration. We also need to establish a review system for rewards and penalties. Central and local governments should commend and reward people who make significant contributions and outstanding accomplishments. Those who violate laws and regulations concerning education, especially those who embezzle education funds or infringe on teachers' lawful rights and interests, must be investigated and punished firmly in accordance with the law.

A corps of high-quality teachers is a basic prerequisite for high-quality education. Teachers are engineers of the human soul. In China, the people's teachers are creators and propagators of socialist culture and

ethics. We must steadfastly carry forward the fine Chinese tradition of it being a common practice throughout society to respect teachers and value education. Party and government leaders at all levels need to do more for teachers, effectively protect their lawful rights and interests, and strive to improve their salaries. At the same time, Party and government leaders need to adopt effective measures to strengthen the teaching corps and constantly optimize school staffs and raise their overall quality. Some schools in some areas have teaching staffs that are too large. Teachers there who are professionally, ideologically and politically unqualified must be removed from their teaching positions. Teachers who lack the knowledge needed to teach their courses should immediately be given training to raise their skill level. Educators must first be educated, not only in professional knowledge, science and culture, but also in political science and practical matters in order to constantly enrich and improve their abilities as teachers to teach and educate others. Teachers are mentors who guide students in increasing their knowledge and improving their thinking. Everything they say and do has an influence on their students; therefore, they must lead by example ideologically, politically, morally and intellectually. Only in this way can they truly serve as role models. There should be more contact between teachers, between departments and between schools, and they all should learn more from each other. People from different schools of thought or with differing academic viewpoints should freely discuss and debate their differences to draw on each other's strengths, overcome their own shortcomings and make common improvement. If scholars, academic fields and schools of thought are disdainful of each other it will have a detrimental effect on education as a whole and does not conform to the glorious traditions of people's education under our Party's leadership.

All of society has a responsibility to the next generation. Training talent and raising our children requires not only the hard work of all schools at all levels but also a favorable social environment. We need to intensify our efforts to improve all facets of society and develop our culture, and firmly combat the pernicious influence of feudal superstitions and decadent ideas and cultures on our young people. We must strengthen community development and actively create home, neighborhood and school environments beneficial to the sound growth of young people. Culture and art departments and the mass media must create intellectual products with healthy and progressive content and artistic charm to educate our youth. In

short, the entire Party and the whole society must work together to create an enlightened and healthy learning environment.

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<sup>1</sup> “China Will Tolerate No Disturbances,” *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 280.

<sup>2</sup> “On Strengthening and Improving Study,” pp. 273-304, this volume.

<sup>3</sup> A reference to the people’s governments at all levels increasing education appropriations at a higher rate than regular revenues; gradually increasing the average education spending per enrolled student; and ensuring teachers’ salaries and public spending per student gradually increase.



## SEIZE THE OPPORTUNITY TO IMPLEMENT THE STRATEGY OF LARGE-SCALE DEVELOPMENT OF THE WEST\*

*June 17, 1999*

Gradually narrowing the development gap between regions, realizing balanced economic and social development throughout the country, and eventually achieving common prosperity enjoyed by everyone is an essential requirement of socialism and an important issue related to our country's overall cross-century development. The central leadership attaches great importance to reform and development in the country's central and western regions, has adopted a series of policies and measures for promoting development there and emphasizes the need to gradually reduce the gap in development between those regions and the eastern region as an important long-term principle. With support from the central leadership and other regions, cadres and the masses in the central and western regions have made great progress in reform and development through their unity and dedication.

In the 1980s, after China began to comprehensively carry out reform, opening up and modernization, Comrade Deng Xiaoping thought deeply about how to achieve balanced economic development throughout the country, and introduced the idea of “two issues of overriding importance.”<sup>1</sup> One was for the eastern coastal region to accelerate opening up and develop faster and first — an issue of overriding importance that the central and western regions should subordinate themselves to. The other was that when the eastern coastal region develops to a certain extent, for example when the entire country on average has become moderately prosperous by the end of the century, then it should give more help to accelerate the development of the central and western regions — an issue of overriding importance that it should subordinate itself to. China has a vast territory, a huge population, and underdeveloped productive forces. Under such circumstances, it is unrealistic for everyone to achieve the same level of prosperity simultaneously. Some people will inevitably be-

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\* Excerpt from a speech in Xi'an at a forum on SOE reform and development in northwest China, over which Comrade Jiang Zemin presided.

come affluent before others. As I understand, Comrade Deng Xiaoping's idea of allowing some regions and some people to prosper first, and then gradually achieving common prosperity, is not the end. Even at a relatively high level of development, the more developed regions will continue to move forward. Balance is relative, while unbalance is absolute: This is the objective law of development. Our development strategy must be guided by an overall plan. Comrade Deng Xiaoping's strategic plan is that, based on the development level of the productive forces and other factors, the eastern region should accelerate development first and then promote and support the development of the central and western regions until common prosperity across the country is eventually achieved. Practice has proved this to be absolutely correct.

Now, as we stand at the turn of the century, we should clearly state to the entire Party and all of our people that we must seize the opportunity to accelerate the development of the central and western regions, with a special emphasis on losing no time in studying and carrying out large-scale development of the western region.<sup>2</sup> At a meeting of leading Party members attending the Second Session of the Ninth NPC and the Second Session of the Ninth National Committee of the CPPCC this March, I talked about the issue of large-scale development of the western region. I said, sooner or later, large-scale development of the western region must be carried out. Otherwise, how can we modernize the whole country? How can China become an economic power? If the United States had not developed the American West, could it have developed into what we see today? Carrying out the large-scale development of the western region is a major strategy and a grand idea for our national development. The entire Party and the whole country must achieve a better understanding of and reach agreement on this plan, and at the same time, scientifically work out policies, measures, steps and organizational forms for this development on the basis of careful research and overall planning. On June 9, at a central working conference on poverty alleviation and development, I discussed this issue again. I said, the conditions for accelerating the development of the central and western regions are basically ready and the time is ripe. We will be committing a historic mistake if we fail to see these conditions, seize the opportunity and strive to do the work that should be done. From this moment forward, the Party and government need to consider the development of the central and western regions to be an important strategic task and give higher priority to it.

In many countries around the world imbalances exist in regional development to varying degrees. Take the most developed country in the world, the United States, for example. The development gap between eastern and western regions of the United States was once huge. In the first half of the 19th century, three waves of pioneering took place in the American West, famously known as the “Westward Expansion.” From the 1930s until the 1960s, the United States was dedicated to developing the area linking the South and Midwest, setting off America’s second wave of development in its underdeveloped areas, thereby causing a surge in economic development in the southern region, which came to be known as the so-called “Sun Belt.” Many developing countries around the world are also working hard to narrow gaps in regional development. For example, the ancient civilization of Egypt, after years of study and preparations, is launching the “Century Project” for large-scale development. The Egyptians are determined, through the hard work of several generations, to reclaim 26.7 million hectares of land and create 40 new cities or economic development zones by building water diversion projects and reclaiming the desert. Egyptian President Hosni Mubarak calls the project “a new epic of the Egyptian nation.” As a large socialist developing country, China should have even greater aspirations to develop its underdeveloped regions.

Taking advantage of its relatively good economic base and superb geographical position as well as government policy support, the developed coastal region has made considerable progress in economic and social development since the introduction of the reform and opening up policy. Now, the time has come to accelerate the development of the central and western regions. These regions cover a vast territory, and we need to take a comprehensive approach to accelerating their development. The reason I use the term “large-scale development of the western region” is that we are not addressing the problem on a small scale, but rather, through careful planning and meticulous organization we will initiate a new phase in which the western region is comprehensively developed at a greater pace and on the basis of its past development. Carrying out the large-scale development of the western region is of great economic, social and political significance for promoting nationwide reform and development, and maintaining the long-term political stability of the country.

Accelerating economic development in the western region is a prerequisite both for guaranteeing sustained, rapid and sound development of the national economy, and for attaining the objectives for the third

step of our country's strategic plan for modernization. After 20 years of reform and development, the country's productive forces have been raised to a much higher level, and the problem of commodity shortages, which long plagued us in the past, has been fundamentally solved. Further development of the eastern region is increasingly constrained by market, resource and environmental factors, and a considerable portion of its capital, technology and human resources need to find new space for development. Competition in the international market is becoming increasingly fierce, so we must urgently study, plan and launch our "Century Project" for the large-scale development of the western region. With its vast territory and rich natural resources, the western region has great potential for development and is also an enormous potential market. Accelerating the development of the western region can promote the rational allocation and movement of resources and provide plenty of space and a powerful impetus for the development of the national economy. As long as our strategy and methods are correct, the development of the western region will be accomplished smoothly.

There was a time in the ancient past when the western region had a favorable natural environment. Wang Wei, a poet of the Tang Dynasty, wrote, "At Weicheng, morning rain dampens light dust / The willows by the inn are all fresh and green / I urge my friend to drink one last cup of wine / West of Yang Pass, there will be no friends."<sup>3</sup> This poem presents a picture of the northwest's natural scenery, as seen at that time. However, due to countless wars and natural disasters, along with various manmade reasons, over thousands of years, the natural environment in the western region has constantly deteriorated, leading in particular to water shortages, serious soil erosion, a worsening ecological environment and desertification aggravated as time passes, which has continued to spread eastward. This has not only had an adverse effect on the economic and social development of the western region, but on other regions as well. The people in the western region have encountered great difficulties in simply surviving, not to mention pursuing economic development and social progress; therefore, before the western region can be developed, the major problem of how to improve the ecological environment needs to be researched and solved. Accelerating the development of the western region will make it possible for us to concentrate and mobilize more strength from all across the country for this grand undertaking having to do with the future development of the Chinese nation. We will irrigate, plant grasses and trees, and



build roads, and this will soon make the western region full of vitality. If we do not begin now to markedly improve its ecological environment, the strategy of sustainable development of the western region will never be realized, and even the survival and development of the Chinese nation will be increasingly threatened.

The western region has a high concentration of ethnic minorities, and is also located along the border. Accelerating its development is of vital importance for maintaining political and social stability, promoting ethnic solidarity and ensuring border security. Constantly accelerating economic development and social progress in ethnic minority areas is important for maintaining their stability. Economic development, social progress and common prosperity for all ethnic groups will further consolidate and develop socialist ethnic relations based on equality, unity and mutual assistance, and greatly increase the cohesiveness of the Chinese nation. As a result, there will be a stronger material, political and ideological foundation for maintaining stability in ethnic minority areas and consolidating border defense.

Carrying out large-scale development of the western region is a grand, strategic task for rejuvenating the Chinese nation. It is difficult to estimate the far-reaching economic, cultural, political, military and social significance of achieving this ambitious strategy. All Party members and the whole country need to raise their awareness and come together in common understanding. Without stability in the western region, there will be no stability in China; without a moderately prosperous life for people in the western region, a moderately prosperous life for people across the country will be impossible; and without modernization of the western region, there will be no modernization of the whole country.

Accelerating the development of the western region under the conditions of developing a socialist market economy requires a new line of thinking. We need to meet the requirements for establishing a socialist market economy, adapt to the new environment of opening up, fully take into account changes in domestic and international market demands, use market economic methods, and conform to objective economic laws. The government needs to strengthen macro-control and research and propose realistic policies and measures. Of course, the central leadership needs to give strong support and display the same boldness of vision it showed when launching the special economic zones. We need to act in accordance with the principle of doing some things while setting others aside, make

overall arrangements, carry out development in a planned and step-by-step manner, and avoid a burst of enthusiasm or rushing headlong into things. Large-scale development of the western region does not mean developing all parts at once; we must have a focus. While drawing up the next five-year plan we need to make implementing the large-scale development of the western region an important principle.

After more than 50 years of development, especially the past 20 years since the introduction of the reform and opening up policy, the western region has accumulated a significant material and technological foundation. However, transportation, communications and other infrastructure are still weak; the development of culture, education, health and other social programs are lagging behind; and issues such as the operating difficulties of SOEs are still fairly pronounced. We must give full consideration to both favorable and unfavorable factors and fully mobilize the enthusiasm of cadres, the masses and others. In my opinion, the general principles are to combine accelerating the economic and social development of the western region with maintaining social and political stability and strengthening ethnic solidarity; to combine developing the western region with attaining the objectives for the third step of the country's strategic plan for modernization, and gradually increase support for the western region through transfer payments as the country's financial resources steadily grow; and on the basis of fully arousing the initiative of the western region itself, to use policymaking to attract domestic and foreign capital, technologies and talent to develop the western region in order to promote economic and social development in line with changes in its population, resources and environment, with specific goals to be met at each stage. Development of the western region should be comprehensive, with high priority given to exploiting and effectively utilizing water resources. We need to make overall plans for developing the ecological environment; spreading science, education and appropriate technology; promoting special interest tourism; and developing transportation and communications infrastructure.

We need to continue to effectively implement the measures the government has already adopted to support the development of the western region, including giving high priority to infrastructure projects; accelerating technological upgrading and adjustments to the product mix; providing more support to increase capital and reduce debt in enterprises, reassign laid-off workers and improve the social security system; and increasing

transfer payments to the central and western regions.

Accelerating the development of the western region is a tremendous systems engineering project and a historic task of unprecedented difficulty. We need to not only have a sense of urgency and promptly work out plans, steps, policies and measures, but also be mentally prepared to work long and hard. Cadres and the masses in all areas of the western region need to seize this historic opportunity, unwaveringly carry forward the glorious tradition of self-reliance and hard work, and utilize their comparative advantages to produce new achievements. We need to be firmly resolved to work hard for decades or even for the whole of the next century to build a western region where the economy prospers, society advances, life is stable, ethnic groups are united and the landscape is beautiful. Through the relentless struggle of one generation after another, we will bring about earthshaking changes, from the environment to the economy, culture and society, and give a new image to the western region, which has been on the decline for 1,200 years, since the An-Shi Rebellion aimed at toppling the Tang Dynasty.<sup>4</sup> This will be a momentous exploit in the history of the development of the Chinese nation as well as an unprecedented feat in the history of world development.

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<sup>1</sup> This is an important idea proposed by Deng Xiaoping. After hearing a report on a proposed program for the reform of prices and wages on September 12, 1988, he pointed out, "The coastal areas, which comprise a vast region with a population of 200 million, should accelerate their opening to the outside world, and we should help them develop rapidly first; afterwards they can promote the development of the interior. The development of the coastal areas is of overriding importance, and the interior provinces should subordinate themselves to it. When the coastal areas have developed to a certain extent, they will be required to give still more help to the interior. Then, the development of the interior provinces will be of overriding importance, and the coastal areas will in turn have to subordinate themselves to it." "The Central Leadership Must Have Authority," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, pp. 271-72.

<sup>2</sup> The western region geographically refers to Shaanxi, Gansu, and Qinghai provinces and the Ningxia and Xinjiang autonomous regions in northwest China and Sichuan, Guizhou, and Yunnan provinces, Chongqing Municipality and the Tibet Autonomous Region in the southwest. After the CPC Central Committee made the policy decision to develop the western region on a large scale, the State Council issued the Notice of Policies and Measures for Carrying Out Large-Scale Development of the Western Region on October 26, 2000, articulating that the policies for developing the western region apply to the ten provinces, autonomous regions and municipalities in the northwest and southwest, and also to the Inner Mongolia and Guangxi autonomous regions. Later, the State Council successively approved preferences given in practical work in accordance with the policies and measures on the western region to the Xiangxi Tujia and Miao Autonomous Prefecture in Hunan Province, Enshi Tujia and Miao Autonomous Prefecture in Hubei Province and Yanbian Korean Autonomous Prefecture in Jilin Province.

<sup>3</sup> Wang Wei (701-61), Tang Dynasty, "Seeing Off Yuan the Second on a Mission to Anxi."

<sup>4</sup>In 755, An Lushan, military commissioner of three Tang garrisons — Pinglu, Fanyang and Hedong (headquartered respectively in present-day southeast Yixian County, Liaoning Province, southwest Beijing, and southwest Taiyuan, Shanxi Province, their jurisdiction extending over modern western Liaoning Province, northern Hebei Province, Beijing and northern Shanxi Province) - revolted under the pretext of punishing First Prime Minister Yang Guozhong. He declared himself emperor of the Yan Dynasty in Luoyang (now Luoyang, Henan Province) in 756, and took the Tang capital of Chang'an (now Xi'an, Shaanxi Province) in the same year. After the death of An Lushan, his subordinate Shi Siming revolted again. The rebellion was not put down until 763. The An-Shi Rebellion lasted more than seven years, seriously disrupted social production and marked the beginning of the downfall of the Tang Dynasty. After this, the Tang Dynasty went into decline and powerful separatist garrisons emerged.



## MAKE THE YELLOW RIVER BENEFIT THE CHINESE NATION\*

*June 21, 1999*

Harnessing and exploiting the Yellow River is of great strategic significance for national economic and social development. In the ten years I have been working at the Central Committee, I have inspected the Yellow River a number of times. Listing my visits to the river from its upper reaches, I visited the Longyang Gorge in Qinghai in 1993; the section of the river on the outskirts of Lanzhou in 1992; the Qingtong Gorge during my inspection tour of Ningxia in 1991; the Sanshenggong Water Control Project and the Yellow River irrigation area in Dengkou County, Bayannur League, during my inspection tour of Inner Mongolia in 1990; the section of the river in Yuncheng Prefecture during my inspection tour of Shanxi on the eve of Chinese New Year in 1994; the site of the Xiaolangdi Dam in Henan as well as some projects to reinforce dangerous parts of the Zhengzhou-Kaifeng section of the river in 1991; and the construction site of the water control facilities at Xiaolangdi again in 1996. This time, I have come back to the river mainly to conduct field research along its course. Embarking on my tour from Hukou in Shanxi, I have already inspected the Shaanxi, Shanxi and Henan sections of the river, and I am going to see the Jinan section and the estuary of the river at Dongying, Shandong. A few moments ago, I listened to a briefing about the state of the river from representatives of Henan, Shandong and the Yellow River Conservancy Commission of the Ministry of Water Resources. Thanks to the unremitting efforts made by cadres and the masses living along the river and the water control authorities under the leadership of the Party and government since the founding of New China, great achievements have been made in preventing floods, managing water resources and improving the ecological environment of the river. At the same time, we face a number of new situations and problems in harnessing and developing the Yellow River and we should give them our full attention.

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\* Excerpt from a speech at a forum on harnessing the Yellow River Comrade Jiang Zemin presided over in Zhengzhou.

### **The Yellow River Occupies an Important Position in Our Country's Historical Development and Modernization Drive**

The Yellow River is a great cradle for the survival and development of the Chinese nation. For thousands of years, the Yellow River Valley has been an important base of the Chinese nation for creating civilization. The imposing Yellow River that indomitably surges forward vividly portrays the Chinese nation's spirit of striving unceasingly to strengthen itself and vigorously making progress.

Historically, the Yellow River Valley was just as famous as the Tigris-Euphrates Valley, Nile Valley and Ganges Valley, and it is the birthplace of one of the four great ancient civilizations of the world. The Yellow River Valley in ancient times had a wet climate, an abundant source of water and fertile soil, and it was the first region in China to undergo economic and cultural development. For more than three thousand years it was the center of China's political, economic and cultural development through different historical periods, and was home to four out of seven ancient Chinese capitals.

Our ancestors created a splendid culture here. A great body of immortal ancient prose and poetry emerged from the Yellow River region, ranging from the *Book of Songs* to poetry of the Tang and Song dynasties, and from *Records of the Grand Historian* to *Comprehensive Mirror for Aid in Government*, and they have added an indelible luster to Chinese culture as a whole. The Yellow River has inspired poets to create numerous marvelous poems. For example, Wang Zhihuan<sup>1</sup> wrote, "The sun beyond the mountains glows / The Yellow River seawards flows / You can enjoy a grander sight / By climbing to a greater height." Liu Yuxi<sup>2</sup> wrote, "With myriad twists of sandy beach the River Yellow / In towering torrents roll as if falling from Heaven." Li Bai<sup>3</sup> wrote, "The waters of the Yellow River come from Heaven / And flow to the sea, never to return;" and "The Yellow River descends from heaven and flows eastward to the sea / In its long course it engraves itself in our hearts." These lines of poetry have been handed down from generation to generation and they still resonate with a strong artistic charm today. Ancient China's countless scientific and technological achievements represented by its four great inventions — papermaking, gunpowder, printing and the compass — which fully displayed the Chinese people's intelligence and wisdom, were all inseparable from the progress of civilization in the Yellow River region. These scientific and cultural achieve-

ments, which have attracted worldwide attention, are not only gems from the treasure-trove of Chinese civilization, but also an indelible contribution to the development of human civilization.

I am also reminded of the outstanding “Yellow River Cantata” by China’s famous musician Xian Xinghai,<sup>4</sup> “The wind is howling. The horses are neighing. And the Yellow River is roaring...” Written during the War of Resistance Against Japanese Aggression, this cantata displayed the heroic spirit of the Chinese people to unite as one to resist foreign aggression and their great spirit of striving unceasingly to strengthen themselves and vigorously making progress. The song inspires us even now. After the founding of New China, a great number of popular works were written about the valiant efforts of the people to harness and develop the Yellow River under the leadership of the Party. Among them were “The Sanmen Gorge: a Dressing Table,” a poem by He Jingzhi;<sup>5</sup> “Sanmenxia, a City of Miracles,” a prose piece by Bing Xin;<sup>6</sup> and “The Sanmen Gorge,” a poem by Guo Xiaochuan.<sup>7</sup>

The Yellow River is also a wild and untamed river, and the river basin has been the source of numerous disasters, earning it the title “China’s Sorrow.” History is full of instances of floods on the Yellow River. In the 2,500 plus years from the pre-Qin era to the KMT government, the Yellow River breached its embankments in the lower reaches more than 1,500 times, and it has had 26 major changes in course. Historically it has overflowed its banks about twice every three years and has changed its course about once a century. In his poem “Ancient River Bank in Wuqiao County,” the poet Sadul of the Yuan Dynasty wrote, “This used to be where the Yellow River was / Yet it has now become farmland / Cities have been transformed into river crossings / The riverbed has become dry ground.” Frequent breaches and changes in course have inflicted great disasters on the people living along the river. Kaifeng, the former capital of seven dynasties, was flooded six times by the Yellow River. The river buried Bianliang,<sup>8</sup> the busy eastern capital depicted in the scroll painting “The Festival of Pure Brightness on the River,” under nine meters of loess. In 1938, Chiang Kai-shek ordered the Yellow River levees at Huayuankou<sup>9</sup> to be dynamited, creating the worst manmade flood in modern Chinese history. This resulted in the flooding of 44 cities and counties, the drowning of 890,000 people, and the suffering of more than 12.5 million, leaving the region in utter desolation.

The Chinese nation has always regarded harnessing the Yellow River

as essential to the people's safety and the country's prosperity, and it has made tenacious efforts toward this end. Rulers throughout Chinese history also worked to harness the river to maintain their political rule. The legend of Yu the Great, who tamed the floods, is widely known. Emperor Wu of the Western Han Dynasty conscripted tens of thousands of people to repair breaches in the Yellow River's levees and personally oversaw the work. Emperor Kangxi of the Qing Dynasty made the harnessing and water transportation of the Yellow River a top priority of his administration's agenda. He even studied the theory of water conservancy and went to the river to conduct field surveys in person. Lin Zexu,<sup>10</sup> a well-known national hero, was also a flood control expert. After he destroyed opium at Humen, Guangdong, he was banished to Ili, Xinjiang. While on his way to exile, the Yellow River breached its banks in Kaifeng, and Emperor Daoguang let him "redeem" himself by helping repair the breach to stop the floods. He hurried to Kaifeng and led the people in building two sections of a levee that were joined at Liuyuankou. Afterward he wrote these famous lines of poetry: "I place my country's interests above my own life / And never consider risk or reward in taking a course of action."<sup>11</sup> For thousands of years, the real heroes in the battle to harness the Yellow River have been the hardworking, brave and unyielding masses. However, for most of our long history, due to restrictions in the development level of the productive forces and the social system, the people living along the banks of the Yellow River were unable to realize their desire of promoting what is beneficial and abolishing what is harmful.

In 1946, while still in the midst of war, the CPC began to lead people in liberated areas in harnessing the Yellow River. After the founding of New China, the Party and government always attached great importance to harnessing and developing the river, and designated it a major national task to be placed high on their agenda. In 1952, Chairman Mao made the Yellow River the destination of his first inspection tour after the founding of New China, and made a great appeal for all issues related to the river to be handled well. Since China's reform and opening up, the Party and government have given high priority to the task of harnessing and developing the river in the country's development strategy. Even though the country was in a period of economic adjustment, appropriate arrangements were made to harness the river. The Proposal for Formulating the Ninth Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2010 adopted at the Fifth Plenary Session of



the Fourteenth Central Committee, and the Decision on Certain Major Issues Concerning Agriculture and Rural Work passed at the Third Plenary Session of the Fifteenth Central Committee systematically set forth the principles and tasks concerning water conservancy. In 1998, the Central Committee and the State Council issued the Guidelines on Post-Disaster Reconstruction, Improving Rivers and Lakes, and Building Water Conservancy Projects. These guidelines laid out comprehensive plans, set forth specific policies, and considerably increased investment for harnessing the Yangtze River, the Yellow River and other large rivers and lakes.

Under the leadership of the Party and government, cadres and the masses in the Yellow River Valley have achieved unprecedented success in harnessing the river through their hard work and concerted efforts, thereby giving the ancient river a new lease of life. For 50 years now, the river has carried the summer and fall flood waters to the sea without incident, which is itself amazing. According to statistics, since the founding of New China, 1.38 billion cubic meters of earth and stone — the equivalent of 13 Great Walls — have been used to reinforce the river embankment. Water and hydroelectric resources on the Yellow River have also achieved considerable development and utilization. The total area of irrigated farmland in the river valley has increased to over 6.67 million hectares, industry and agriculture in the valley are constantly developing, and both urban and rural living standards there are gradually rising. The trunk stream of the river is an important hydroelectric power base. Large-scale efforts to control soil erosion on the Loess Plateau have improved the local ecological environment, reduced the amount of mud and silt discharged into the river, and created the conditions for the locals to shake off poverty. No dynasties in the history of China ever made comparable achievements. This fully demonstrates that utilizing the great superiority of our socialist system under the correct leadership of the CPC, the Chinese people can achieve a succession of wonders.

The 21st century is approaching, and we must promptly consider the problem of how to better manage the Yellow River from a strategic perspective.

### **We Must Understand and Carry Out the Work of Harnessing and Developing the Yellow River from a Strategic Perspective**

The Yellow River is the most important river in northwest and north

China. It flows through nine provinces and autonomous regions — Qinghai, Sichuan, Gansu, Ningxia, Inner Mongolia, Shaanxi, Shanxi, Henan, and Shandong — which have a combined population of nearly 400 million. The Yellow River Valley covers an area of 790,000 square kilometers, is home to more than 100 million people and covers 12.7 million hectares of farmland. In 1997, the valley produced agricultural output of 150 billion yuan and industrial output of more than 600 billion yuan. The valley is rich in mineral resources, particularly petroleum, coal, iron ores and nonferrous metals. It is also our country's major grain and cotton production area; therefore, taming the Yellow River, putting its water resources to best use, and effectively improving its ecological environment is of great strategic importance for sustaining economic and social development in both the valley and the rest of China, and achieving the magnificent cross-century blueprint for modernizing our country.

For a long time the Yellow River has been plagued by severe problems of flooding, soil erosion, and sediment deposition. In recent years, new problems have arisen, such as growing water shortages that have dried up the river and serious water pollution. The state of the river is unique and its problems are complex. To sum up, the Yellow River faces three outstanding problems.

1) Flooding remains a serious threat to the country. The river has become a “hanging river” in its lower reaches. The conservation area of the lower reaches are located in the Huang-Huai-Hai Plain, are heavily populated, and contain a great number of important railways, highways, cities, and industrial and mining enterprises. Should the river breach its banks in this region, there will be enormous damage to life and property, the achievements of reform and development there will be destroyed overnight and the local ecological environment will seriously deteriorate. Currently, in the lower reaches of the river severe sedimentation is not effectively controlled, and the flood control system is not good enough to meet the requirements for controlling heavy floods.

2) An imbalance between water supply and demand has appeared, and the conflict over water is intensifying daily between industrial, agricultural, household and environmental use. Since the 1990s, the river has frequently run dry in its lower reaches, seriously disrupting the work and lives of the people living there. There are many reasons for this, the main ones being a sharp increase in water usage and the lack of unified water management.

3) The Loess Plateau is subject to some of the worst soil erosion and is

one of the most fragile ecological environments in our country. Although some success has been achieved through many years of improving water erosion and the ecological environment, our efforts to date are far from enough. Damage is occurring while improvements are being made, which remains a very serious problem in some places, and soil erosion is still spreading. Severe soil erosion taking place in the Loess Plateau not only slows down the pace of poverty alleviation among the population there, but also exacerbates sedimentation of the lower reaches of the river, increasing the threat of floods. Water pollution in the river is also getting increasingly worse, seriously affecting the work and lives of the people who live along the river.

These problems, if not effectively curbed and managed, will have an enormous negative impact on economic and social development in the Yellow River Valley. We must therefore carry out in-depth investigations, intensify research, and vigorously explore ways to harness and develop the river under the new circumstances. The following are general principles: While harnessing and developing the river we need to give consideration to controlling floods, rationally using water resources, and improving the ecological environment. We need to closely integrate harnessing and developing the river with environmental protection and sustainable use of its resources, promote what is beneficial and abolish what is harmful, both tap new resources and economize on use, and control floods while combating droughts. We need to integrate conserving water sources, saving water and preventing water pollution. We need to take improving the ecological environment as the fundamental purpose and using the river's water efficiently as the key while implementing comprehensive management. We need to take a long-term perspective, consider all factors, make comparisons and choices scientifically, make detailed plans, and set a reasonable schedule for water conservancy projects. We need to formulate both short-term and mid- to long-term goals for harnessing and developing the river, make overall plans, prioritize key projects, make comprehensive arrangements, and proceed step by step in order to balance economic development with changes in population, resources and the environment.

First, regarding the problem of flood control, while solving the flooding problem of the Yellow River, we must have a sense of urgency and mission, and be fully aware that the problem is complicated and will take a long time to solve. On the basis of conscientiously learning from our experiences, we need to formulate a strategy for tackling the problem, apply

modern science and technology, establish a sound flood control system, and strengthen measures such as levee construction, river channel dredging, water and soil conservation, and the construction of reservoirs and detention basins. We must endeavor to basically eliminate the threat of flooding by the middle of the next century and seek lasting stability for the Yellow River.

Second, regarding water resources, following economic and social development and population growth in the Yellow River Valley, the issue of water shortages on the river will become increasingly serious. For example, in Henan Province current water resources amount to only 400 tons per capita, just one sixth of the national average. If we do not plan for the future, we will find trouble at our doorstep. We must take strategic measures to integrate economic, social and ecological benefits and ensure the water supply meets the needs for constant economic and social development in the Yellow River Valley and areas along the river. To ease the imbalance in Yellow River water supply and demand, we must work to open, regulate and protect the river's water resources through a combination of economic, technological and administrative measures. We must view water conservation as an urgent task of primary importance and tackle it promptly and effectively. The key is to develop water-saving agriculture, change the extensive farming practice of large-scale flood irrigation and develop intensive farming. Industrial and other undertakings must also adhere to the principle of water conservation. The scarcity of water is an important factor contributing to slow development and widespread poverty in some parts of the central and western regions. If the water problem is solved, these places will be sure to achieve faster and greater development. This will have great significance for improving ethnic solidarity and consolidating our borders. We need to strengthen unified management and protection of the water resources in the Yellow River Valley and exercise unified management of the entire river's water flow. To fundamentally alleviate severe water scarcity in northern China, it is necessary for us to carry out the South-to-North Water Diversion Project. We need to promptly work out a feasible program for implementing the project on the basis of scientific comparisons and choices and detailed plans.

Third, regarding the ecological environment, improving the ecological environment of the Yellow River Valley is an important issue bearing on sustainable economic and social development there. Decades of experience prove that we must consider soil and water conservation an es-



essential measure for creating better conditions for agricultural production, improving the ecological environment and harnessing the Yellow River and perseveringly do everything required promptly and effectively. Ecological projects need to be integrated with land management, comprehensive development and regional economic development. Conserving water and soil in the upper and middle reaches of the river is a vast and complicated task. We need to make comprehensive efforts toward this end by fully leveraging the ability of the socialist system to concentrate resources on accomplishing large undertakings, mobilizing all positive factors and using engineering, biology and efficient farming. Through the ceaseless efforts of several generations, the ecological environment of the Loess Plateau will surely improve significantly.

In harnessing and developing the Yellow River, we need to attach great importance to using science and technology, particularly new and high technologies. This is critical to the success of this work. Science and technology are progressing rapidly in the world today and we must follow this trend. We need to study advanced international technologies used for harnessing and developing large rivers and make use of those suitable for our conditions. The Yellow River has its own distinct features, so we must study and apply advanced science and technology according to its actual conditions. The experiment testing a model of the Xiaolangdi Reservoir that I saw at the experimental base of the Yellow River Institute of Hydraulic Research in the northern suburbs of Zhengzhou on my current trip is groundbreaking research. We need to focus on tackling key technological problems that have a significant effect on controlling floods, utilizing water resources, and improving the ecological environment, and strive to obtain breakthroughs in order to provide strong technological support for harnessing and developing the Yellow River.

While harnessing and developing the Yellow River, we need to keep in mind the plan for the river system as a whole. We need to harness the river in accordance with the law; research and formulate relevant laws and regulations; adjust and regulate relationships in our efforts to harness, develop and manage the river in accordance with the law; plan and manage water resources in a unified way; tighten oversight of law enforcement; and gradually put in place a new river basin management system that is suited to China's conditions and meets the needs of harnessing and developing the river in the 21st century. Both the central and local authorities need to increase investment in harnessing and developing the Yellow River and create

a mechanism for diversifying their investments. Government departments responsible for the river and the provinces and autonomous regions in the Yellow River Valley need to keep the big picture in mind, stay rooted in the present while looking to the future, intensify research, work out plans and do all their work well with a strong sense of mission and responsibility.

Harnessing and developing the Yellow River is a great but arduous and long-term task. I hope that everyone will continue to work tirelessly under the strong leadership of the CPC Central Committee so that the ancient Yellow River will be rejuvenated and better benefit the Chinese nation.

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<sup>1</sup> Wang Zhihuan (688-742), a native of Jinyang, Bingzhou in the Tang Dynasty (now in southwestern Taiyuan, Shanxi Province), was a Tang Dynasty poet. This quotation is from his poem "On the Stork Tower."

<sup>2</sup> Liu Yuxi (772-842), a native of Luoyang in the Tang Dynasty (still known today as Luoyang, Henan Province), was a Tang Dynasty writer and philosopher. This quotation was taken from his "Nine Poems — to the tune of *Lang Tao Sha*," Poem I.

<sup>3</sup> Li Bai (701-62) was a descendent of people from Chengji, Longxi (now in southwestern Jingning, Gansu Province). It is widely held that he was born in Changlong, Mianzhou in the Tang Dynasty (now in southern Jiangyou, Sichuan Province), though some hold that he was born in Suyab (now near Tokmok in northern Kyrgyzstan, which was administered by the Anxi Frontier Command during the Tang Dynasty). He was a Tang Dynasty poet. This quotation was taken from his poems "Bring in the Wine" and "To Pei the Fourteenth."

<sup>4</sup> Xian Xinghai (1905-45), a descendent of people from Panyu, Guangdong (now Guangzhou, Guangdong Province), was a musician born in Macao.

<sup>5</sup> He Jingzhi (1924- ), a native of Yixian County, Shandong (now Zaozhuang, Shandong Province), is a poet and playwright.

<sup>6</sup> Bing Xin (1900-99), originally known as Xie Wanying, was a writer from Changle, Fujian Province.

<sup>7</sup> Guo Xiaochuan (1919-76), originally known as Guo Enda, was a poet from Fengning, Hebei Province.

<sup>8</sup> Bianliang was the old name for the ancient capital of Kaifeng, which is now Kaifeng, Henan Province. Wei, one of the states in the Warring States Period, established its capital there and called it Daliang, or Liang for short. The Tang Dynasty made it a prefecture and called it Bianzhou, or Bian for short. Later on, it was called Bianliang, a compound of the two of its former names Bian and Liang. The Later Liang Dynasty in the Five Dynasties Period established its capital in Bianzhou and renamed it Kaifeng. The following dynasties of Later Jin, Later Han and Later Zhou as well as the Northern Song Dynasty all made Kaifeng their capital, known as Dongjing or Bianjing. Zhang Zeduan, a painter of the Northern Song Dynasty, created the scroll painting "The Festival of Pure Brightness on the River" to depict Kaifeng, his dynasty's capital on both sides of the Bianhe River, reflecting social activity back then.

<sup>9</sup> In May 1938, Japanese invaders occupied Xuzhou and then marched west along the Lanzhou-Lianyungang Railway. In early June, Chiang Kai-shek ordered the Yellow River levees to be blown up at Huayuankou in northern Zhengzhou in order to stop the westward drive of the Japanese troops, but this also brought an unprecedented catastrophe on the people. After the dikes were breached, a vast area was flooded, leaving the region gripped by famine for many years. Following victory in the War of Resistance Against Japanese Aggression, the KMT government, to meet its need to wage all-out civil

war, decided to repair the breach in the dike at Huayuankou and set the river back on its old course leading to the sea in the east, in an attempt to divide and flood the liberated area. The CPC held several talks with the KMT government concerning the matter, thereby gaining time for organizing soldiers and civilians to make rush repairs to levees along the old course and relocate inhabitants living there. The work of rebuilding the levees and relocating the inhabitants was completed in March 1947, just before the broken dike was restored.

<sup>10</sup> Lin Zexu (1785-1850), a native of Houguan, Fujian in the Qing Dynasty (now Fuzhou, Fujian Province), was a Qing Dynasty statesman. While serving as Director General of the Yellow River and the Grand Canal, he worked tirelessly to harness the Yellow River. When he later became Governor of Jiangsu, he launched water conservancy projects on the Baimao and Liuhe rivers. In 1838, when he served as Governor General of Hunan and Hubei, he banned the non-medicinal consumption of opium with remarkable success. In December of the same year, he was made an imperial envoy and investigated and banned the opium trade in Guangdong. Within a matter of months, he confiscated over 1.15 million kilograms of opium from British, American and other merchants and destroyed it publicly in the ocean outside of Humen in June 1839. After the Opium War broke out, he commanded his troops in setting up strong defenses and putting up determined resistance, foiling the plot of the British army in Guangdong. He was later removed from office under a false charge and banished to Xinjiang.

<sup>11</sup> Lin Zexu, "Farewell to My Family on My Way to Exile."

## THE “THREE STRESSES” IS A NEW ENDEAVOR TO STRENGTHEN PARTY BUILDING\*

*June 28, 1999*

We are holding this forum here today on the ongoing nationwide education campaign to stress study, politics and integrity to mark the 78th anniversary of the founding of the CPC. This is of great significance.

Our Party has been through 78 years of struggle. It has united with and led the people of all the country's ethnic groups in achieving great successes in revolution, construction and reform and won their wholehearted support. The reason our Party has developed into a strong Marxist ruling party with more than 60 million members as it stands now and has been able to overcome all difficulties and obstacles and break new ground in its cause is that it has benefited from an important historic experience: In leading the masses in the great course of praxis, we unremittingly strengthened the Party's ideology, politics, organization and work style under the guidance of Marxism, in light of our country's concrete realities and situations in different historical periods and centered on the Party's central tasks. Comrade Mao Zedong considered Party building to be a powerful weapon for vanquishing our enemies and growing in strength. In the past 70 plus years, our Party has steadfastly implemented this important historical experience and preserved its nature as the vanguard of the working class, the Party's fighting capacity has constantly increased and its leadership level has constantly risen.

How to strengthen the Party in peacetime is an important question our Party has faced since taking power. During the revolutionary war, Communists often faced the severe tests of the flames of war and a harsh environment. Whether or not Party members and leading cadres were willing to brave all dangers, shed their blood and put their lives on the line for the Party and people's cause was the best test of their Party spirit. In order to win national independence and liberate the people, our Party made the greatest sacrifice and passed this test. In the period of peacetime construction, the Party's central task is to carry out economic development. The environment has changed and living conditions have gradually improved.

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\* Speech at a forum commemorating the 78th anniversary of the founding of the CPC.



People are still put in life-and-death situations, but much less often than during wartime. Under these new historical conditions, the content, form and characteristics of Party building are inevitably very different from those during the war years. After the founding of New China, our Party made tireless efforts and carried out new explorations concerning this issue and accumulated considerable new experience. Although we made mistakes and even experienced serious setbacks, in general we gradually created a series of effective measures and methods for strengthening Party building in peacetime. We must continue to use these measures and methods. After the Third Plenary Session of the Eleventh Central Committee, Comrade Deng Xiaoping led our Party in conscientiously reviewing both our positive and negative historical experiences and achieving significant results for exploring the path for strengthening Party building in the new period of reform, opening up and modernization. This process is not yet complete, and the whole Party must continue to explore and practice.

The Central Committee has decided to thoroughly carry out the education campaign to stress study, politics and integrity in a spirit of rectification among all Party and government leading bodies and leading cadres above the county level throughout the country in a concentrated period of time in order to solve outstanding problems in Party spirit and conduct. This is a new endeavor designed to strengthen Party building. Under these new historical conditions, this campaign is necessary in order to preserve the Party's advanced nature and purity, raise its level of leadership and governance, and strengthen its ability to resist corruption and degeneracy and withstand risks; to comprehensively strengthen Party building in terms of its ideology, politics, organization and work style and improve the quality of cadres; and for our Party to unite with and lead the people in comprehensively pressing ahead with the great cause of building socialism with Chinese characteristics in accordance with the strategic arrangements made at the Fifteenth National Party Congress. The significance and impact of effectively carrying out the "three stresses" education campaign will be profound and far-reaching.

This campaign is the top priority among our current Party-building efforts. In accordance with the Central Committee's requirements, all regions and departments are launching the campaign in stages and among different groups of Party members. On the whole, the vast majority of localities and organizations have recently set out clear guidelines, worked conscientiously and effectively, made sound and smooth progress, achieved significant

results and accumulated a wealth of positive experience. Many comrades report that leading cadres in the Party have focused their time on studying Marxism-Leninism, Mao Zedong Thought and especially Deng Xiaoping Theory in light of realities, combined the transformation of the objective world with the transformation of the subjective world, and conscientiously drew lessons from their practical work and the development of Party spirit. This has rarely happened in recent years. They report that leading cadres at the provincial and ministerial level have taken the lead in conscientiously identifying and exposing outstanding problems that exist in their Party spirit and conduct, and analyzed them from the perspective of their world-view, outlook on life and sense of values. This has also rarely happened in recent years. They also report that Party members have fully carried forward democracy, stuck to the mass line, listened to opinions from all sides, and seriously and earnestly carried out criticism and self-criticism. Again, this has rarely been seen for many years.

The “three stresses” campaign is progressing well. Party committees at all levels, especially principal leading cadres, need to further fortify their confidence, make persistent efforts, earnestly implement the Central Committee’s arrangements, maintain a high sense of responsibility, a serious attitude and wholehearted enthusiasm, and continue to intensify the campaign.

The stresses on study, politics and integrity are intimately related to and integrated with each other, the core being politics. A political party is a group that is organized around its political platform and according to its political line in order to achieve its political objectives. A political party that does not stress politics and departs from its political platform, line and objectives can scarcely be considered a political party. Our Party is a Marxist party, and it must steadfastly stress Marxist politics, the politics of building socialism with Chinese characteristics, and a politics that realizes, safeguards and develops the interests of the masses. All Party comrades, especially leading cadres, must be firm and correct in their political orientation, political stance, and political views; strictly observe political discipline; strengthen their political sensitivity and discernment; and ensure that the whole Party has a high level of unity in thinking, politics and organization. Only in this way can we maintain a clear head, a scientific understanding and a resolute conviction on the road ahead. Only in this way will we be able to withstand all the tests of difficulties and risks we encounter, and complete all the tasks of reform and development.

Stressing politics is concrete, not abstract. For leading cadres to stress politics, the most important thing is for them to implement, through their own practice, the requirement to stress politics in their efforts to promote the building of a socialist economy, politics and culture with Chinese characteristics, in their daily work and study and in intra-Party life. Here, I would like to emphasize the following points.

First, we need to strengthen the correct ideals and convictions. As Communists, we fundamentally believe in socialism and communism, and our worldviews consist of Marxist dialectical materialism and historical materialism. We can never waver from these in the slightest. If a Party member, especially a leading cadre, vacillates on these fundamental beliefs, he or she will vacillate on Communists' fundamental political position and is bound to deviate from the correct political orientation. That the Central Committee designated the strengthening of ideals and convictions as the first problem to be solved by the "three stresses" campaign indicates pertinence. In this regard, some comrades really do have problems that cannot be neglected. For example, some Party members waver in various ways in their understanding of socialism's inevitable, ultimate victory over capitalism following a long period of development and of the future of building socialism with Chinese characteristics. The revolutionary fervor of some comrades is declining. Their thinking is hollow, and they live dissolute lives or seek spiritual solace in feudal superstitions and other unhealthy activities. The selfish desires of some are swelling, and they have drifted with the tide of money worship, and in some cases, they even abuse their official positions to steal state assets in order to leave themselves a so-called way out. A variety of situations show that we must constantly intensify cadres and Party members' education in ideals, convictions and dialectical and historical materialism to ensure all Party members base their ideals and convictions securely on the scientific foundation of Marxism. We need to adapt to new international and domestic circumstances and to economic, political and cultural changes in Chinese society, find new ways of doing things, and create new experiences. We need to ensure that in the great and difficult process of building socialism with Chinese characteristics the Party genuinely strengthens its work related to its ideology, politics, organization and publicity, and to the masses, so that our ideology and politics are always firmly rooted in Marxism and so that idealism, non-Marxism and anti-Marxism have no opportunity to harm us. Our experience in ideological and political work shows that if proletarian ideology does not prevail in the areas of

ideology and politics, capitalist ideology will. We must pay close attention to and always bear in mind these lessons from historical experience.

Second, we need to be good at correctly understanding and judging situations politically. Socialist modernization under the leadership of our Party is a formidable and constantly developing cause, one that we are undertaking in the midst of a complex and volatile international environment. If we are not good at understanding the state of our economic and social development and how the changing international situation affects China, sizing up the situation, and making correct decisions from a political, overall and strategic perspective, then it will be difficult to maintain a correct orientation and to put the Party's basic theory, line and platform into practice. Only by correctly understanding and analyzing situations can we correctly balance the excellent overall progress of modernization and the temporary difficulties and problems that arise in the course of achieving it, clearly recognize something's basic nature from its appearance and something's essence and appearance, and fortify our confidence in carrying our work forward. Only in this way can we properly balance reform, development and stability, handle all our work well by making overall plans and taking all factors into consideration, and promote all-around economic and social development. And only in this way can we properly handle the relationship between the overall relaxation of international tensions and the hegemonism and power politics the United States and other Western countries continue to practice, strive to create a favorable international environment for China's modernization, and better safeguard our security and interests. Recently, when addressing the issues of military interference in the internal affairs of the Federal Republic of Yugoslavia<sup>1</sup> by the US-led NATO, along with the United States' missile attack on the Chinese Embassy there,<sup>2</sup> the Central Committee paid attention to the overall international and domestic situations and formulated and carried out correct policies and measures. In short, we must adhere to a Marxist dialectical point of view whether we are dealing with international or domestic matters. When faced with a favorable situation, we cannot be overcome by blind optimism; rather, we must be aware of existing problems and try to solve them promptly. When we encounter difficulties or experience setbacks, we cannot become disheartened. We must see the light at the end of the tunnel, firmly believe we will succeed, and press ahead in spite of difficulties. When faced with challenges, we cannot lose our composure, but must assess the situation calmly, respond coolly and deal with them properly.



Third, in terms of the Party's line, principles and policies, we always need to remain politically clearheaded and firm. Politics is a concentrated expression of economics and serves economics. Lenin pointed out, "Without a correct political approach to the matter the given class will be unable to stay on top, and, consequently, will be incapable of solving its production problem either."<sup>3</sup> The central task in our efforts to achieve socialist modernization is to develop the economy, and we must hold firmly to this task and never waver from it. Economic development requires strong political guarantees and adequate political conditions; otherwise economic development will not succeed. Politics is an aspect of economic and all other kinds of work. The Fifteenth National Party Congress proposed that China should vigorously explore forms of public ownership that can further liberate the productive forces and should permit the establishment of the stockholding system and joint stock partnerships. This led some foreigners to wrongly conclude that China wants to pursue privatization, and some of our comrades had similar misunderstandings, which in turn resulted in errors in the work of some localities. Our state assets have grown to more than eight trillion yuan in the 50 years since the founding of New China. These assets are the property of the Chinese people, and an important economic foundation for our socialist system. If we are not clearheaded or if we handle matters carelessly, for example, by indiscriminately transferring of state assets into the hands of a small number of people without restrictions, then there is a danger that those assets will be lost and that socialism will lose its economic foundation. If that were to happen, what state would China be in? What support could we draw on to uphold socialism, to consolidate the people's political power and to ensure their prosperity? Therefore, correctly understanding and adhering to the basic economic system whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side, and correctly understanding and dealing with the relationship between the public and non-public sectors of the economy are important economic and political issues that affect the destiny of the Party and the state. My purpose in discussing this is to make it clear that leading cadres, especially high-ranking ones, must be skilled in analyzing and dealing with problems from a political perspective. They cannot deal with economic issues solely on the basis of economic considerations or handle other matters in a similar fashion. Doing so would not only result in work being done poorly, but would also be destructive to the cause of the Party and the people. I hope that leading cadres at all levels

will consciously understand and grasp their work from a political perspective to ensure that all our work progresses in the right direction.

Fourth, we need to conscientiously adhere to the Party's principle of democratic centralism. Democratic centralism is the fundamental organizational and leadership system of the Party and the state and our most important form of organizational and political discipline. Some leading bodies are not harmonious or united for a variety of reasons, but a common factor in all such cases is that democratic centralism is poorly implemented. Some principal leading cadres like to have the final say and view collective discussions as mere formality. Some leading cadres have a poor awareness of overall situations, and carry out collective decisions when they agree with them and ignore them when they do not. Situations like these prevent the formation of the overall effort of collective leadership and have detrimental political consequences. I have always maintained that leading bodies need to adhere to collective leadership, democratic centralism, discussions of matters before meetings and decision making at meetings. Principal leaders need to be courageous and good at making resolute decisions on a democratic basis. They also need to respect others' opinions, be good at pooling collective wisdom and implement centralism correctly. Every member of a leading body should perform his or her own duties in accordance with the collective's decision and division of labor, while keeping the overall situation in mind and actively participating in collective decision making. When making important decisions, appointments and dismissals, they must adhere to democratic centralism, uphold collective discussion, reach decisions at meetings, and act in strict accordance with rules and procedures. Members of leading bodies should trust, support, complement and understand each other. When they encounter differences of opinion, they should discuss them frankly and work them out quickly; they should not talk irresponsibly behind each other's backs or keep track of personal grudges. In this way, problems that can threaten unity can be avoided or minimized, and any conflicts that arise can be easily resolved. We need to continue to use the tools of criticism and self-criticism to resolve contradictions within the Party. This is a fine tradition and work style of the Party, and it is necessary under these new historical conditions in order to strengthen Party unity, improve intra-Party life and help Party members progress. Great harm can be done by adopting a laissez-faire attitude toward wrong things without waging the necessary ideological struggle against them, by putting personal feelings above Party spirit, by stressing

personal connections instead of adhering to principles, by dodging contradictions, and by keeping on good terms with everybody at the expense of principles. We need to have the courage to criticize and struggle against major issues of principle that deviate from the Party's line, principles and policies and erroneous acts that go against the Party's purpose and discipline. Leading cadres should solicit good advice and delightfully accept criticism. This will benefit their own progress and self-improvement and increase the Party's cohesiveness and capabilities.

Fifth, we need to work wholeheartedly for the interests of the people. For us Communists, the starting and ending points of all our work are the interests of the people. This is the foundation for building our Party and the cornerstone of its governance. Political issues are essentially about our attitude toward the masses and our relation to them. The people are the creators of history and the masses are the real heroes. What I have just said was said by Comrade Mao Zedong long ago, and I have quoted and emphasized this on many occasions. Leading cadres need to maintain close relations with the masses, genuinely identify with them, and think and worry about what they think and worry about. Leading cadres need to judge their actions on the bases of whether or not the masses approve and are happy; otherwise, they will be in danger of being abandoned by the masses. They must enthusiastically deal with problems reported by the masses and effectively help them solve practical problems in their work and their lives. They absolutely must not be indifferent to the problems people face, and more importantly, they must not treat people roughly or sharpen conflicts. We cannot afford to pay lip service to working wholeheartedly in the people's interests or to go through the motions but accomplish nothing. On the contrary, we must genuinely work for the masses and start by addressing the most urgent, practical problems of most concern to the people. We need to effectively implement the fundamental purpose of the Party in everything we do for the people.

In short, all Party members and cadres, especially leading cadres, need to stress politics regardless of which field they are in or what type of work they do. The Central Committee calls on high-ranking cadres to first strive to become statesmen loyal to Marxism, keep to the path of socialism with Chinese characteristics, and become capable of running the Party and the country.<sup>4</sup> The key to improving cadres' quality is to improve their understanding of Marxist politics. Without this political soul, they will lose their orientation, making it impossible for them to be clearheaded and qualified

leading cadres of the Party, let alone clearheaded and qualified developers and leaders of the cause of socialism with Chinese characteristics. High-ranking cadres must strive to strengthen their study and praxis in accordance with the requirements of the Central Committee and to become the kind of statesman needed to run both the Party and the country well. Other leading cadres must train and improve themselves in accordance with these requirements. Our Party has a great many statesmen who can run the Party and the country in this new historical period, in this social environment in which we are carrying out reform and opening up and developing a socialist market economy, and in this complex international situation. With this type of statesman handling economic, cultural, military, and diplomatic affairs, along with all work of modernization, the great cause of building socialism with Chinese characteristics will certainly advance from victory to victory.

When stressing politics we must always stress study. If leading cadres have a firm grounding in Marxist theory and abundant knowledge in all areas, they will be able to thoroughly understand and grasp all kinds of complex conflicts and problems, incisively identify all kinds of erroneous viewpoints and ideas, scientifically formulate policies and measures, and maintain a correct political orientation in all complex situations. In short, we can better stress politics only by stressing study. When studying, one must first study theory. Strengthening theory is the basis for Party building. Furthermore, the theoretical level of leading cadres is the decisive factor for determining the quality of their ideology and politics. Strengthening the study of Marxist theory remains an urgent and important task facing the entire Party, and we must constantly press ahead with it. At the same time, we should broadly study economics, politics, law, science and technology, history and culture as well as international politics and economics. Outstanding works of literature and art help expand people's intellectual horizons and improve their moral character, and we should be familiar with and understand such works. The knowledge created by the human race is vast, and it is impossible to study it all, so we should rationally formulate a study plan in light of our knowledge and work, and then gradually increase our knowledge and deepen our studies. People are not born with knowledge; knowledge, ability and experience are obtained through practical work and diligent study. Learning is not limited to book learning, but also comes through practice. In order to make progress, we should not only gain knowledge by reviewing our successful experiences, but also by



reflecting on the lessons of failure. These are the requirements set forth in our Party's ideological line of seeking truth from facts, and in the Marxist style of study that integrates theory with practice.

The stress on politics must be reflected in a stress on integrity. Stressing integrity means adhering to and fostering the inherent political character and revolutionary integrity of Communists. The Central Committee has always stressed that all Party members, especially leading cadres, must establish and maintain the noble character and revolutionary integrity of Communists. This is the powerful spiritual force that the Party has consistently used to unite in struggle and achieve victories. A revolutionary party must have upright integrity; that way the whole party will possess a powerful spiritual support and be full of vigor and vitality. In recent years, some leading cadres have succumbed to the temptations of money, power and sex, and have degenerated and fallen into the morass of corruption. An important reason is that these people have become lax in transforming their worldview and have lost the revolutionary integrity of Communists. The Chinese nation has always esteemed reputation and integrity. Mencius once said, "... to be above the power of riches and honors to make dissipated, of poverty and mean condition to make swerve from principle, and of power and force to make bow down."<sup>5</sup> This statement and many others like it express our nation's quest for faithful integrity. We Communists should draw upon and carry forward the outstanding cultural traditions of the Chinese nation, and use Marxist thinking to cultivate and promote good moral character. Maintaining revolutionary integrity means being loyal to the cause of the Party and the people, regardless of the circumstance. It means not departing from the original intentions of the revolution or losing faith in the certainty of victory. It means eliminating irrational fears, seeing through fallacies, upholding the truth, safeguarding the Party's principles, and taking a clear stand against every kind of erroneous thinking, unhealthy tendency and malevolent force. It means insisting on honesty and hard work and remaining pure-minded and full of dignity and honor in the face of the corrosive influences of money worship, hedonism, ultra-individualism and debauchery. Energetically strengthening the education of all Party members, especially leading cadres, in revolutionary integrity is an important aspect of improving ideology and politics under our new circumstances. All of us must consciously develop our Party spirit and strengthen our ideological and political level in the course of reform, opening up and modernization. We must strive to resolve our worldview,

outlook on life and sense of values; continuously fortify our convictions and aspirations in praxis; temper our willpower and character; and genuinely acquire the noble character and exemplary integrity of Communists.

Since the advent of reform and opening up, tremendous changes have taken place in the Party's domestic and international environment, its historic tasks and the composition of its members and cadres. The diversification of economic sectors and organizational forms in society, and the different demands members of society have concerning their material and other interests cannot help but be reflected within the Party and its body of leading cadres. This creates new situations and new challenges that we have never faced before in Party building. The "three stresses" campaign is an important measure adopted by the Party to strengthen leading bodies, improve the quality of cadres, and solve serious problems concerning Party spirit and conduct in the new situation.

The campaign for leading bodies and cadres at the first group of provincial- and ministerial-level organizations is about to come to an end, but there is still much work to be done to consolidate and expand the results achieved and implement measures to correct problems found. The campaign for cadres at the section chief level in the prefectures, cities, departments and bureaus of provinces, autonomous regions and municipalities directly under the central government and in the departments of the Central Committee and the ministries and commissions of the State Council has just begun or is about to begin. Additionally, we will soon include in the campaign leading bodies and cadres at the second group of provincial- and ministerial-level organizations. Party committees (leading Party groups) in all regions and departments need to strengthen their leadership, and their principal leaders need to effectively carry out the responsibilities of a person who is first in command. Each level should be responsible for and lead the next lower level. They need to maintain high standards and strict requirements. They cannot relax their efforts, lower their requirements or standards, or simply go through the motions. The Central Committee's inspection groups need to continue to provide sound guidance and assistance. On the basis of reviewing and making full use of the lessons learned by the first group of organizations to experience the campaign, we need to improve our efforts with subsequent groups at all other levels. The time for carrying out the campaign is limited, but stressing study, politics and integrity is a long-term task, and it should become a regular, conscious action of all Party members, especially leading cadres.

We stand at an important historical juncture at the turn of a century, and we shoulder the great and difficult task of cross-century development. We must use this campaign to further raise the theoretical and political level of the whole Party, improve leading cadres' ability to correctly grasp situations and manage complex situations, further strengthen the Party's cohesiveness and capabilities, and better lead the people of all the country's ethnic groups in comprehensively advancing the cause of building socialism with Chinese characteristics.

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<sup>1</sup> "Establish a New Security Concept Suited to the Needs of the Times," note 1, p. 310, this volume.

<sup>2</sup> "Share a Bitter Hatred of the Enemy and Unite Against Foreign Aggression," note 1, p. 319, this volume.

<sup>3</sup> V. I. Lenin, "Once Again on the Trade Unions, the Current Situation and the Mistakes of Trotsky and Bukharin," *Collected Works*, Eng. ed., Progress Publishers, Moscow, 1965, Vol. 32, p. 84.

<sup>4</sup> Based on the Decision of the CPC Central Committee on Several Important Issues Concerning Strengthening Party Building, passed at the Fourth Plenary Session of the Fourteenth Central Committee on September 28, 1994, high-ranking cadres, especially principal leading cadres of the Party and government at and above the provincial and ministerial level, not only need to become proficient in general knowledge and professionally competent and do their jobs well, but first and foremost must also strive to become statesmen loyal to Marxism, keep to the path of socialism with Chinese characteristics, and become capable of running the Party and the country.

<sup>5</sup> *Mencius*, Book VI, "Teng Wen Gong," Part II. The original text reads, "To dwell in the wide house of the world, to stand in the correct seat of the world, and to walk in the great path of the world; when he obtains his desire for office, to practice his principles for the good of the people; and when that desire is disappointed, to practice them alone; to be above the power of riches and honors to make dissipated, of poverty and mean condition to make swerve from principle, and of power and force to make bow down — these characteristics constitute the great man."

## STRENGTHEN UNITY AND COOPERATION WITH THE THIRD WORLD FROM A STRATEGIC PERSPECTIVE\*

*August 4, 1999*

After World War II, and especially in the 1950s and 60s, there was a surge of anti-imperialist and anti-colonial national liberation movements. Organizations such as the Non-Aligned Movement<sup>1</sup> and the Group of 77<sup>2</sup> were dynamic and had considerable influence, and a number of leaders with worldwide influence appeared, such as Jawaharlal Nehru,<sup>3</sup> Gamal Abdel Nasser,<sup>4</sup> Josip Broz Tito,<sup>5</sup> Achmed Sukarno,<sup>6</sup> Kwame Nkrumah,<sup>7</sup> and Julius Kambarage Nyerere.<sup>8</sup> The collapse of colonialism and the rise of the third world is one of the most significant developments and changes in international relations since the end of World War II. After the end of the Cold War, the West intensified the implementation of its political strategy of Westernizing and dividing the third world, and pressured developing countries to adopt a Western-style multiparty system under the pretext of promoting democracy, freedom and human rights. The impact of this wave of “democratization” launched by the West brought political turmoil to many countries, hindered their economic development and touched off ethnic, religious and territorial disputes. These were the results of swallowing a dose of political poison in the form of indiscriminately copying Western political institutions without regard to national conditions. I have visited many developing countries and hosted many of their leaders, and my overall impression is that even though some developing countries have achieved political independence, their economic lifeline is still in the hands of others. Because developing countries are economically and technologically backward, they are, on the whole, at a disadvantage in the process of economic globalization, and the wealth gap between them and developed countries is further widening. The Asian financial crisis has hampered Asia’s rapid economic growth, and also considerably impacted economic development in the Middle East, Africa and Latin America. Presently, because some developing countries are having economic difficulties and are

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\* Excerpt from a speech at a conference on foreign affairs work for departments under the central leadership.



leaning toward the West politically, there has emerged a new round of division and reorganization within the ranks of developing countries, making it difficult for them to join together and form a powerful force. However, they are beginning to awaken. The recent 35th assembly of heads of state and government of the Organization of African Unity issued the Algiers Declaration. It clearly states that colonialism is the root cause of instability and backwardness in Africa, reiterates that all countries enjoy sovereign equality, and reaffirms the norms of international relations, i.e. respect for sovereignty and territorial integrity, noninterference in the internal affairs of other countries, nonrecourse to threats or the use of force, and settling international disputes peacefully. Furthermore, it stresses its opposition to the politicization of human rights and its conviction that the United Nations plays an irreplaceable role in world affairs. It recognizes that current economic globalization has a considerable negative impact on Africa, and expresses the ardent desire of African countries for the creation of a just and equitable new international political and economic order.

Strengthening unity and cooperation with third world countries is our country's basic foreign policy standpoint. The vast majority of third world countries were colonies or semi-colonial countries in the past. Despite gaining political independence, they have remained economically dependent and belong to the ranks of developing countries. Our country has always placed importance on its work related to third world countries, supported their national liberation movements and their just cause of developing their national economies, and provided considerable assistance in these areas. In the 1970s, Comrade Mao Zedong set forth the strategic view of differentiating the three worlds<sup>9</sup>, which assigned an important strategic position and role to the third world and clearly stated that China was part of the third world. In 1974, Comrade Deng Xiaoping attended the Sixth Special Session of the United Nations General Assembly, where he delivered to the international community a detailed exposition of Comrade Mao Zedong's strategic thinking. After China adopted the reform and opening up policy, Comrade Deng Xiaoping adjusted our country's foreign policy to adapt to changing circumstances, and stressed the need to comprehensively strengthen our work concerning third world countries and attach great importance to South-South cooperation. He said, "[A]fter World War II, a positive factor in international politics has been the rise of the Third World."<sup>10</sup> When he received an Algerian government delegation on January 1, 1982, he said that South-South cooperation is a new formulation and a

very good one, and that the person who thought of it should be given a medal. South-South cooperation is an important issue in international relations and it is the direction that historical development is taking.<sup>11</sup> China and other third world countries share the same fundamental interests, similar historical experiences, and the common tasks of safeguarding national independence and developing the economy. Most developing countries have great respect for our country's position, have high hopes for our future development, are willing to learn and borrow from our experience, and want to strengthen friendly cooperation with us. China's cooperation with these countries offers bright prospects. Third world countries are the main force our country relies on in its international affairs. Mutual sympathy and support with third world countries in international affairs is our great political advantage. Our poverty-stricken friends in the third world played a key role in facilitating our entry into the United Nations. The support of third world countries was also indispensable in defeating anti-China motions from Western countries at eight consecutive meetings of the UN Human Rights Council.

Presently, despite many difficulties, the third world is still an important force on the international stage. Third world countries occupy a large area of land, have abundant resources and large populations, and have great potential for development. They account for the vast majority of UN Member States, but they suffer most from hegemonism and power politics and from the unjust and inequitable old international political and economic order. They are the main force opposing hegemonism, safeguarding world peace, and promoting the creation of a just and equitable new international political and economic order. From a strategic perspective, with our country's overall diplomatic situation and general interests in mind, we must consider how to strengthen cooperation with third world countries and further raise our awareness of the importance of our third world work. Now the situation is changing. Some third world countries are somewhat distancing themselves from China, some of their new leaders do not sufficiently understand us, and their feelings for us are not as deep as those held by their predecessors. This phenomenon should arouse our attention. To strengthen our work concerning third world countries, we need a new line of thinking and a long-term plan, and we need to formulate and implement feasible, specific measures. We will never claim leadership over them, but we must strengthen our work with developing countries and make some contributions.

<sup>1</sup> The Non-Aligned Movement was launched against the international background of the Cold War by a number of countries, principally in Asia, Africa and Latin America, to avoid being drawn into the confrontation between the American and Soviet blocs and to play an independent role in international affairs. The first summit conference of non-aligned states was held in Belgrade, Yugoslavia in September 1961 at the suggestion of Yugoslavia, the United Arab Republic, India, Indonesia and others. There were 25 countries represented at the conference, where the Non-Aligned Movement was officially formed. The movement advocated independence and non-alignment; supported national liberation movements; opposed imperialism, colonialism, racism, hegemonism and power politics; and called for strengthening solidarity, developing South-South cooperation, and the creation of a new international order that is peaceful, equitable and democratic. The movement currently has more than 110 members, all of which are developing countries. It holds regular summit meetings once every three years at which the international situation and regional conflicts are discussed, standpoints are coordinated and resolutions are passed. China attaches great importance to developing and strengthening its ties to the Non-Aligned Movement and supports its members' reasonable standpoints and just causes, and it has been an observer country at the movement since September 1992.

<sup>2</sup> The Group of 77 is an international organization created by developing countries to safeguard their self-interests and change the inequitable world economic order. The first session of the United Nations Conference on Trade and Development was held in Geneva, Switzerland from March 23 to June 16, 1964. On June 15, 77 developing countries and regions attending the conference issued a joint declaration advocating increasing the contacts and consultations amongst themselves to determine common economic and trade goals, formulate joint programs of action, adopt tactics for collective bargaining, strengthen the negotiating position of developing countries and promote the creation of a new world economic order. Since then, these countries and regions have participated in negotiations of the United Nations Conference on Trade and Development as a group, and the number of member countries has constantly increased. The group now has more than 130 members, but still retains the name Group of 77. In 1981, China began participating in the group's ministerial-level meetings and consultations in the capacity of an invited guest.

<sup>3</sup> Jawaharlal Nehru (1889-1964) was Prime Minister of India from 1947 until 1964.

<sup>4</sup> Gamal Abdel Nasser (1918-70) was President of Egypt from 1956 to 1958 and President of the United Arab Republic (founded in 1958 as the union of Egypt and Syria; Syria seceded in 1961) from 1958 through 1970.

<sup>5</sup> Josip Broz Tito (1892-1980) was President of Yugoslavia from 1953 to 1980.

<sup>6</sup> Achmed Sukarno (1901-70) was President of Indonesia from 1945 to 1967.

<sup>7</sup> Kwame Nkrumah (1909-72) was President of Ghana from 1960 to 1966.

<sup>8</sup> Julius Kambarage Nyerere (1922-99) was President of Tanzania from 1964 to 1985.

<sup>9</sup> Mao Zedong put forward his view on differentiating the three worlds at a meeting with President Kenneth David Kaunda of Zambia on February 22, 1974. According to this view, the first world consisted of the two superpowers, the United States and the Soviet Union, which had the strongest military might and economic power and practiced hegemonism worldwide; the third world consisted of the developing countries in Asia, Africa, Latin America and other regions; and the second world consisted of the developed countries between the first and third worlds. Cf. Mao Zedong, "On the Differentiation of the Three Worlds," *Collected Works*, Chin. ed., People's Publishing House, Beijing, 1999, Vol. VIII, pp. 441-42.

<sup>10</sup> "China's Foreign Policy," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1995, Vol. II, p. 408.

<sup>11</sup> Remarks to an Algerian government delegation that visited China and that was headed by Mohamed Hadj Yala, Finance Minister of Algeria, *Chronicle of Deng Xiaoping's Life (1975-97)*, Chin. ed., Central Party Literature Publishing House, Beijing, 2004, Vol. II, p. 796.

# REFORM AND DEVELOPMENT OF STATE-OWNED ENTERPRISES\*

*August 12, 1999*

Since the beginning of this year, I have traveled to southwest, south-central, northwest and east China to carry out investigations and studies, and chair forums on SOE reform and development.<sup>1</sup> At this forum in Dalian on SOE reform and development in northeast and north China, Party committee leaders and leaders of relevant enterprises from the eight provinces, autonomous regions and municipalities directly under the central government have made valuable suggestions.

From now until the first decade of the next century is a crucial period for our country's reform and development. During this time, we must establish a relatively complete socialist market economy and maintain sustained, rapid and sound national economic development. To achieve these two objectives, we must make the most of our opportunity to reform and develop SOEs and make significant progress in SOE reform. SOE reform and development are necessary in order for our country to achieve its grand cross-century development targets for modernization as well as to maintain and promote reform, development and stability.

## **I. Firmly Push Forward SOE Reform and Development**

SOEs have always occupied an extremely important position in our national economic and social development. In the 50 years since the founding of New China, SOEs and the vast working class have made a tremendous historic contribution to forming independent and relatively complete industrial and economic systems in China, increasing our economic strength and overall national strength, consolidating and strengthening national defense, promoting social progress and raising the people's standard of living.

Since the Third Plenary Session of the Eleventh Central Committee, our Party has embarked on a new path of building socialism with Chi-

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\* Excerpt from a speech entitled "Strengthen Confidence, Deepen Reform and Open a New Stage in the Development of State-Owned Enterprises," delivered by Comrade Jiang Zemin while chairing a forum in Dalian on SOE reform and development in northeast and north China.



nese characteristics under the guidance of Deng Xiaoping Theory. We have upheld the principles of emancipating our minds and seeking truth from facts, and have not only unwaveringly reformed corrupt practices in the old system to give new impetus to developing SOEs and the whole economy, but also fully considered the importance of steady SOE development for overall national economic development, and made unprecedented progress by adopting an orderly and gradual approach to deepening SOE reform. After more than 20 years of extraordinary practice in reform and opening up, management systems and operating mechanisms of SOEs have changed profoundly; progress has been achieved in adjusting the layout and structure of the state sector of the economy; we have developed multiple forms of public ownership, including sole ownership, majority shareholding, and minority shareholding by the state, and have thereby expanded the state's control over the economy; and a number of SOEs and some enterprises that the state owns a controlling stake in have become revitalized through reform and are constantly growing and expanding amid market competition.

In the 20 years from 1978 to 1998, the gross output of state-owned industrial enterprises and industrial enterprises that the state owns a controlling stake in increased at an average annual rate of 8%, the total value of their assets increased by an annual average of 15%, and the taxes they paid to the government increased by an annual average of 10.1%. The key sectors of finance, railroads, telecommunications, aviation, petroleum and electric power were all basically controlled by SOEs. SOEs were also dominant in the basic sectors of energy, transportation, and postal and telecommunications services, and in the important raw and semi-processed materials industries and the key industries of metallurgy, petrochemicals, chemicals, automobiles, machinery and electronics. China has become a world leader in the production of important industrial products such as steel, coal and chemical fertilizers, and the amounts of electricity, crude oil and synthetic fabric the country produces are among the highest in the world. All these products are produced mainly by SOEs and enterprises that the state owns a controlling stake in. SOEs are still the main source of government revenue. Currently, about 55% of government revenue comes from SOE profits and taxes, which provides considerable support for the country's reform and development. With economic entities under diverse forms of ownership developing side by side, the overall strength of the state sector has further grown, and the state sector continues to play the leading role

in the national economy, and has always controlled the lifeblood of the national economy. It can be said that all the important achievements of China's socialist industrialization and modernization, its considerable overall strength and important international standing and its continued steady economic development in the face of fierce international competition are all inseparable from the tremendous role SOEs have played in our economy.

At the same time, we must clearly realize that SOE reform and development have reached a critical stage. SOE reform and development are facing a number of urgent, deep-seated conflicts and problems as a result of pervasive and profound transformations arising from the development of the socialist market economy. The operating mechanisms of some SOEs are inflexible, their production and operations are facing difficulties, their economic returns are falling, their debt ratios are too high, they are overstaffed, their responsibilities to provide social services are too onerous and some of their workers live a difficult life. There are many reasons for these conflicts and problems and they require thorough scientific analysis. The profound influences of the traditional planned economy cannot be dispelled quickly, and resolving numerous longstanding conflicts will take time. One important reason many enterprises are in difficulty is that they have excess production capacity resulting from a long period of irrational, redundant construction. Other enterprises are in difficulty because mines they have operated for years are depleted. It will be a difficult process to adjust the industrial structure and the organizational structure of enterprises to adapt to the great changes that have taken place in domestic and international markets. In general, these are problems of progress and development. We must give them high priority, strengthen our confidence and take effective measures to solve them.

We are at an important historical moment at the turn of the century. Peace and development are still the themes of the times. The world is becoming multipolar, but hegemonism and power politics still exist and manifest themselves in new ways. Modern science and technology are developing rapidly, and adjustments to global industrial and economic structures are accelerating. Competition in overall national strength is increasingly a decisive factor in determining a country's future. We are facing both a rare opportunity for development and a severe challenge. We must constantly strengthen our economic power, national defense and national cohesiveness in order to become invincible in the face of ever-intensifying international competition and effectively safeguard our state sovereignty

and national dignity.

In order to develop the productive forces of our socialist society and carry forward China's industrialization and modernization, we must make full use of the pivotal role of SOEs, especially large and medium-sized SOEs. The situation we faced in the past of an insufficient supply of commodities, has given way to an excess of production capacity and a structural oversupply. Nevertheless, we are still unable to produce high-grade, precision and advanced products needed in the areas of IT, major industrial facilities, important infrastructure, and environmental protection, as well as some special requirement products needed in traditional industries, which we therefore need to import. Our percentage of international trade in high-tech and high value-added products is still very low. The great potential of the rural market, with more than 800 million people, remains largely untapped. We must have a keen grasp of the new trends in domestic and international economic development and scientific and technological progress, seize opportunities, press ahead regardless of difficulties, change our pattern of economic growth, expand development into new areas and strengthen the state sector to enable it to better play the leading role in economic development.

To establish a socialist market economy and organically integrate public ownership with the market economy, we must have a firm grip on SOE reform - the key link in economic restructuring. Enterprises are the foundation of a sound socialist market economy and it is of the utmost importance that SOEs create a management system and operating mechanisms suited to the needs of developing a socialist market economy. We must take the "three favorables"<sup>2</sup> as our fundamental criterion and explore forms of public ownership that greatly promote the development of the productive forces. We must boldly use management methods and organizational forms that reflect the laws of socialized production and are in line with the needs of the market economy, create a modern corporate structure and constantly improve the scientific and technological development capabilities of enterprises as well as their competitiveness and ability to withstand risks.

The working class is the leading class in China and the driving force for social stability and unity. We need to safeguard and expand the interests of the working class and the masses. We must deepen enterprise reform and promote economic development to constantly raise the living standard of workers. This is where the fundamental and long-term interests of the working class lie. We must correctly balance reform,

development and stability, adjust the intensity of reform and the pace of development to match society's tolerance for change, coordinate reform, development and stability so that they promote each other, and ensure social and lasting national stability.

Operating SOEs well is both an important economic issue related to the healthy operation and long-term growth of the national economy and a major political issue concerning the fate of the socialist system. As we face the 21st century, unwaveringly promoting SOE reform and development is an important task facing the entire Party and a glorious mission that history has assigned to our generation.

## **II. Further Accelerate the Pace of SOE Reform and Development**

We have already formulated a series of important guiding principles in the course of promoting SOE reform and development, which we must continue to comprehensively implement.

First, we must strategically adjust the layout of the state sector of the economy and reorganize SOEs. To adapt to the requirements for developing a socialist market economy, operate the entire state sector well, distribute resources rationally and efficiently, and improve the operational efficiency of state assets, we must strategically adjust the layout of the state sector and reorganize SOEs. We should expand some areas and contract others, and do some things while setting others aside. The state sector must occupy a dominant position in industries and sectors vital to the national economy. Other industries and sectors can undergo asset reorganization and structural adjustment to concentrate strength, strengthen their priorities and raise the overall quality of state assets. The leading role of the state sector in economic development should not only be played by wholly state-owned enterprises, but we should also actively develop the joint stock system and explore ways for enterprises in which the state owns a controlling or minority stake to also play a leading role. During the restructuring of the state sector, we need to vigorously attract and use capital from non-state sources in order to expand the function of state capital and increase the control, influence and guidance of the state sector. We need to continue to follow the principle of managing large SOEs well while relaxing control over small ones. The state needs to focus on successfully cultivating and operating a number of large enterprises and enterprise groups that the state owns outright or owns



a controlling stake in industries and sectors vital to the national economy, and make the most of their strengths in the areas of capital operations, technological development, and opening domestic and foreign markets so that they become a major force in restructuring the economy and reorganizing enterprises and key participants in international market competition. We need to loosen control over and invigorate small and medium-sized SOEs, ensure small and medium-sized enterprises under other forms of ownership play their important roles, and support the development of small and medium-sized science and technology enterprises. We need to continue to use reorganization, mergers, acquisitions, leasing and contract operations, as well as the joint stock partnership system and sell-offs, to loosen control over and invigorate small and medium-sized SOEs. Regardless of the measures we adopt, we must proceed from reality, listen to the opinions of the masses, standardize operations and produce results.

Second, we must orient reforms to create a modern corporate structure. Creating a modern corporate structure for SOEs is an effective way for integrating public ownership with the market economy as well as an important aspect of overall economic restructuring. Doing this work well will be beneficial for establishing a micro-foundation for the socialist market economy. We must fully understand and implement the principles of clearly established ownership, well-defined power and responsibility, separation of government administration and enterprise management, and scientific management. Governments at all levels must transform their functions, carry out institutional reform, and change the situation whereby they directly manage enterprises and assume unlimited liability for them and enterprises rely on government in multiple ways. The corporate system is an effective organizational form for a modern corporate structure. We need to actively promote the transformation of large and medium-sized SOEs into standard corporations. Our country's state-owned assets are the common wealth of all the people. We must not only manage and use them properly, but also preserve and constantly increase their value. The state exercises ownership functions in enterprises in which it has invested or bought shares through its representatives or agencies and enjoys owner's equity in proportion to the funds that it invests. The investor must be in place, and there must be a person or institution that is responsible for state capital. Enterprises operate independently in accordance with the law, are held responsible for their profits

and losses, pay taxes in accordance with regulations and are responsible to their owners for preserving and increasing the value of their net assets. Only a very few enterprises, i.e. those that must be monopolized by the state, should establish wholly state-owned companies. Most enterprises, therefore, should become companies with multiple investors, though the government should own a controlling stake in important ones. As much as possible, wholly state-owned companies should have SOEs as joint shareholders. We need to authorize operations with state capital in large SOEs, enterprise groups and enterprises where the state owns a majority stake. We should permit and encourage local experiments and constantly learn from experience to establish and improve specific forms of state asset management. We need to continue to explore ways to improve supervisory committees and other institutional mechanisms and practices in order to strengthen the effective oversight of state assets and ensure state assets and their rights and interests are not violated.

Corporate governance is the heart of the modern corporate system. The functions of shareholders' meetings, boards of directors, supervisory committees and executives must be clearly specified in accordance with the Company Law, so that each takes responsibility for their duties, coordinates operations and has effective checks and balances. Currently, the vast majority of enterprises where the state owns a majority stake have shareholders' meetings, boards of directors and boards of supervisors, and at the same time Party committees, trade unions and workers' congresses, so we may consider using both of them, but the relationship between them must be correctly handled. In state-owned companies and those where the state owns a controlling stake, heads of Party committees and workers' representatives can legally become members of boards of directors and boards of supervisors; chairpersons of boards of directors, heads of boards of supervisors and general managers can become members of Party committees in accordance with the Party Constitution and other relevant regulations; and it is permissible for one person to be both Party secretary and chairperson of the board. These measures make it possible for companies to establish a unified decision-making mechanism for solving important problems.

Third, we must vigorously strengthen enterprise management. Management is a perpetual issue for enterprises. Strict governance is the only way to revitalize an enterprise. The key to strengthening the management of an enterprise's development strategy is to have a mastery of how the con-

stantly changing needs of the market affect the important areas of development strategy, technological innovation strategy and marketing strategy. Domestic and foreign market competition is increasingly intense and there are greater uncertainties ahead. This requires that enterprises attach great importance to scientific decision making and risk management to ensure that they can withstand the shock of market changes and effectively avoid risks. Nothing can be accomplished without norms and standards. Sound rules and regulations should be established for all aspects of enterprise business management. Only if they are followed in everything the enterprise does and only when rewards and punishments are perfectly clear can management be strictly implemented and productivity genuinely improved. Enterprises must constantly put quality first. They need to adopt advanced standards and improve quality management over all personnel and all processes in order to comprehensively raise the quality of products, engineering and services.

The development of modern science and technology provides entirely new conditions for strengthening enterprise management. We need to emphasize and widely adopt modern management technologies and methods to strengthen management. Through our long experience in developing SOEs, we have accumulated a considerable amount of effective managerial expertise. We cannot throw this away. We need to give it new meaning in light of our new experiences so that it can continue to play a positive role in these new circumstances. We need to learn from the fresh experiences gained by advanced enterprises in the course of reform and development, improve on them and disseminate the results widely. At the same time, we need to bring in intellectual resources from overseas and learn from the modern managerial expertise of foreign enterprises. We need to explore how to formulate a modern, scientific enterprise management system with Chinese characteristics and constantly achieve innovations in management by combining our historical expertise in this area with our fresh new experiences and integrating our own effective methods with the advanced methods of foreign enterprises.

We need to strengthen our basic work, pay close attention to weak links in enterprise management, and focus on cost, financial and quality management. The financial, accounting and statistical work of enterprises must be standardized in accordance with unified criteria so that it accurately and promptly reflects an enterprise's business situation. The various flaws that exist in enterprise production and operations are frequently the major

causes of poor management and falling returns and need to be eliminated by carrying out effective reforms and strengthening business accounting. We need to combine efforts to strengthen management with efforts to combat corruption and build a clean government, strengthen the auditing and oversight of enterprises' economic activities and firmly eliminate the practices of falsifying accounts, violating financial discipline, and practicing graft. Enterprises need to improve their legal awareness and awareness of the importance of being trustworthy, and carry out management in accordance with the law.

Fourth, we must effectively solve the major problems and difficulties facing SOEs. Party committees, governments at all levels and relevant departments of the central authorities must give their full attention to the major problems and difficulties that restrict enterprise development and lead enterprises into trouble, and they must take further measures and strive to solve them. We need to continue to intensify measures that are helpful for increasing capital and relieving the debt of enterprises, such as increasing bank reserves for writing off non-performing loans, which are used to finance mergers, bankruptcies and asset reorganizations of large and medium-sized SOEs; raising funds on domestic and foreign capital markets; and increasing the liquidity of state assets. Beginning this year, by taking advantage of reforms being implemented by state-owned banks aimed at disposing non-performing assets, the state is preparing to take measures like creating financial asset management companies to carry out debt-to-equity swaps in some heavily indebted but viable key SOEs in order to lessen their debt burden. This is an important measure for helping most large and medium-sized SOEs achieve their three-year objectives for reform and turnaround. All the parties involved must work together to complete this work. During this operation, we must adhere to the principles of the market economy and strictly follow regulations to avoid a herd mentality, bank repayment failures and losses of state-owned assets. When enterprises carry out debt-to-equity swaps, they must also transform the way they operate and improve their internal strength.

Reassigning laid-off workers, increasing efficiency by downsizing and implementing reemployment programs are important measures for solving the problem of redundant personnel in SOEs. Enterprises need to organically integrate downsizing and efficiency, lower their costs, increase profits and become more competitive. Party committees and governments at all levels must concern themselves with the living conditions and reemploy-



ment of laid-off workers. This is a major political responsibility, and we must do everything possible to do a good job. Whether SOE reform and development are carried out well or poorly will be determined not only by whether SOEs can cut their losses and increase their profits but also whether they show appropriate concern for the psychological strain on and the lives of laid-off workers, and whether they effectively and conscientiously help their former workers find new employment. The central authorities have already decided to increase basic living allowances and unemployment insurance for laid-off workers from SOEs and raise the basic cost of living allowances for urban residents. The central treasury will give appropriate assistance to old industrial bases and the central and western regions that have financial difficulties.

SOEs have the heavy burden of providing social services, and this burden needs to be gradually eliminated, depending on their different circumstances, with support from governments at all levels. Improving the external environment of SOEs is extremely important for promoting their reform and development, and it must be done promptly and comprehensively. We need to open further to the outside world, increase exports by all possible means, energetically and effectively use foreign capital, and develop economic and technological cooperation with foreign partners in a planned and gradual way in order to create conditions for SOEs to make use of foreign and domestic markets and resources. We need to continue to strictly enforce the law, strengthen oversight of law enforcement and rigorously crack down on crimes such as smuggling and the production and sale of counterfeit and shoddy goods and all illegal activities that infringe on the lawful rights and interests of enterprises.

Fifth, we must accelerate technological progress and industrial upgrading. Innovation is the soul of a nation's progress and an inexhaustible stimulus for a country's prosperity. The current focus of international competition is knowledge innovation, technological innovation and high-tech industrialization. There are many old SOEs, and a considerable proportion of them are using outdated equipment and technology. To extricate SOEs from their difficulties and create new room for development, we must adhere to the important principle that science and technology are a primary productive force and stay focused on the key link of technological progress and industrial upgrading. Rapid development of SOEs cannot be accomplished simply through quantitative expansion; it requires qualitative improvement and greater efficiency. Without

that, SOEs will have difficulty sustaining development and it will be hard for us to maintain the sustained, rapid and sound development of the national economy. We need to maintain market orientation, use advanced technology to transform traditional industries, increase the variety of products produced, improve their quality and raise efficiency. At the same time, we need to expand into new- and high-tech industries, strive to master key technologies and take the high ground in leading technologies. We need to create a number of strong enterprises in important new- and high-technology industries and other key areas and occupy an advantageous position in the division of labor in the global economy. We need to import, digest and absorb foreign advanced technology and, more importantly, increase our capacity for independent innovation and encourage technological development projects with independent intellectual property rights and high-tech industrialization projects. Effectively creating a technological innovation system focused on enterprises will not only sustain the development of enterprises, but also provide an enormous stimulus for technological progress throughout society. Enterprises need to strengthen their technological development capabilities and invest more in R&D. Large enterprises need to create R&D centers, so that while they are producing one generation of products, they are preparing for the next and developing the following generation. The Central Committee and the State Council will soon make an important decision on strengthening technological innovation, developing high technology and achieving high-tech industrialization,<sup>3</sup> and hold a national conference to plan its implementation. All localities, departments and SOEs should conscientiously implement this decision and strive tirelessly to help enterprises constantly make new and greater progress in technological innovation.

We must pay adequate attention to the fact that China is a developing country, its traditional industries have vast market demand, it has the advantage of having an abundant labor force, and it is competitive in the international market. This year and for several years to come, we need to increase our financial resources for interest payments on loans granted to SOEs for technological upgrading, concentrating investment on technological upgrading in key industries, key enterprises and key products, and favoring old industrial bases. We need to have explicit objectives in choosing the right technological upgrading projects, carefully organize implementation, guide investment toward projects that are profitable and have a ready market for their products, prevent the recurrence of irrational and

redundant construction, and prevent the formation of more bad assets and money-losing enterprises.

Sixth, we must create a corps of highly qualified managers. On the whole, SOE managers are competent. They lead their workers in striving to forge ahead in the midst of fierce market competition, and they make important contributions to enterprise reform and development. Whether or not an enterprise has good leadership and leading cadres is of decisive importance to its development. We need to further build a corps of managers who have sound ideological and political qualifications, good management skills, and excellent knowledge of their industry, and who observe discipline and obey the law and are incorruptible and self-disciplined. We need to deepen reform of the personnel system of SOEs; integrate the adherence to the principle of the Party managing cadres and assessment and recommendation by SOE Party organizations with the introduction of market mechanisms and open recruitment of personnel from society; further research and improve concrete measures for supervising SOE leaders; and strive to create a social environment conducive to the healthy development of SOE leaders and favorable for them to reveal their talents. We need to establish a sound mechanism for encouraging or restraining SOE managers, combine tangible and intangible incentives, and advocate a spirit of dedication. We need to improve oversight mechanisms for SOE managers, establish a system for ascertaining responsibility for bad business decisions and carry out an economic responsibility audit of enterprise leaders at the end of their terms.

### **III. Strengthen Party Leadership over SOE Reform and Development Work**

Upholding the leadership of the Party is a fundamental political principle as well as a fundamental political guarantee of success in all our undertakings. The more volatile the international situation and the more difficult and burdensome the task of reform and development, the more we need to strengthen Party leadership. Party committees at all levels must stand in the forefront of SOE reform and development and strengthen leadership to ensure the Central Committee's major policy decisions and arrangements are implemented.

First, we need to correctly analyze and understand our circumstances, and unwaveringly move forward with SOE reform and development. On

the whole, SOE reform and development are progressing well. In the first half of this year, stable growth in national industrial production continued, and important indices of economic performance rebounded from their lows and appear to be rising back to their normal levels. The work of turning losses into profits at state-owned industrial enterprises and industrial enterprises that the state owns a controlling stake in has made significant progress. Nationwide, industrial value-added increased 9.4% year on year, enterprise profits grew 71%, tax revenue generated by enterprises increased considerably and the losses of money-losing enterprises decreased significantly. After a year and a half of hard work, the textile industry, which the Central Committee has identified as an important industry for reforming SOEs and turning around their operations, has made great progress in reducing the number of spindles, cutting staff and reducing losses, and in June of this year the industry as a whole started to turn a profit. Most other industries, such as petroleum, chemicals, machinery, electronics, and light industry, increased their profits, and made up or reduced their losses. These indicators validate the Central Committee's major policies and principles for SOE reform and the policies and measures it adopted last year to boost domestic demand. As long as we firmly implement these policies and measures, and make full use of the beneficial conditions in SOEs, such as their reserve assets, technical equipment base, overall support capabilities, and employees and cadres, it is entirely possible to realize our objectives for SOE reform and development.

In light of developments and changes in the current international environment and the need for steady development of the Chinese economy, the Central Committee has decided to further strengthen macro-control, continue to intensify efforts to implement a proactive fiscal policy, strive to make full use of monetary policy, and adopt other important measures. Successfully implementing these policies and measures will effectively stimulate demand, promote economic growth and benefit SOE reform and development. The Central Committee's decisions to adopt the important measures of promoting technological innovation, carrying out debt-to-equity swap programs, eliminating production overcapacity, closing five types of small enterprises,<sup>4</sup> appropriating more money to subsidize interest payments on loans granted to SOEs for technological upgrading and expanding direct financing of SOEs were all designed to solve the prominent problems and difficulties of SOEs. Implementing these measures will play an important part in achieving the three-year objectives for the reform of



most large and medium-sized SOEs, turning around their operations and promoting their long-term development.

The Fifteenth National Party Congress and the First Plenary Session of the Fifteenth Central Committee set forth the objectives for carrying out SOE reform and turning around their operations in three years. To promote SOE reform and development we must first do everything within our power to achieve these objectives and then continue to make progress upon this foundation. Circumstances in different localities and different industries vary, and their development is not uniform; therefore, we must proceed from reality, focus our efforts on key industries and key enterprises, and combine the solutions of enterprises' immediate problems with planning for their long-term development. The eastern region has relatively good conditions, and it should try to attain these objectives first. The central and western regions and old industrial bases should accelerate the reorganization of the state sector and the restructuring of enterprises, do everything within their capacity to solve serious problems, and create a solid foundation for future reform and development.

Second, we need to comprehensively implement the Party's principles and policies and firmly steer SOE reform in the right direction. While carrying out SOE reform and development, we must always uphold the basic economic system whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side. This is determined by the nature of China's socialist system and the fact that China is in the primary stage of socialism. If we deviate from the correct path of building socialism with Chinese characteristics, not only will it be impossible for SOEs to prosper, but it will be difficult to maintain China's overall reform, development and stability. The state sector is a major force with which the state guides, promotes and controls economic and social development and an important guarantee for fulfilling the fundamental interests of the people. In the final analysis, we are carrying out SOE reform and development to constantly develop and expand the state sector under the conditions of developing a socialist market economy and to enhance the leading role and controlling force of the state sector. We must be perfectly clear about this point in our guiding ideology. We need to actively explore new directions and boldly forge ahead, but we must never engage in privatization. This is a fundamental principle, and we must not waver. We must adhere to the principle of the Party managing cadres. The Party's Central Committee and local committees need to

strengthen supervision over the leading bodies of key SOEs that have a bearing on our national security and economic lifeline. The non-public sector is an important component of a socialist market economy, and we need to encourage and guide its sound development. Our choice of the path of building socialism with Chinese characteristics is the correct one, one we made on the basis of a review of experiences and lessons China and some foreign countries learned in the course of development and in light of the historical conditions and actual situation in China. In the past two decades of reform and opening up, China's economy has constantly grown, we have enjoyed social and political stability, people's living standard has constantly risen, and the fundamental reason for all this is that we have both kept to the socialist road and imbued socialism with vitality through reform. Experience proves that our reform path is correct and successful. We must persevere along this path.

Third, we need to further improve Party organizations in enterprises and ensure they play their role as political nuclei. Party organizations in enterprises need to implement the Party's basic line, principles and policies; concentrate on expanding production; dedicate themselves to accomplishing the Party's tasks and achieving enterprise reform and development; participate in decision making on important issues facing their enterprises; and support boards of shareholders, boards of directors and managers (factory directors) in the lawful performance of their duties. They need to wholeheartedly depend on their workers, treat them as masters of the enterprise, give full expression to their enthusiasm, initiative and creativity, and make use of the role of trade unions and workers' congresses in democratic decision making, management and oversight. Ideological and political work and cultural and ethical development in enterprises are very important. We therefore need to strengthen leadership in these areas, persevere in arming workers with Deng Xiaoping Theory and the Party's basic line, and increase their education in order to constantly raise their ideological, moral, scientific and cultural quality, and create a workforce with high ideals, moral integrity, a good education and a strong sense of discipline. We also need to constantly improve the actions and work content of Party organizations under these new historical conditions. We can revitalize SOEs only if we skillfully combine the Party's political strengths with market mechanisms and mobilize and combine all positive factors.

Fourth, we need to persist in studying harder and carry out frontline investigations and studies of enterprise reform and development. The

tasks of reform and development are arduous and new situations and new problems are endlessly arising. All Party members, especially leading cadres, need to study harder and do more investigations and studies. Leading cadres at all levels and leaders of SOEs need to constantly master new knowledge, expand their horizons and strive to become more innovative and better able to analyze and solve problems and to make decisions more scientifically in order to promptly resolve serious conflicts and problems arising in the course of reform and development. They need to conscientiously study Marxism-Leninism and Mao Zedong Thought and particularly Deng Xiaoping Theory, constantly improve their theoretical thinking, and strive to attain a correct worldview and master scientific methodology. They need to learn not only from books, but also through practice. Cadres at all levels, especially leading cadres, need to stay in touch with reality, investigate and study issues, and work to understand regularities that manifest themselves in economic work and SOE reform and development. If everyone perseveres, we will constantly raise the level of our work and obtain better results.

In short, we must fully realize the importance and urgency of SOE reform while recognizing that it is a long-term and arduous project. With the guidance of Deng Xiaoping Theory and the Party's basic line, 20 years of rich experience in reform, greater overall national strength, a more solid material and technological foundation, and the active participation of workers, I am certain we will initiate a new phase in SOE reform and development as long as the whole Party and the entire country have confidence, share a common understanding, are committed to reform and work solidly.

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<sup>1</sup> Between January and June 1999, Jiang Zemin conducted investigations and studies of SOE reform and development in the Inner Mongolia Autonomous Region and the provinces of Sichuan, Hubei, Shaanxi and Shandong, and chaired forums on SOE reform and development and delivered important speeches in Chengdu, Wuhan, Xi'an and Qingdao respectively.

<sup>2</sup> "Promote Further Development of Township and Village Enterprises," note 1, p. 119, this volume.

<sup>3</sup> The decision was promulgated by the Central Committee and the State Council on August 20, 1999. On August 23, the Central Committee and the State Council held a national conference on technological innovation and arranged for the implementation of the decision.

<sup>4</sup> A reference to small oil refineries, thermal power plants, steel works, glassworks, cement plants that use backward technologies, waste resources, produce poor-quality products, pollute the environment or fail to meet production safety standards.

## STRENGTHEN TECHNOLOGICAL INNOVATION\*

*August 23, 1999*

The key to fully implementing the strategy of reinvigorating the country through science and education and accelerating scientific and technological progress throughout society is to strengthen and constantly promote knowledge and technological innovation. I have said that innovation is the soul of a nation's progress and an inexhaustible stimulus for a country's prosperity. Scientific and technological innovation increasingly provides an important basis for and symbol of the liberation and development of the productive forces in modern society, and it increasingly determines a country and nation's development process. If a nation cannot innovate, it will be difficult for it to flourish and take its place among the nations of the world. Leading cadres at all levels must have a firm political understanding of this problem, and we must help the whole of society acquire this understanding as well.

Through half a century of hard work since the founding of New China, great progress has been made in terms of our country's material and technological strength. However, in general, China is still in the primary stage of socialism and will remain there for a considerable time to come. A large population, weak economic foundation, inadequate per capita resources and relatively undeveloped productive forces are still our basic national conditions. Given these facts, it will be difficult for us to basically complete modernization in the 50 years between now and the middle of the next century. We must make it the highest priority of economic development to use scientific and technological innovation to drive a leap in quality in the development of the productive forces. This needs to become an important strategic guiding thought.

The central leadership is proposing to further strengthen technological innovation, develop high technology and achieve technological industrialization. This is a systems engineering project, and there are many issues to be grappled with. Everyone must work harder in accordance with the central leadership's policy decisions and arrangements, take all factors into consideration, and make reasonable arrangements. Scientific and technological innovation involves many aspects, one of the most important of

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\* Excerpt from a speech at a national conference on technological innovation.



which is technical innovation. Technical innovation principally pertains to enterprises improving product quality, creating new products, and strengthening their market competitiveness and risk resistance by utilizing new knowledge, technologies and techniques and adopting new production, operation and management methods. Strengthening technical innovation is not only important for running SOEs well, but is of great importance for improving the quality and performance of the whole national economy, raising labor productivity throughout society, and increasing our country's international competitiveness. These basic considerations have led the central leadership to the decision to give prominence to strengthening technical innovation. In order to strengthen technical innovation it is essential to create an effective mechanism to promote technological innovation throughout society. During this process, we need to focus on grasping the following issues.

First, we need to make full use of the political advantage of the socialist system and take a path of technological innovation with Chinese characteristics. Comrade Deng Xiaoping pointed out that under the socialist system China can concentrate resources to accomplish large undertakings. In the 1950s and 60s, when our material and technological foundations were weak, when our economy faced difficulties and we were blockaded by imperial powers, we relied on the strength of the socialist system and the pioneering efforts of scientists, engineers and the people of the whole country to make spectacular scientific and technological achievements in a short period of time, including researching and building atomic and hydrogen bombs and artificial satellites and prospecting and developing the Daqing Oilfield. These accomplishments made indelible contributions to safeguarding our country's sovereignty and security, stimulating national economic development and establishing China's position as a great power. We should continue to adhere to and fully utilize and leverage the political advantage of the socialist system that enables us to concentrate resources to accomplish large undertakings. Under the new conditions of developing the socialist market economy, we must adjust how we utilize and exploit this advantage, but we cannot waver from the principle of doing so. In accordance with the principle of doing some things while setting others aside, we need to identify priorities; select a number of areas that have a high capacity for promoting economic and social development, safeguarding national security, and increasing our productive forces and overall national strength; and concentrate our efforts and coordinate our actions to

tackle key problems and make breakthroughs in these areas. We particularly need to increase innovation in basic and key new and high technologies and speed up the development and application of high-tech industries, especially strategically important emerging industries, and at the same time, we need to constantly upgrade traditional industries. We need to attach great importance to strengthening high-tech innovation related to national defense, emphasize the development of military-civilian dual use technologies, and quickly develop new “assassin’s mace weapons” capable of safeguarding the country’s sovereignty and security. We need to combine the advantages of the socialist system and the market economy; get the market to fully play a basic role in allocating resources; use competitive mechanisms to achieve the optimal combination of capital, talent, technology and management; and fully mobilize all forces in society conducive to promoting technological innovation.

Second, we need to stay focused on economic development and accelerate the translation of scientific and technological results into actual productive forces. The rise and development of science has from the beginning been determined by social production. In a letter to W. Borgius, Engels pointedly noted, “If society has a technological requirement, the latter will do more to promote science than ten universities.”<sup>1</sup> Scientific and technological progress and technological innovation can have strong vitality only if they are closely integrated with economic and social development. As our country’s agriculture, industry, national defense, environmental protection, services, and a host of social undertakings develop and people’s standard of living rises, a large number of scientific and technological issues need to be studied and solved. China’s 1.2 billion plus people possess creative vitality and represent huge market potential, and this not only creates an extensive demand for technological innovation, but also provides a powerful stimulus and a broad stage for it. Since last year, the Chinese Academy of Sciences has been implementing trials of the National Knowledge Innovation Program. It has carried out extensive reforms in the areas of innovation objectives, organizational structure, personnel mechanisms and the allocation of resources, and has made new strides in closely integrating technological innovation and economic development in the area of applied science and technology. Three days ago, I visited the Dalian Institute of Chemical Physics of the Chinese Academy of Sciences, which is involved in these trials. We need to grasp the laws governing the new experiences we acquire in implementing these trials, learn from these ex-

periences and improve upon them, and disseminate them in light of local conditions. We need to work harder to translate scientific and technological advances into actual productive forces. We must make market and social needs the principal guides to scientific and technological work, and emphasize the organic integration of research, development and industrialization. We need to create a good policy and social environment to guide and encourage the majority of our scientists and engineers to work in the important area of economic development, and strive to adapt to the requirements of developing the socialist market economy.

Basic research together with exploration and innovation of the frontiers of high technology are the precursors and sources of scientific and technological progress. New breakthroughs in basic research and exploration on the frontiers of high technology frequently lead to the creation of new and high technologies as well as the industries that use them. We need to continue to lay emphasis on strengthening basic research and exploration on the frontiers of high technology, and gradually increase investment in this area. We need to support large numbers of scientists in carrying out basic research and applied R&D in areas designated by the state, and enthusiastically encourage a number of them to carry out unrestricted exploratory research. In basic research, we need to continue to do some things while setting others aside, move in the right direction, give high priority to key areas, and encourage bold innovation. In a number of important fields and frontiers, we need to concentrate investment, organize scientists to scale new scientific heights, and strive to take our place at the forefront of world science in order to lay a more solid foundation for increasing our capability for sustained innovation, and make our due contribution to the progress of human civilization.

Third, we need to strengthen our capacity for independent innovation and make giant leaps in technological development. In the process of carrying out socialist modernization, we must strive to carry on the outstanding cultural achievements of our forebears, actively draw upon the outstanding cultural achievements of the whole human race, and conscientiously study and learn from the advanced technological advances of other countries, especially Western developed countries. We need to genuinely combine the advantages of the socialist system with the outstanding cultural achievements of the human race and advanced scientific and technological forces. Comrade Deng Xiaoping pointed out, "Science and technology have no class nature; capitalists make them serve capitalism, and

socialist countries make them serve socialism.”<sup>2</sup> Imperialists use advanced technology to promote their hegemonic policies and to exploit and invade third world countries. We wish to master advanced science and technology to promote economic development and all-around social progress, defend our country’s sovereignty and security, safeguard peace, and benefit the overwhelming majority of our people. If China possesses both the political advantage of the socialist system and the advantages of modern science and technology, our country’s economic and social development will be propelled by an extremely strong driving force. Of course, when we study the advanced technologies of foreign countries, we cannot slavishly follow their every step or blindly rely on their ready-made technologies, but rather, we must carry out our own explorations and come up with our own creations. China is a large, developing socialist country, and we must be self-reliant and make use of our independent innovation capacity and our own intellectual property rights when we undertake strategic and basic scientific and technological projects of major importance. We cannot rely on others, because relying on others is unreliable. If we cannot make breakthroughs in these areas quickly, and blindly rely on others, then once anything happens, it will be very difficult to safeguard the country’s security. There are numerous successful examples in world history of countries that catch up from behind through technological innovation, and this is also true of China in a number of areas. We already have the foundation and conditions to make significant technological progress in a number of areas. The key for us to achieve rapid technological development at higher level is to strengthen independent innovation, increase training for skilled personnel, strengthen our innovation bases, raise the innovation capacity of enterprises, and take the initiative in scientific and technological development at the same time as we study, digest and absorb advanced foreign technology.

Fourth, we need to better coordinate the whole society’s efforts and, as quickly as possible, create a sound system for translating technological innovations and scientific and technological advances into actual productive forces. How to strengthen technological innovation and transform scientific and technological advances into actual productive forces more quickly in accordance with economic laws at a time when we are developing a socialist market economy is an important problem we must continue working hard to solve. We must realize that in the former system for managing science and technology, technological and economic dislocation was widespread, different regions and departments were fully self-sufficient



and had an excessive division of labor and overlapping organs, and their strength was too dispersed, all of which were serious drawbacks. This not only led to duplication and wasted resources, but also resulted in a low rate of conversion of scientific and technological advances into actual productive forces, and meager contributions to economic and social development. Reforms in recent years have already greatly ameliorated these problems, but they have not been fundamentally resolved. We must carry out further reforms to thoroughly eliminate them. In accordance with the objectives of helping to improve technological innovation and turning scientific and technological advances into actual productive forces, we will use macro-control and the allocation of resources by the market to remove the boundaries between scientific research institutes, between enterprises and between scientific research institutes and enterprises, so that each can do what it does best while cooperating to form a concerted force. We can no longer allow institutes and enterprises to isolate themselves and become self-sufficient so that they are aware of each other's existence but have no contact. When they isolate themselves and become self-sufficient, create their own little fiefdoms, form factions and cut themselves off from others, it results in a considerable waste of scientific and technological resources. This is contrary to the needs of the socialist system, the socialist market economy and socialized mass production as well as the inherent laws of technological innovation. These practices are a reflection of the residual influences of a several-thousand-year history of a peasant economy and small scale, backward mode of production in the areas of the economy, and science and technology. From an ideological standpoint, they are remnants of the egalitarian thinking of small producers. We must recognize from the ideological, political and economic perspectives that acting in this way is backward and dangerous, and we must carry out thorough reforms to replace these outdated practices with new ones.

Recently, virtual manufacturing has appeared on the world stage. Virtual manufacturing is the process whereby a company uses computers to carry out R&D and production management for products with market demand. The company controls the key software technology and marketing management of the products, finds enterprises to manufacture the hardware, and imposes requirements on technology, the cost of production and the production schedule. Finally, the company puts together the final products and adds the core software. This kind of virtual manufacturer itself does not have any production equipment or a production line. I re-

cently visited the virtual manufacturing center of a software development company in Shenyang. This approach not only gives play to the technological advantages of manufacturing enterprises, but also means that products can be quickly upgraded to meet market demands. Due to our country's rapid scientific and technological progress since the introduction of the reform and opening up policy, all industries and trades have acquired new advantages in production and technology. As soon as we have new scientific and technological advances, we need to turn them into new productive forces by fully utilizing the existing manufacturing capabilities of relevant enterprises and industries, or by improving or enhancing them. We need to avoid setting up new production lines every time we put scientific and technological advances into production. In this way, we can reduce unnecessary investment in equipment and infrastructure, accelerate the pace of industrialization, quickly transform existing enterprises to produce new products as soon as they are needed, and avoid wasting resources. The focus needs to be on improving two areas of technological innovation and industrialization. One is to enhance our technological R&D capabilities, and the other is to improve systems integration, assembly, inspection and marketing services. The manufacturing of raw and processed materials, components and intermediate processes, should be accomplished by selecting and cooperating with existing enterprises to the greatest possible extent. We can no longer build redundant projects or tolerate the existence of "large and all-inclusive" or "small and all-inclusive" production systems. In other words, we need a dumbbell-shaped structure that focuses on R&D and marketing rather than production, instead of an olive-shaped structure that has large productive capacity but is weak in R&D and marketing. In this regard, we must all emancipate our minds, seek truth from facts and boldly explore to establish a system that is reasonable, efficient, dynamic and responsive, corresponds to the laws of modern economic development and is conducive to turning scientific and technological advances into actual productive forces.

Fifth, we need to actively promote the development of a national knowledge innovation system and make it an effective mechanism for guaranteeing and encouraging technological innovation and the translation of scientific and technological advances into actual productive forces. First of all, we must get enterprises to play the leading role in technological innovation; strengthen mechanisms for technological innovation in enterprises; and strive to improve their technological innovation capa-

bilities and scientific management. We need to optimize the distribution of scientific and technological forces and the allocation of scientific and technological resources. We need to strengthen the organic connections, cooperation and division of labor between the government, scientific research institutes, universities and enterprises, so that technological innovations can be turned into actual productive forces faster and better and so that the development of new- and high-technology industries and the upgrading of traditional industries can be accelerated. We need to actively encourage and promote the incorporation of applied research institutes into enterprises and their transformation into scientific and technological enterprises or science and technology intermediary service agencies, and enable research institutes and universities to fully play their role in the national knowledge innovation system. We need to strengthen contact, integration and cooperation between civilian and military research systems, not only to strengthen military-to-civilian transfers of advanced technology, but also to get civilian research to play an important role in building a strong army through science and technology. We need to uphold the basic economic system whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side, actively support and develop small and medium-sized science and technology enterprises under different forms of ownership and organization, and encourage the development of science and technology intermediary service agencies. We need to run national new- and high-technology industry development zones and university science parks more effectively so they can truly become bases for cultivating and developing new- and high-technology industries. The experiences of foreign countries in forming and developing new- and high-technology industries show that setting up venture capital mechanisms is an important condition for promoting the development of new and high technologies and their industrialization. We need to create investment and financing systems that are conducive to translating technological innovation and turning scientific and technological advances into actual productive forces. We need to conscientiously implement the principles of putting performance first, distributing according to work, and taking into account fairness, and apply the principle that technology, management and other factors of production should have a share of income, so that scientists and engineers' incomes are consistent with the value of their labor and contributions.

Sixth, we need to strive to build a large corps of highly qualified, in-

novative personnel. Human resources are the key to promoting scientific and technological progress and technological innovation; therefore, we must fully arouse the enthusiasm, initiative and creativity of our scientists and engineers. Our hopes for scientific and technological progress and technological innovation are on large numbers of talented young people maturing quickly. Youth is the golden age for innovation. Major scientific and technological breakthroughs in the world are often made by young people. We need to work hard to create a sound social environment in which outstanding young people can come to the fore, put their talents to best use, boldly innovate, and realize their ambitions. Education is the foundation for cultivating talented people. We need to implement the principle of comprehensive moral, intellectual, physical and aesthetic development and make cultivating students' creative consciousness and their pioneering spirit a key task of well-rounded education in accordance with the laws and characteristics of the maturation of talent. Research institutes should also serve as bases for training personnel and be incorporated into the national education system for training high-caliber personnel. Research institutes and universities need to establish open, mobile, competitive and cooperative systems for managing scientists and engineers, create a lively, dynamic, and democratic academic atmosphere and encourage exploration and innovation. We should further cultivate and promote a culture of respecting knowledge and talent and advocating innovation throughout society. We need to actively create conditions to encourage and attract Chinese students studying overseas, especially Chinese scientists and engineers living overseas, to return home to set up scientific and technological enterprises. We need to produce a great number of management personnel proficient in science and technology. We need to actively encourage mass technological invention, innovation and promotion activities. Lofty ambitions, passionate patriotism and tenacious perseverance are essential conditions for innovation. We need to vigorously promote patriotism, collectivism and socialist ideology as well as a spirit of realism and innovation and a spirit of diligence and dedication among scientists and engineers, especially young ones, and help large numbers of them who have both moral integrity and professional competence or who are excellent in character and learning become strong and mature. We also need to vigorously publicize the exemplary deeds of scientists and engineers who innovate boldly and work hard. In order to encourage scientific and technological innovation, the Central Committee



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and the State Council have decided to establish a State Supreme Science and Technology Award to reward excellence in science and technology by outstanding scientists and engineers.

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<sup>1</sup> Karl Marx and Frederick Engels, "Engels to W. Borgius," Collected Works, Eng. ed., International Publishers, New York, 2004, Vol. 50, p. 265.

<sup>2</sup> "Realize the Four Modernizations and Never Seek Hegemony," Selected Works of Deng Xiaoping, Eng. ed., FLP, Beijing, 1995, Vol. II, p. 122.

## SPEECH AT THE SHANGHAI FIVE SUMMIT IN BISHKEK

*August 25, 1999*

This is the fourth summit meeting of the heads of state of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan since we met in Shanghai in 1996. Over the past three years, our five countries have actively explored how to strengthen mutual understanding and trust, promote good-neighborly friendship, safeguard regional peace and stability, and promote regional cooperation, and our efforts have made great results. The joint declaration that we will sign at this meeting will be a further declaration to the world that we shall continue to strive for regional and world peace and stability, and open new channels for mutual cooperation and development.

At this important historical moment at the turn of the century, it is of great significance that we heads of state have come together to review the past and look forward to the future from the lofty perspective of history and of safeguarding regional and world peace and promoting common development.

In the 20th century, humankind created glorious civilizations, but also experienced tragic catastrophes. The ten years since the end of the Cold War have witnessed an overall easing of international tensions. Maintaining world peace and promoting economic development have become the aspirations of all the peoples of the world. Although progress toward a multipolar world has been tortuous, this trend cannot be stopped. Today, every country gives top priority to developing its economy and raising the standard of living of its people, and economic contacts between countries are constantly growing. Science and technology advance with each passing day, international markets are expanding rapidly, and factors of production are flowing more quickly, thereby providing opportunities for national development. For all countries and peoples who cherish peace, opportunities outnumber challenges and hope outweighs difficulties.

Nevertheless, the world is far from being peaceful. Hegemonism and power politics have new manifestations, including the rise of so-called neo-interventionism, that are attracting widespread attention and vigilance among the international community. The pace of economic globalization is increasing, making international competition fiercer than ever, and

increasing financial and economic risks. Worldwide, the gap between rich and poor countries, especially the North-South gap, continues to widen, leading to increased polarization. The issues of environmental protection and sustainable development are increasingly prominent. How to maximize advantages while minimizing disadvantages, seize opportunities for self-development, and safeguard one's own economic security are increasingly important questions that many countries, especially developing countries, need to resolve. Strengthening cooperation between developing countries, i.e. South-South cooperation, carries extremely important significance for promoting the common prosperity and economic security of developing countries and for promoting world peace, stability and development, and it accords with the orientation of historical development.

Reality shows that safeguarding the universally recognized basic norms governing international relations, especially the principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful Coexistence; safeguarding the authority and irreplaceable role of the United Nations; and promoting the establishment of a new international political and economic order that is peaceful, stable, just and equitable, are still arduous tasks faced by all peace-loving countries and peoples, and tasks that we heads of state must shoulder together.

China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan occupy three fifths of the Eurasian land mass, and account for nearly a quarter of the world's population. Our five countries living together in harmony, strengthening cooperation, and safeguarding regional security and stability, is a major contribution to world peace and development. In recent years, through friendly consultation, we have basically solved longstanding border disputes, mutually reduced armed forces along our borders, created and strengthened mutual trust, and guaranteed peace and tranquility along our borders. The new security concept we advocate, which is a major departure from the Cold War mentality and has been successfully implemented, sets a good example for other countries. Given the current circumstances, we need to further strengthen friendly cooperation. To this end, I would like to put forward the following five-point proposal.

First, we should continue to strengthen regional security cooperation. We need to peacefully resolve disputes through consultation and dialogue, carry forward the work of the Conference on Interaction and Confidence-Building Measures in Asia, and move forward with the proposal to make

Central Asia a nuclear-free zone.

Second, we should continue to combat religious extremist forces, ethnic separatist forces, international terrorists and other transnational criminal activities that threaten regional security and stability. The government departments from each of our countries that deal with such matters should gradually establish effective cooperation mechanisms.

Third, we should continue to promote regional economic cooperation and development. Through cooperation, each country should make the most of its advantages and potential, draw on the others' strengths to compensate for its weaknesses, learn from each other's successes, and broadly and deeply develop economic and technological cooperation, especially in the areas of energy and high technology, both bilaterally and multilaterally.

Fourth, we should continue to promote the revival of the ancient Silk Road. We should vigorously carry out railroad and highway construction to create a modern transportation network as soon as possible to encourage and enliven regional economic and cultural exchanges.

Fifth, we should continue to strengthen consultation, dialogue and coordination on major international problems and the affairs of the United Nations, and together uphold international justice and the legitimate rights and interests of the peoples of all countries.

Practice has already proven that good-neighborly friendship and mutually beneficial cooperation between our five countries conforms to the trend of the times and in the fundamental interests of the peoples of our five countries. Let us continue to work together to make new and greater contributions to regional stability and prosperity and the noble cause of world peace and development.



## WORK TOGETHER TO CREATE A BRIGHT FUTURE FOR ASIA AND THE WORLD\*

*September 3, 1999*

The 20th century history of Asia is a magnificent epic of the Asian people persevering in an unyielding fight against colonialism and imperialism to win national independence and liberation. It is also a bold portrait of Asians working hard for success, constantly progressing, gradually lifting themselves out of poverty and backwardness, and taking their rightful place among the world's nations. After World War II, through tenacious struggle, Asian countries eventually stepped onto the international stage as independent and equal members of the international community, and made significant contributions to peace and development in Asia and across the world. In the last 20 years, Asia, especially East Asia, has experienced rapid economic growth and become one of the most dynamic regions in the world. The drastic changes and the rise of Asia are a great miracle accomplished by the Asian people as well as an important symbol of the development and progress of the world in the 20th century. The Chinese government resumed the exercise of sovereignty over Hong Kong in 1997, and Macao will return to the embrace of the motherland this year on December 20. Macao's return will mark the end of Western colonial rule in Asia. We are immensely proud of the historic honors Asia has won in the 20th century.

National independence and unity are important prerequisites for the great achievements of Asian countries. Having suffered enormously from imperialist invasion and bullying that subjugated countries and wrecked families, the Asian people cherish dearly their hard-won national independence and unity. It is their sacred right to safeguard their national dignity and sovereignty, independently choose their social system, development path and way of life, and reject foreign interference in their internal affairs. Doing so also provides a fundamental guarantee of prosperity in Asian countries.

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\* Excerpt from the speech "Enhance Good-Neighborly Friendship and Work Together to Create a Glorious Future Together" delivered at the Thai National Cultural Center while visiting Thailand.

Self-confidence, self-respect, self-reliance and self-improvement are important aspects of the spirit that have encouraged the people of Asia to reform and innovate as well as to conquer all obstacles and difficulties. It is by relying on this spirit that Asian people have achieved one success after another in developing their economies, science and culture and building up their countries. Faced with the impact of the Asian financial crisis, the people of Thailand adopted the resonant slogan, “Thais help Thais,” and worked together to weather the storm and stabilize economic development. When faced with last year’s devastating and historically rare floods, the Chinese people became united in will and fought tenaciously to win a great victory in battling them. These examples vividly express the Asian spirit of self-improvement.

The vast majority of Asian countries are part of the third world, and they all have experienced similar sufferings in the past and now share the same aspirations for development. Each country knows full well the importance of treating each other as equals, engaging in mutually beneficial cooperation and living in harmony. It is exactly for this reason that the well-known Five Principles of Peaceful Coexistence<sup>1</sup> were born on Asian soil. All Asian countries abide by these norms of international relations that accord with both the fundamental interests of the Asian people and the demands of our times, and set a good example for the peaceful coexistence of countries with different social systems and friendly cooperation among developing countries. This has had a far-reaching impact on the international community.

Asia’s historical experience has taught us how to draw up a blueprint for the new century. The growing trend of world multipolarization and economic globalization, the rapid advance of science and technology, and the quiet rise of the knowledge economy bring both new hopes and new challenges for development and progress in Asia and throughout the world. On the threshold of a new century, Asian people are pondering the future of Asia and the world. How to seize opportunities, meet challenges, continue to promote the establishment of a just and equitable new international political and economic order of peace and stability, and take a new Asia and a new world that have lasting peace and universal prosperity into the 21st century — these are the pressing issues that the statesmen and people of Asia, including China and Thailand, as well as the rest of the world, must face together.

Currently, the international situation is undergoing profound changes.

Since the end of the Cold War, the overall world situation has eased. Calls for peace, stability and development by people throughout the world are constantly increasing. However, the world is far from peaceful. Hegemonism and power politics still exist in international political, economic and security domains and manifest themselves in new ways. New “gunboat diplomacy” and economic neocolonialism pursued by some major powers have severely undermined the sovereignty, independence and development of many small and medium-sized countries, and threatened world peace and international security. To maintain world peace and promote common development, all countries must strictly abide by the basic norms of international relations established since the world war against fascism, including the Five Principles of Peaceful Coexistence and the purposes and principles of the UN Charter. No country should be allowed to defy the law, or willfully violate and trample on these norms. All countries, large or small, strong or weak, rich or poor, are equal members of the international community. The internal affairs of any country should be decided by its own people, and international affairs should be settled through discussions involving all nations. This is the common will of all peace-loving countries and peoples and an inexorable historical trend.

International economic exchanges should be conducted on the basis of the principles of equality, mutual benefit and common development. When working out new rules for international economic and trade activities, the reasonable demands of developing countries should be fully considered and their legitimate rights and interests protected. Developed countries should, and have the ability to, shoulder more responsibilities. In the course of economic globalization, no country should be allowed to exploit its advantages to seek privileges or harm the interests of other countries. Economic cooperation and aid with political strings attached are never welcome. Trade protectionism of all kinds undermines not only the interests of others, but also harms oneself in the end. Historical lessons in this regard should not be forgotten. The pernicious trend of a constantly widening gap between the South and the North deserves our full attention. Concrete and effective measures should be taken to gradually address it; otherwise, the poor will get poorer and the rich, richer. Furthermore, not only will economic development in developing countries be hampered, but developed countries will also find it difficult to achieve steady economic growth.

To safeguard international security, the Cold War mentality must be

thoroughly discarded and we must build lasting peace in the international community on the basis of a new security concept that promotes the mutual confidence of all countries and their common interests. All countries should enhance mutual confidence through dialogue, seek security through cooperation, respect each other's sovereignty and settle disputes through peaceful means.

Both China and ASEAN countries are advocates of a new international political and economic order. We are all developing countries and neighbors joined by common mountains and rivers, and mutual consensus on strategic issues is increasing. Good-neighborly friendship is a common requirement between China and ASEAN countries. As long as we adhere to friendly consultation, there is no dispute that cannot be solved. China and ASEAN countries should always be good neighbors, good friends and good partners. During the Asian financial crisis, China shared the difficulties of Thailand and other ASEAN countries, and we stood together through adversity and provided them with as much assistance as possible. China is ready to have in-depth discussions with relevant ASEAN countries on the principles and methods for safeguarding peace and stability in this region as well as in the South China Sea, and will settle existing differences through friendly consultation and negotiation. China respects ASEAN's efforts to establish a zone of peace, freedom and neutrality, and respects and supports the Protocol to the Southeast Asia Nuclear-Weapon-Free Zone Treaty. We welcome the economic integration of ASEAN and are actively participating in the cooperation in the Lancang-Mekong River Basin. We attach great importance to the ASEAN Vision 2020 and the Hanoi Plan of Action,<sup>2</sup> and hope to deepen exchanges and cooperation with ASEAN in economic, trade, scientific and technological, social and other fields. I have always believed that ASEAN, united and prosperous, is an important force for promoting peace and development in Asia.

In recent years, China-ASEAN relations have undergone comprehensive and thorough development. The leaders of ASEAN countries and I issued a joint statement in 1997, and decided to build a partnership of good-neighborliness and mutual trust between China and ASEAN. These efforts have charted a course and provided a framework for the development of bilateral relations. China has signed or issued plans for cooperation oriented to the 21st century with Thailand, Vietnam, Malaysia and Brunei, and it hopes to further strengthen mutually beneficial cooperation with all ASEAN countries. China and ASEAN have become impor-



tant trade and investment partners. We have reason to believe that, on the basis of compliance with the Five Principles of Peaceful Coexistence, there are bright prospects for the development of friendly relations between China and ASEAN.

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<sup>1</sup> Delegations from the Chinese and Indian governments held negotiations in Beijing from December 1953 to April 1954 on relations between the two countries with regards to the Tibet region of China. On December 31, 1953, the first day of negotiations, Chinese Premier Zhou Enlai met with the Indian delegation, at which time he proposed the Five Principles of Peaceful Coexistence: mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. Later these principles were formally included in the preface to the Agreement Between the People's Republic of China and the Republic of India on Trade and Cooperation Between the Tibet Region of China and India. During his visit to India and Myanmar in June 1954, Zhou Enlai issued joint statements with Indian Prime Minister Nehru on June 28 and Myanmar Prime Minister U Nu on June 29 in which he formally proposed taking the Five Principles of Peaceful Coexistence as the basic principles for handling state-to-state relations.

<sup>2</sup> A reference to the development plan for the six-year period, 1999 to 2004, passed at the Sixth ASEAN Summit in Hanoi, Vietnam, in December 1998. The aim of the plan is to close the development gap between ASEAN member countries, promote their integration, and achieve the ASEAN Vision 2020. It covers macroeconomic and financial cooperation, economic integration, science and technology, information technology, social and cultural cooperation, human resources, environmental protection, sustainable development, regional peace and security, ASEAN awareness, promoting ASEAN's standing in the region and the international community, and improving its structures and mechanisms.

# THE CPPCC'S ORIENTATION AND MISSION FOR CARRYING ITS CAUSE FORWARD INTO THE FUTURE<sup>\*</sup>

*September 22, 1999*

Today we are gathered here at this grand meeting to celebrate the 50th anniversary of the CPPCC. On behalf of the CPC Central Committee, I extend heartfelt congratulations to the CPPCC; pay high tribute to the democratic parties, people's organizations and persons from all ethnic groups and sectors of society who are devoted to building socialism with Chinese characteristics; and extend sincere greetings to our compatriots in the HKSAR, Macao and Taiwan and overseas Chinese who support reunification of the motherland and rejuvenation of the Chinese nation.

At this moment, we more dearly cherish the memory of comrades Mao Zedong, Zhou Enlai, Deng Xiaoping, Deng Yingchao, Li Xiannian<sup>1</sup> and other great pioneers and outstanding leaders of the older generation of the CPPCC. We will always remember the people who have made contributions to developing the People's Republic and the CPPCC.

The First Plenary Session of the CPPCC was held in Beijing on September 21-30, 1949. In his opening speech at that session, Comrade Mao Zedong solemnly declared, "[T]he Chinese people, comprising one quarter of humanity, have now stood up."<sup>2</sup> The session performed the functions of the later NPC. It adopted the Common Program of the CPPCC which served as the provisional Constitution for China, the Organic Law of the CPPCC and the Organic Law of the Central People's Government of the People's Republic of China; passed four important resolutions on the capital, national flag, national anthem and chronological system of the People's Republic; elected the CPPCC National Committee and the Central People's Government Council of the People's Republic; and proclaimed the founding of the People's Republic. At that point, China entered a new era of development.

The CPPCC is a great innovation the CPC made by integrating the Marxist-Leninist theory of the united front with the concrete realities of China, as well as the result of the CPC uniting and working with the demo-

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<sup>\*</sup> Speech at a meeting to celebrate the 50th anniversary of the CPPCC.

cratic parties, people's organizations and patriots from all ethnic groups and sectors of society over a long period of time.

China was a semi-colonial, semi-feudal society in its modern history. Because the proletariat was relatively weak, the CPC created and sustained a united front of the proletariat with the peasant, petty-bourgeois and national-bourgeois classes to achieve the tasks of the new-democratic revolution. The united front provided an important guarantee for victory in the revolution. The democratic parties, people's organizations and democratic persons without party affiliation supported the leadership of the CPC and jointly created the CPPCC in response to the Party's call for a new political consultative conference and a democratic coalition government. The establishment of the CPPCC indicated that the Chinese people were not only strongly united ideologically and politically, but also organizationally. It also organically integrated the united front with people's democracy and became an important part of China's socialist political system.

After the founding of New China, the CPPCC made significant contributions to restoring and developing the national economy, consolidating the new people's government, propelling social reforms and promoting socialist revolution and construction. Following the First Session of the NPC in 1954, the CPPCC continued to play an important role in the country's political activities as a democratic consultative body and an organization of the united front. After basic completion of the socialist transformation of private ownership of the means of production in 1956, Comrade Mao Zedong set forth the principle of long-term coexistence and mutual oversight between the CPC and the democratic parties, further laying the ideological and political foundation for the system of multiparty cooperation and political consultation under the leadership of the CPC.

After the Third Plenary Session of the Eleventh Central Committee, China entered a new period of reform, opening up and modernization and the CPPCC began a new period of development. In light of the new tasks and circumstances, Comrade Deng Xiaoping put forward new ideas on the nature, functions, role, tasks, principles and policies of the CPPCC and determined the orientation for its development. In a speech at the Second Session of the Fifth National Committee of the CPPCC, Comrade Deng Xiaoping said, "The tasks of the united front and of the CPPCC in the new period are to mobilize all positive forces, strive to transform all negative forces into positive ones, and unite with all the forces that can be

united so that all can work in harmony to maintain and strengthen political stability and unity in China and make it a modern, powerful socialist country.”<sup>3</sup> This important speech was a programmatic guide for the work of the united front and the CPPCC in the new period.

Under the guidance of Deng Xiaoping Theory, the Central Committee formulated the Guidelines for Adhering to and Improving the System of Multiparty Cooperation and Political Consultation Under the Leadership of the Communist Party of China, which explicitly stated that this system will exist and develop for a long time as the basic political system of the country. This basic political system and the nature and role of the CPPCC have been enshrined in China’s Constitution. The Central Committee disseminated the Regulations of the CPPCC National Committee for Political Consultation, Democratic Oversight, and Participation in and Deliberation of State Affairs, which fully describe the standardization and institutionalization of the way the CPPCC carries out its functions. CPPCC committees at all levels and their members actively make proposals on promoting reform, opening up, modernization and national reunification; strengthen contacts with our compatriots in Hong Kong, Macao and Taiwan and overseas Chinese; increase mutual understanding, exchanges and cooperation with people of all countries; and maintain social stability and unity. The CPPCC has played and will continue to play an important role in our country’s political, economic and cultural activities. The united front has become the broadest possible union of all socialist workers and patriotic supporters of socialism and national reunification in China. The cause of the CPPCC has made great progress during this period.

After half a century of development, the CPPCC has accumulated a wealth of valuable experience and formed fine traditions in its work.

Under historical conditions in which fundamental changes have taken place in China’s class relations and principal social problems, the united front remains an important part of the general line and policy of the CPC and a powerful instrument for surmounting every difficulty and winning victory in the historical process of socialist development. The CPPCC is the broadest possible patriotic united front organization and bears a glorious historic mission in the great cause of achieving socialist modernization, safeguarding the reunification of the motherland and promoting unity of the people of all ethnic groups.

The system of multiparty cooperation under the leadership of the CPC is a new socialist political party system with Chinese characteristics,



suited to China's conditions. In contemporary China, the Communist Party is the ruling party, yet it is subject to oversight and criticism at all times by the masses and the democratic parties, with which it closely cooperates. We need to uphold the principle of long-term coexistence, mutual oversight, sincerity and sharing of both good and bad times between the CPC and the democratic parties, ensure the democratic parties fully participate in state affairs, and continue to strengthen cooperation with them as well as people without party affiliation.

The CPPCC is an important form of China's socialist democratic politics. It gathers together large numbers of talented people and maintains extensive contacts, giving it broad representation and inclusiveness as well as unique advantages for playing its special role in conducting democratic oversight through consultation, discussion, criticism and suggestion. In our socialist country, with a vast territory and large population, carrying out extensive deliberation under the leadership of the CPC on major issues bearing on the national economy and the people's lives embodies the unity of democracy and centralism. Upholding and constantly improving this form of democracy is a necessary requirement and an important part of developing socialist democratic politics.

The CPPCC has always been closely tied to the development of the People's Republic and the people's struggles, and it has stood together with them through thick and thin. It is for this fundamental reason that the CPPCC has been continuously developing and imbued with vigor. Only by subordinating itself to and serving the country's overall reform, development and stability, as well as steadfastly integrating its work with the grand causes of safeguarding the motherland's unity and achieving its modernization, will the CPPCC be able to constantly record glorious achievements as it forges ahead into the future.

The eventful development of the CPPCC over the past 50 years can be summarized by two themes: unity and democracy. Unity and democracy under the leadership of the CPC are the very essence of the CPPCC's nature. They are the historical foundations for its establishment and development, and its orientation and mission for carrying its cause forward into the future. These two themes should continue to permeate all the CPPCC's work. Achieving closer unity will provide a better foundation for the development of democracy, and promoting extensive democracy will strengthen unity more effectively. To accomplish its mission to develop the country and the nation, the CPPCC must continue to uphold the leadership of the

CPC, constantly improve its organizational mechanisms and work style, and carry out its functions and make full use of its strengths in accordance with the requirements for unity and democracy.

Through the last 50 years of development, China has accomplished remarkable achievements, attracting worldwide attention. Momentous changes have taken place in our country, an ancient civilization of more than 5,000 years, and a backward country subject to repeated bullying and humiliation by foreign powers in its modern history. Now, China is a developing Eastern power, a longstanding historical civilization in the process of becoming a modern socialist civilization and moving from a poor and weak old society toward prosperity and strength. All this is attributable to the concerted efforts of all Chinese people under the leadership of the Party, and brings historic honor to the entire Chinese nation. The great rejuvenation of the Chinese nation is in sight.

Profound changes are taking place in the international situation, and our domestic reform, opening up and modernization are in a crucial period. We are faced not only with rare opportunities for development, but also with severe challenges. In the presence of the formidable tasks for cross-century development, the Party and the people have placed greater demands on the CPPCC, and the CPPCC has more arduous work to do. The CPPCC should, and absolutely can, play a more important role in developing the country and rejuvenating the nation.

First, we hope the CPPCC continues to focus on the central tasks facing the Party and our country in order to better serve socialist modernization. Developing the economy and achieving socialist modernization are the Party and country's central tasks, and they are the overall objectives that all sides must subordinate themselves to in all their work. The grand blueprint formulated at the Fifteenth National Congress of the CPC and the powerful driving force behind the cause of the CPPCC are to hold high the great banner of Deng Xiaoping Theory; adhere to the basic line, platform and principles of the Party in the primary stage of socialism; comprehensively advance the cause of building socialism with Chinese characteristics; and achieve the great rejuvenation of the Chinese nation. Focusing on the central task of economic development and serving the overall interests of the country is a principle the CPPCC must follow in carrying out its functions as well as the foundation for constantly initiating new phases in its work. CPPCC committees at all levels should make full use of their advantages, continue to offer advice and support for reform and development,

and submit more constructive comments and suggestions.

Second, we hope the CPPCC continues to promote democracy and plays an active role in advancing socialist democratic politics with Chinese characteristics. It is our constant goal to develop socialist democratic politics with the people as masters of the country. At the Fifteenth Congress, the CPC made comprehensive arrangements to further extend the scope of socialist democracy, improve the socialist legal system and build a socialist country under the rule of law. Fostering democracy within the united front and ensuring success in political consultation, democratic oversight, and participation in and deliberation of state affairs will help strengthen and improve the CPC's leadership, improve government work, ensure leading organs make correct decisions and assist with the implementation of principles and policies. The CPPCC needs to listen to suggestions from all sectors on major issues concerning reform and development, actively participate in and deliberate state affairs, conduct democratic oversight of the implementation of the Constitution and laws and the performance of state organs, and work harder to standardize and institutionalize the performance of its own functions. Party committees and governments at all levels need to emphasize the role of the democratic parties and persons without party affiliation in political consultation and democratic oversight, listen to their comments and suggestions attentively, and make full use of their advantages in this regard in order to promote the development of socialist democratic politics with Chinese characteristics.

Third, we hope the CPPCC actively assists the Party and government in balancing relations and settling conflicts to safeguard social and political stability. As reform and opening up have deepened, economic sectors, economic interests, social lifestyles and forms of social organization have become diversified. These new situations have brought with them changes in the economic structure and social relations. We must pay close attention to problems among the people as well as other social problems and handle them correctly before they intensify and threaten social stability. We need to solve social problems properly in light of different circumstances by relying on reform and development, strengthening ideological and political work, and using a combination of legal, economic, administrative and educational means. The CPPCC is an important organization that maintains extensive contacts with all sectors of society, and it should play a more active role in balancing relations and settling conflicts. CPPCC committees at all levels need to keep channels for reporting social conditions and public

opinion open, strengthen contacts with all sectors of society, inform them of the latest developments, exchange ideas with them, and work to maintain social and political stability and unity.

Fourth, we hope the CPPCC broadly unites with Chinese people both at home and abroad who love our motherland in struggling together to completely reunify the motherland and rejuvenate the Chinese nation. Unity is essential for China's prosperity and national rejuvenation. We will create not only a close unity of all mainland socialist workers and patriotic supporters of socialism on the basis of the common ideal of building socialism with Chinese characteristics, but also a broad unity of our compatriots in the mainland and the HKSAR, Macao and Taiwan as well as overseas Chinese on the basis of our common will to safeguard the reunification of the motherland and rejuvenate the Chinese nation. We will unite with as many people as possible on the widest possible basis to completely reunify the motherland and comprehensively rejuvenate the Chinese nation. The "one country, two systems" principle set forth by Comrade Deng Xiaoping laid a solid foundation for promoting the unity of all patriotic Chinese under different social systems and achieving the great cause of national reunification. On the basis of this principle, Hong Kong has returned to the embrace of the motherland and Macao will soon return. Eventually, we will resolve the Taiwan question. The motherland must be completely reunified. The Chinese government and people will never allow their state sovereignty and territory to be divided. The CPPCC should make full use of its advantages to promote the great unity of the Chinese nation and make more contributions to reunifying the motherland and achieving sooner rather than later our great rejuvenation.

Upholding the leadership of the CPC is a fundamental guarantee for consolidating and developing the patriotic united front and a primary political prerequisite for the success of multiparty cooperation in China. United front work is the work of the entire Party, and the cause of the CPPCC is an important part of the cause of building socialism with Chinese characteristics. As reform and opening up deepen and our economy develops, it is increasingly necessary to strengthen the work of the united front and the CPPCC. Upholding and developing the broadest possible patriotic united front is a strategic task, one that impacts the development of the country and socialism. Party committees at all levels must fully understand the importance of the CPPCC's work, continue to strengthen its leadership over this work and support the CPPCC in performing its functions. They need



to conscientiously handle comments and suggestions from the CPPCC; improve contacts with the democratic parties, people's organizations and people without party affiliation; and unite with all positive forces to serve the Party's general goals and tasks. Leading Party groups of CPPCC committees at all levels need to strengthen and play the role as the political nuclei in the CPPCC's work to ensure that the Party's line, principles and policies are implemented. Party members in the CPPCC need to carry forward the fine traditions and work style of the Party; conscientiously carry out the Party's line, principles and policies; make friends with non-Party persons; and strive to play an exemplary role in promoting cooperation, performing official duties honestly and maintaining a democratic work style. Only by winning the genuine support of the people, including members of the democratic parties and people's organizations and people without party affiliation, can we constantly consolidate and strengthen the Party's leading position and develop the cause of the Party and maintain its vitality.

The 20th century is nearly over and the 21st will soon be upon us. Let us hold high the great banner of Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory; uphold and improve the system of multiparty cooperation and political consultation under the leadership of the CPC; constantly consolidate and expand the patriotic united front; and comprehensively carry forward the undertakings of China's reform and development into the new century. We are convinced that the CPPCC will make more contributions on the great journey of building a prosperous, strong, democratic, culturally advanced and modern socialist China.

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<sup>1</sup> Mao Zedong (1893-1976) was Chairman of the First National Committee of the CPPCC, and Honorary Chairman of the second through fourth national committees; Zhou Enlai (1898-1976) was Chairman of the second through fourth; Deng Xiaoping (1904-97) was Chairman of the fifth; Deng Yingchao (1904-92) was Chairwoman of the sixth, and Li Xiannian (1909-92) was Chairman of the seventh.

<sup>2</sup> "The Chinese People Have Stood Up!" *Collected Works of Mao Zedong*, Chin. ed., People's Publishing House, Beijing, 1996, Vol. V, p. 343.

<sup>3</sup> "The United Front and the Tasks of the Chinese People's Political Consultative Conference in the New Period," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1995, Vol. II, pp. 193-94.

# SPEECH AT A CEREMONY IN CELEBRATION OF THE 50TH ANNIVERSARY OF THE PEOPLE'S REPUBLIC OF CHINA

*October 1, 1999*

Fellow Countrymen,  
Comrades and Friends,

Today, we gather here in the magnificent Tiananmen Square for a grand celebration of the 50th anniversary of the founding of the People's Republic of China. This is a glorious festival for the people of all China's ethnic groups as well as a solemn ceremony to review our achievements and strengths.

On behalf of the Central Committee, the NPC, the State Council, the CPPCC National Committee and the Central Military Commission, I would like to pay high tribute to all the revolutionary forerunners and martyrs for their contributions to the independence, reunification, democracy, prosperity and strength of the motherland. I also wish to extend warm, festive greetings to the people of all our ethnic groups and patriotic compatriots at home and overseas, and to express sincere gratitude to foreign friends and people of the world who care about and support China's development.

Fifty years ago today, Chairman Mao Zedong stood here and proclaimed the birth of New China to the world. That is when the Chinese people stood up and the Chinese nation entered a new era of development.

Fifteen years ago today, Comrade Deng Xiaoping stood here and declared to the world that the Chinese people were making great strides on the path of reform and opening up, and that China would press forward in building socialism, like a ship braving the wind and waves, toward the glorious destination of modernization.

Fifty years of arduous struggle and strenuous efforts, particularly during the past 20 years of reform and opening up, have brought momentous changes to the once poor and weak China. Under the leadership of the Party, the industrious, courageous and talented Chinese people have worked wonders on this ancient land, capturing worldwide attention.

Experience has fully proved that only socialism can save and develop China. It has also proved that building socialism with Chinese characteristics is the main road to economic prosperity and all-around social prog-

ress in China.

Humankind again stands at a critical juncture at the turn of the century and the dawn of a new millennium. This is a good time for people to review their journey and accomplishments and look ahead to future development and prospects.

From the middle of the last century to the middle of this century, the Chinese people sanguinarily struggled for a century before finally attaining national independence and liberation, thereby fundamentally changing their own destiny. From the middle of this century to the middle of the next, the Chinese people will basically achieve socialist modernization through a century of hard work. The heroic Chinese nation will stand stronger in the family of nations.

Our great motherland has a history of 5,000 years, during which the Chinese nation has, with its wisdom, ingenuity and outstanding creativity, made an indelible contribution to world civilization. In the new millennium, it will surely make splendid new achievements that contribute even more to world civilization.

We will continue to adhere to the Party's basic theory, line and program and rely on the strength of the people of all ethnic groups in China to constantly achieve new successes in building socialism with Chinese characteristics in the coming century.

We will continue to pursue the principle of "peaceful reunification and one country, two systems" and ultimately accomplish the reunification of Taiwan with the mainland following the successful return of Hong Kong and Macao. The complete reunification of the motherland and the preservation of its security form the fundamental basis for the great rejuvenation of the Chinese nation and is the unshakable strong will of all Chinese people.

We will continue to pursue an independent foreign policy of peace, and develop friendly relations and cooperation with all other countries on the basis of the Five Principles of Peaceful Coexistence. The Chinese people will always side with developing countries and people throughout the world, work unremittingly to oppose hegemonism, promote world multipolarization, push for the establishment of a just and equitable new international political and economic order, and promote the noble cause of world peace and development.

Struggle involves hardship, and hardship gives rise to new development. This is a universal law. China has an extremely bright future. Let us

hold high the great banner of Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory and march bravely toward our glorious goals. China will emerge in the East as a prosperous, strong, democratic, culturally advanced and modern socialist country.

Long live the great People's Republic of China!

Long live the great Communist Party of China!

Long live the great Chinese people!



# THE PRESENT SITUATION AND ECONOMIC WORK<sup>\*</sup>

*November 15, 1999*

This Central Economic Work Conference is an important meeting of the central leadership since the Fourth Plenary Session of the Fifteenth Central Committee. The main tasks of this meeting are to implement the guiding principles of the Fifteenth National Party Congress and the third and fourth plenary sessions of the Fifteenth Central Committee, analyze the current economic situation, review economic work completed in 1999 and plan economic work for 2000. Below, I would like to discuss several issues.

## **I. The International and Domestic Situations**

A new century is fast approaching, and we are searching for new ways to build socialism with Chinese characteristics. At this important moment, at the turn of the century, all countries, especially the great powers, are intensifying efforts to adapt and adjust their development strategies in order to take the initiative in fierce international competition in the coming century. All Party members, especially high-ranking cadres, must broaden their view; analyze problems using the Marxist stand, viewpoint and method; and have a comprehensive and accurate understanding of the world's political and economic background, situation and trends. Only by understanding the world situation can we make domestic plans and concentrate our energies to manage our own affairs well.

The trend toward world multipolarity is continuing, the overall international situation is still easing and peace and development remain the themes of the times. Although the world is far from being at peace, it will be possible to avoid a new world war for a fairly long time to come. The eventual creation of a multipolar world will require a long process full of complex struggle, but this historical trend is irreversible. This is an important judgment the Central Committee has reached on the basis of scientific analysis of the conflicts in the contemporary world and comprehensive observation

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<sup>\*</sup> Speech at a central economic work conference.

of the growth and decline of the forces of peace and the causes of war.

A number of important incidents occurred this year. NATO introduced a new strategic concept and brazenly attacked the Federal Republic of Yugoslavia;<sup>1</sup> the United States and Japan strengthened their military alliance and agreed to work together to research and build a theater missile defense system; India and Pakistan vied to carry out nuclear tests, and armed conflict occurred in Kashmir; and the situation on the Korean Peninsula temporarily intensified, with the United States continuing to put pressure on the Democratic People's Republic of Korea. Instability and uncertainty in the international situation have increased significantly. Hegemonism and power politics have new manifestations, which are a direct threat to world peace and stability. Nevertheless, the various forces in the world that uphold peace and oppose hegemonism are growing stronger, and developing countries in particular have been firmly opposed to hegemonism and power politics. Countries everywhere still give high priority to developing their economies and increasing their overall strength. Despite these dramatic changes in the international situation, the themes of the times remain the same. It is entirely possible for us to create a favorable neighboring and international environment in which we can continue to press ahead with our country's modernization.

Multipolarity is in line with the common wishes and interests of people throughout the world; however, at present there is a serious imbalance of world power. America's economic, military and scientific strength is significantly superior to other countries, making it the world's sole superpower. The United States is intensifying implementation of its global strategy, advocating "neo-interventionism," enforcing a new "gunboat diplomacy," and interfering in the internal affairs of countries around the globe, sometimes with armed force. Nonetheless, the United States is beset by internal conflicts, and the forces of world peace and progress are increasingly restraining the United States, thus preventing it from achieving world domination. The world is rich and varied, and the trend toward multipolarity is consistent with global diversification. Only a balance of power is conducive to world stability. Developing countries advocate and support world multipolarity, and Western countries are by no means a monolithic bloc. The European Union has made substantive progress toward integration in recent years, and there is conflict over the United States' dominance in European security affairs and political and economic interests. Japan listens to the United States on political, diplomatic and military matters, but it has

grievances with the United States on economic and trade issues. Russia looks to the West for economic assistance, but has deep conflicts with the United States and Western Europe on matters related to NATO's expansion in Eastern Europe and nuclear arms reduction. Since China instituted reform and opening up, its overall strength has increased greatly, its international standing has improved markedly and it has become an important force safeguarding world peace and stability. International hostile forces are unwilling to see China grow stronger by the day. They are doing everything within their power to implement their political strategy of Westernizing and dividing our country, and they will not abandon their strategic plot to ruin socialist China. We must always be aware of this.

From a comprehensive analysis of the international political situation, we can conclude that a world war will not break out for a fairly long time to come, and we should therefore make the most of the opportunity to develop and strengthen ourselves, and strive to build up our economic power, defense capabilities and national cohesiveness. As long as another world war, a large-scale foreign invasion or a major Taiwan independence incident that splits the motherland does not occur, we should tightly grasp the central task of economic development and fully engage in modernization.

Global economic development trends were positive this year. The United States' economy continued to grow, the Japanese economy rebounded slightly, the European economy showed signs of improvement, the effects of the Asian financial crisis gradually diminished and the economies of countries hit by the crisis began to recover. However, world economic development faces a number of hidden dangers. Stock markets in the United States and the US dollar exchange rate will possibly fluctuate and America's economic growth may slow. The Japanese economic decline has not yet bottomed out. It will take some time for the economies of those countries hit by the Asian financial crisis to fully recover. All this will directly affect world economic development, and we cannot rule out the possibility that some regions may experience more instability or setbacks. The improvement in the world economic situation is favorable for us to expand exports and use foreign capital, but it will also increase competition in the world market. Our country's situation, in terms of exports and the use of foreign capital, is still very serious. In this area, we must weigh all factors carefully and be well prepared to deal with difficulties.

Looking ahead to the development of and changes to the world economy, there are three trends especially deserving of our attention. First,

economic global restructuring is ongoing. In recent years, the industrial structures, product mixes and enterprise structures of every country, especially developed countries, have undergone major changes. The rapid development of emerging industries, particularly the information industry, is transforming traditional industries. New products are always emerging, and the proportion of high-tech products in the product mix is constantly increasing. Corporate mergers and acquisitions occur repeatedly in Western countries, greatly increasing the ability of Western companies to control the market, monopolize technology and earn exorbitant profits. Second, science and technology are developing rapidly. The use of computers, the development of information technology and the use of new and high technologies such as new materials, new resources, genetic engineering and space technology, are leading to great changes in production methods and lifestyles. Economic development already relies heavily on the possession, allocation, production and use of knowledge and intellectual resources. Competition in overall national strength will increasingly depend on scientific and technological progress and knowledge innovation. Third, the influence of multinational companies is growing. Their rapid growth has brought about changes in the way capital is invested and in the international division of labor; accelerated the globalization of production, investment, trade and finance; created stronger international economic ties; and, at the same time, fueled international competition. Economic globalization is a double-edged sword, providing new conditions for development, but also posing varying degrees of risk to all countries. Developed countries enjoy significant advantages in the process of economic globalization. By contrast, developing countries are in a weaker position because they are less developed and less able to exploit opportunities and protect themselves from risks. Without appropriate strategies, they will encounter financial and economic risks and losses. The outbreak of the Asian financial crisis has fully demonstrated this point.

From a comprehensive analysis of the international economic situation, we can conclude that economic globalization has already had and is still having a profound effect on the economic development of all countries. We are facing new opportunities for development as well as severe challenges, and we must increase our sense of urgency and strive to develop faster and more efficiently.

This year China was heavily involved and very effective in diplomatic work. The central leadership assessed the overall situation and responded



coolly. It focused on China's relations with the great powers, appropriately dealt with unexpected incidents, vigorously promoted diplomatic work with our neighbors and continued to consolidate our relations with other developing countries. First, we handled Sino-US relations appropriately. Sino-US relations affect China's overall diplomatic work, and it is essential we handle them well. Several twists and turns in recent years have seriously damaged Sino-US relations, especially the bombing of our embassy in the Federal Republic of Yugoslavia by the US-led NATO this May. We waged a tit-for-tat struggle against the United States, forcing it to make a public apology. The United States also voluntarily resumed Sino-US bilateral negotiations on China's entry into the WTO and formally stated it does not support the "two states" statement<sup>2</sup> or the proposal to allow Taiwan's participation in the United Nations. The United States adopts the two-pronged strategy of engagement and containment when dealing with China, and we should pay attention to our tactics, and respond with a two-pronged approach of our own by using struggle to promote cooperation. Second, we gave high priority to our work concerning the European Union. We intensified our work with EU countries and achieved positive results. Expanding our areas of consensus and increasing our cooperation with the EU will help promote multipolarization. Third, we further strengthened our relations with neighboring countries and those in the Asia-Pacific region. At the Seventh APEC Economic Leaders' Meeting held earlier this year, we proposed that APEC should keep its nature as an economic forum and that regional economic and technological cooperation should be strengthened. The fourth summit of China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan further strengthened China's friendly relations and cooperation with Russia and the countries of Central Asia. Our country also decided to send civil police to serve in the UN peacekeeping mission in East Timor. All this is beneficial for raising our standing and increasing our role in the Asia-Pacific region as well as improving our surrounding environment. Fourth, we correctly handled negotiations with the United States and other countries on China's entry into the WTO. This is a highly politicized issue. Our entry into the WTO will make it easier for us to participate in international economic cooperation, but we must also assume corresponding obligations. The central leadership comprehensively assessed the present international climate and the opportunities we will face at the beginning of the next century, gave careful thought to political and strategic considerations, formulated a series of correct policies and principles concerning bilateral negotiations with the

United States on China's entry into the WTO, and achieved a positive result by stretching the timing and limits of the negotiations. Achieving bilateral agreement with the United States on our joining the WTO and speeding up the entry process are, on the whole, conducive to China's reform, opening up and economic development. We need to fully exploit the advantages of entry into the WTO and open further to the outside world. At the same time, we need to complete all our work, and accelerate the reform and development of enterprises to make them more competitive and risk-resistant. The aforementioned work represents the important measures adopted by the central leadership on the basis of a comprehensive assessment of the international situation. We need to continue to adhere to an independent foreign policy of peace and the basic state policy of opening up, and strive to create a favorable external environment for modernization.

This year, a number of leaders in the central leadership and I made a series of important trips abroad. Not long ago, I made state visits to Britain, France, Portugal, Morocco, Algeria and Saudi Arabia. The purpose of these diplomatic activities was to promote economic and technological exchanges and cooperation between China and other countries, push the world in the direction of multipolarity and lay a solid foundation for our country's cross-century diplomacy. My visits left me with a number of impressions. First, great importance is currently attached to China by foreign countries. I received a ceremonious and warm welcome in all the countries I visited. This treatment was not accorded to me as a private individual, but because China's strength has increased greatly through the past 50 years of development, particularly the 20 years of reform and opening up, and because China has demonstrated its strength by withstanding the Asian financial crisis, overcoming massive floods and other difficulties, and played an important independent role in international affairs. Second, most countries favor world multipolarity and do not want to see the world dominated by one country. Developing countries in particular firmly oppose the argument of "human rights overriding sovereignty" and they oppose attempts by some Western countries to exploit economic globalization for their exclusive benefit. The leaders of some Western countries have said that world multipolarity should be promoted and the authority of the United Nations preserved. Naturally, every country must consider its own interests, and their aims are not all the same. Third, developing countries are an important force for promoting world peace and development. While visiting Western countries, so-called pro-democracy activists and those advocat-

ing Tibet or Taiwan independence often disrupted proceedings, and some Western countries actually turned a blind eye to this in order to put pressure on us. In developing countries, however, no such thing happened. The people there gave us a warm welcome. It is increasingly clear that if developing countries want to achieve prosperity and security, we cannot do so solely by cooperating with developed countries. We also need to strengthen cooperation among ourselves; we need to strengthen South-South cooperation. One of China's important diplomatic strategies is to give high priority to strengthening unity and cooperation with other developing countries.

Our economic work in 1999 was carried out in a relatively complex international and domestic environment. This year we launched three major political struggles: a struggle against the United States in which we safeguarded our country's dignity; a struggle against the Falungong cult, in which we educated Party members, cadres and the masses and eliminated interference; and a struggle against secessionist activities aimed at Taiwan independence, in which we effectively deflated the arrogance of the secessionist forces. Victory in these struggles created a favorable political environment for concentrating our energy on economic development. In order to strengthen the Party, we launched an education campaign to stress study, politics and integrity among Party and government leading bodies and cadres above the county level; further raised the purposefulness and resolve of leading cadres to put the Party's basic theory, line and platform into practice; and achieved significant results in solving major issues concerning Party spirit and conduct. These are the most important tasks facing Party building at present and they hold great far-reaching significance for our Party to lead the people in continuing to make progress. In our economic work, we comprehensively implemented the principle of boosting domestic demand, strengthened the position of agriculture as the foundation of the national economy, vigorously moved ahead with SOE reform, picked up the pace of reform of systems for managing education and science and technology, strove to overcome the effects of the Asian financial crisis and promoted rapid national economic growth. This year, we had a good harvest, industrial production increased at a brisk pace, exports rebounded, fiscal revenues grew steadily, financial operations were relatively stable, people's lives continued to improve and social stability was maintained. Overall, the economic situation continues to develop in a positive direction, and the economic growth targets set at the beginning of the year are achievable. This proves the central leadership's principles and policies for

economic work are correct and the work of all the State Council's departments and of all regions has borne results.

The main problems currently facing our economy are insufficient effective demand, increasing employment pressure, slow rural income growth and growing structural incongruities. We need to analyze the difficulties and problems facing our economic work. In recent years, profound changes have occurred in our economic environment. First, fundamental changes have taken place in market supply and demand relations. Our country's productive forces have improved considerably through 20 years of reform and development, the longstanding problem of a shortage of goods has basically been solved and a buyer's market is taking shape. These are extraordinary successes. At the same time, structural surpluses have appeared in the current stage, and market restraints on economic development are increasingly evident. Second, economic restructuring has entered a critical phase. After many years of exploration and innovation, we have begun to institute the basic framework for a socialist market economy. This is a source of boundless vitality for economic development. Further deepening reform, especially tackling the difficult task of SOE reform, will necessarily require a more complex and profound realignment of interests, and it is becoming increasingly difficult to eliminate institutional barriers to further economic development. Third, China's foreign economic ties are continually expanding. As we continue to open up further to the outside world and make use of international markets and foreign resources, fluctuations in the world economy are having an ever more direct influence and impact on our economic development. We need to thoroughly research and analyze new circumstances and problems in our economy, understand the objective nature and inevitability of these changes in the current stage, deepen our understanding of the laws of economic development and be more purposeful in our work.

Faced with deep-seated conflicts and problems that had built up over a long period, challenges imposed by changes in the current stage of economic development and both foreseeable and unforeseeable international and domestic hardships and challenges over the last two years, we continued to use Deng Xiaoping Theory and the guiding principles of the Fifteenth National Party Congress as our guides, formulated a series of principles and policies for promoting reform and development, and effectively overcame all difficulties and maintained sustained, sound and rapid development of the national economy by relying on the common efforts



of the country's Party members, cadres and masses. A look back over the experience of the past two years reveals three lessons worth remembering.

First, we need to use development to solve problems. Comrade Deng Xiaoping said, "Development is the absolute principle."<sup>3</sup> This has always been the basic guiding principle of our economic work. When our economy encounters difficulties and problems, we need to adopt concrete measures to maintain a relatively rapid pace of economic development. We also need to draw lessons from past experience, change the pattern of economic growth, improve the quality and benefits of economic growth, and avoid bubbles and exaggeration. In clearly stating that economic growth targets are set for forecasting and guidance purposes and can be adjusted, the central leadership intends to maintain a realistic perspective on development. Practice has deepened our understanding of Comrade Deng Xiaoping's thinking on development.

Second, we need to adapt to changing circumstances and promptly adjust our macroeconomic policies. In 1996, our national economy successfully achieved a soft landing, thus laying the foundation for developing the economy healthily and dealing with the impact of the economic storm. In the latter half of 1997, the Asian financial crisis increased pressure for slower economic growth. The central leadership evaluated the situation, promptly adjusted policies, made important policy decisions and set boosting domestic demand and opening domestic markets as the basic standpoint and long-term strategy for our national economic development. In 1998, in order to maintain steady economic growth, we began to implement a proactive fiscal policy, made full use of the role of monetary policy and used a combination of measures to control economic activities. We increased investment in infrastructure while supporting technological upgrading in enterprises. We focused on investment while increasing personal income and guiding and encouraging consumption. We strove to boost domestic demand while continuing to open to the outside world and worked to open more markets abroad. We seized opportunities to deepen reform while effectively maintaining social stability. As our experience grew, we constantly deepened our understanding, improved our policies and strengthened our measures. Our success in controlling inflation and actively curbing deflation shows that our Party's ability to steer economic development has matured and its experience in exercising macro-control is richer and more comprehensive.

Third, we need to focus on major issues that affect overall economic

development. The central leadership has continually focused on agriculture, SOEs, finance, science and technology, and education. The third and fourth plenary sessions of the Fifteenth Central Committee made decisions on agriculture and rural work as well as SOE reform and development. The central leadership also made comprehensive arrangements for deepening reform of the financial system, preventing and defusing financial risks, speeding up the reform of the systems for managing science and technology and education, promoting scientific innovation and developing education. Focusing on key points will enable us to grasp the overall situation and seize the initiative in our economic work.

A broad view of the international and domestic situations shows that our country has important opportunities for economic development, but that we also face difficulties and challenges. As I have said before, we must never underestimate difficulties, always plan work carefully and do it effectively, and do everything in our power to achieve the best results. There are many factors favorable to our country's economic development, and there is a great deal of room for maintaining relatively rapid growth for a considerable time to come. As long as we conscientiously learn from the successful practices of recent years and keep them up, fully understand and conscientiously implement all of the central leadership's principles and policies, make full use of our advantages and mobilize all positive factors, we have all the conditions, ability and confidence we need to make even greater achievements as we enter the new century.

## **II. Guiding Thoughts and Main Tasks for Next Year's Economic Work**

The year 2000 is the first year of a new century, and it is the last year for completing the Ninth Five-Year Plan and achieving our important end-of-century targets. Completing our economic work next year holds great significance for attaining our objectives for the second step of the strategic plan for modernization and for making strides toward attaining those for the third step.

The following are the guiding thoughts and general requirements for next year's economic work: We need to follow the guidance of Deng Xiaoping Theory and the Party's basic line and conscientiously implement the guiding principles of the Fifteenth Congress and the third and fourth plenary sessions of the Fifteenth Central Committee. We need to continue

to implement the policies and measures adopted by the central leadership for promoting reform and development, giving high priority to SOE reform and development, economic restructuring, scientific and technological progress and boosting domestic demand. We need to further stabilize the position of agriculture as the foundation of the economy, restructure agriculture and the rural economy and use every possible means to increase rural incomes. SOE reform should be considered the key link in our efforts to turn losses into profits and introduce a modern corporate structure. We need to continue to follow a proactive fiscal policy, further utilize monetary policy instruments, integrate macro-controls such as taxation and pricing, strengthen infrastructure development, focus on technological upgrading, accelerate technological innovation and expand consumption. We need to further open to the outside world, work vigorously to increase foreign trade and improve foreign capital utilization. We need to improve the social security system, attach importance to and strengthen poverty alleviation work, and raise people's standard of living. We need to balance reform, development and stability, ensure sustained, rapid and sound development of the national economy, and promote comprehensive social progress in order to greet the new century with outstanding achievements.

These guiding thoughts and general requirements have been formulated by the central leadership by considering the current international and domestic situations and all aspects of reform, opening up and modernization, with a view to resolving outstanding conflicts in our economy while considering the needs of long-term development. They must be thoroughly understood and fully implemented. There are five issues I particularly want to emphasize.

### **1. Continue to implement policies and measures to stimulate economic development and expand domestic demand**

Development is the key to solving all the problems we face. Continued development is the crux to boosting domestic demand and following a proactive fiscal policy. We must recognize that insufficient demand is the main problem in our country's current economic situation and, without solid growth, enterprises will face greater difficulties, employment pressure will increase and more problems affecting social stability will arise. We need to grasp and solve this principal problem to promote overall development. We must realize that China is a developing country, our infrastructure and scientific and educational levels are comparatively backward, consumer

spending is relatively low and it is extremely difficult for us to speed up development. China needs to maintain a certain pace of development, and of course, it should be an effective development and not simply embellished. We also need to realize that China has a market of more than 1.2 billion people, so it possesses enormous growth potential and it is entirely possible for us to maintain relatively fast economic growth for a relatively long period of time. As such, regardless of whether we are trying to overcome practical difficulties in our present economic situation or focusing on long-term development in the next century, we have the requirements and conditions to base our economic development principally on the domestic market; implement a development principle that gives primacy to boosting domestic demand; implement an economic policy of sustained, rapid and sound economic development; and control the orientation and intensity of macro control. Next year we will continue to implement all policies and measures for boosting domestic demand, and combine these with economic restructuring, stimulating scientific and technological progress, and promoting opening up in order to raise the quality and returns of economic operations to a new level.

A proactive fiscal policy is important for boosting domestic demand and stimulating economic growth. To implement this policy, we will issue treasury bonds to banks, turn personal savings into capital for development and make use of monetary policy and instruments. By increasing infrastructure we have effectively used our production capacity and substantial material reserves that have developed over many years. We should thoroughly understand the significance of this fiscal policy and make full use of it. Next year, we will continue to implement this policy and issue more development treasury bonds. Based on present domestic and international economic situations, this is both necessary and possible. Concerning the orientation of investment, we need to continue to focus on infrastructure development and the technological upgrading of enterprises, and pay closer attention to coordinating these efforts with structural adjustments as a whole, while simultaneously promoting consumer spending and using government investment to encourage nongovernmental investment. Treasury investments should be geared toward maintaining the continuity of policy, emphasizing medium- and long-term development and preventing large fluctuations. We need to select the right development and technological upgrading projects, strengthen supervision and ensure project quality, while continuing to improve fiscal and tax reforms to help expand investment



and consumption.

To solve the problem of inadequate effective demand, while we are implementing a proactive fiscal policy, we must at the same time give a greater role to monetary policy, use all monetary policy tools in combination, appropriately increase monetary supply and give greater banking support to economic growth. At present, our financial work has two main aims: to guard against financial risks and support economic growth. We need to integrate the two closely and achieve financial security while promoting economic development. We need to give greater financial support to infrastructure development and technological upgrading and ensure profitable enterprises with a market have sufficient working capital to sustain production. We need to carry out the debt-to-equity swap well, help eligible large SOEs to reduce their debt burden and promote the transformation of the way enterprises are managed, while reducing the non-performing assets of banks. We need to formulate credit policies to stimulate faster growth of small and medium-sized enterprises under various forms of ownership. We need to raise the proportion of money raised through direct financing, and standardize and develop capital markets. We need to continue to carry out financial reform, raise service awareness and strive to raise profits and improve management. Risks in the financial sector are still a major hidden danger that influences overall economic stability. We need to take great care to avoid and defuse such risks. We cannot afford to relax supervision over money and credit for even a moment.

We must fully recognize the tremendous role of increasing consumption for stimulating economic growth. The considerable efforts we are making to invigorate urban and rural markets and open more consumer channels are focused on stimulating housing and education consumption. When formulating policies to promote consumption, we need to increase our publicity work for all reforms that affect the interests of the people, in order to guide and improve their income and expenditure expectations. China's vast rural areas offer the greatest potential for consumer markets. We need to work hard to raise the rural population's purchasing power, and strive to tap the rural market by supplying rural residents with household goods and agricultural production supplies for which there is a ready market.

Boosting domestic demand and continuing to open to the outside world are not mutually contradictory. Using every means possible to expand exports and actively and effectively using foreign capital play impor-

tant roles that cannot be ignored in stimulating economic growth. We need to continue to exert ourselves in exporting; adopt more effective policies and measures to stimulate exports; implement an export strategy of competing on the basis of quality and diversifying our markets; integrate foreign economic activities, such as trade, investment, aid, project contracts and labor cooperation; and make great efforts to open up international markets. We also need to increase the proportion of advanced and appropriate technologies and key equipment in our imports. We need to further improve the investment environment, broaden the scope of investment, work harder to attract investment from multinationals and maintain and expand the scale of foreign investment. We need to strengthen supervision over foreign exchange and maintain the balance of payments.

## **2. Restructure the economy and promote industrial optimization and upgrading**

Adjusting and optimizing the economic structure is a fundamental measure for stimulating economic development and raising the quality and benefits of economic growth. Each time we upgrade the economic structure, our economic development reaches a new level. This is a law of economic development. The fundamental problems currently facing our economy are the irrational nature of our economic structure and the slow pace of economic restructuring. Based on China's economic development situation and the acceleration of global scientific and technological development and of international economic restructuring, we must carry out a strategic restructuring of China's economy. If we fail to do this well, it will be difficult to fundamentally transform our economic system and pattern of economic growth and to maintain a favorable position amid increasingly intense international competition in the 21st century. It is from this perspective that we need to be aware of the importance and urgency of economic restructuring. We are currently presented with an opportunity to carry out economic restructuring. Domestically, we have excess production capacity and ample goods and materials, which create favorable conditions. Internationally, worldwide restructuring and industrial upgrading provide us with an opportunity. We need to make economic restructuring the main focus of our economic work next year and for the coming period, accelerate restructuring in the course of development and use restructuring to promote development.

It is necessary to point out that current economic restructuring is

not of a temporary or limited nature, but is strategic. First, this kind of restructuring not only needs to firmly reduce the number of backward production facilities which are low-quality, pollute the environment and waste resources, but also needs to stimulate the development of our productive capacity for internationally competitive goods that are in short supply and use advanced technologies, especially in new- and high-technology industries. Second, we not only need to change the product mixes and the industrial and enterprise structures, but we also need to make reasonable adjustments to regional economies and urban and rural economies. Third, we not only need to solve the current problem of market supply and demand, but also raise overall economic quality and results with long-term development in mind. If we do this successfully, we can create a virtuous circle in the national economy as a whole, raise the level of our productive forces to a new height and make substantial progress toward achieving our modernization goals. This is a long-term task, not one that can be completed in a year or two, but we must have a sense of urgency and strive to make progress next year.

Continuing industrial restructuring so that primary, secondary and tertiary industries stimulate each other and achieve balanced development is a major issue that must be resolved to maintain sustained, rapid and sound economic development. Strengthening primary industries, improving secondary industries and developing tertiary industries is our basic approach to industrial restructuring in the coming period. We need to stabilize and strengthen agriculture as the foundation of the national economy. Bumper harvests and an ample supply of grain do not mean that the agricultural base is strong, and we must guard against the tendency to disregard agriculture. An agricultural downturn could put all our economic work in a passive situation. Our country's agriculture is in a new stage of development, and we need to guide farmers to adjust their crop mix to develop high-yield, high-quality and high-efficiency agriculture based on market demand. We need to seize favorable opportunities, give free rein to the enthusiasm of all sectors, continue to improve farmland and water conservancy and the ecological environment, and maintain and raise overall agricultural production capacity. Township and village enterprises need to speed up innovation in their products, technology and mechanisms, focus on processing agricultural products, and promote industrialization of agricultural operations. We need to speed up industrial restructuring and promote industrial upgrading. In recent years, we have made initial progress in restructuring

the coal, textile, petrochemical and metallurgical industries, but the severe problems of enterprises both large and small trying to be all-inclusive persists, as does low-quality, redundant construction. Moreover, the transformation and upgrading of traditional industries are proceeding too slowly, and industrial restructuring is an extremely arduous task. We must accelerate the technological upgrading of old industrial bases and traditional industries, eliminate outmoded facilities and technology, reduce excess production capacity, actively develop emerging and high-tech industries, informationize the national economy and cultivate new areas of economic growth. Developing tertiary industries will invigorate the economy, increase employment and improve the quality of people's lives; therefore, it must be a high priority. Our tertiary industries account for a smaller proportion of the national economy than in developed and many developing countries. We need to adopt effective policies and support measures to accelerate the development of information, culture, education, tourism, and community and intermediary services.

Adjusting the regional economic structure and promoting balanced economic development between regions and between urban and rural areas are necessary requirements for achieving comprehensive modernization. The eastern region should continue to maintain its development momentum. Areas with favorable conditions should take the lead in achieving modernization, and lead and help the central and western regions to develop their economies. The central and western regions need to accelerate reform and opening up, exploit their comparative advantages and accelerate development. I talked about the large-scale development of the western region both at a meeting of leading Party members attending the Second Session of the Ninth NPC and the Second Session of Ninth National Committee of the CPPCC and at a forum on SOE reform and development in the five northwestern provinces and autonomous regions earlier this year. Here I want to stress this issue again. Seizing the opportunity to implement the strategy of large-scale development of the west has a direct bearing on our success in boosting domestic demand and stimulating economic growth; on ethnic solidarity, social stability and border security; and on the balanced development of eastern and western regions and ultimately achieving common prosperity, so it has great practical and far-reaching historical significance. In the 1980s, Comrade Deng Xiaoping clearly introduced the idea of "two issues of overriding importance,"<sup>4</sup> namely, that the eastern coastal region should accelerate opening to the outside world and



be the first region to develop, and that after a certain time it should help the central and western regions to develop quickly. This is a farsighted strategic idea in accord with the objective course of our country's economic development and the actual state of each region's productive forces. The central leadership believes that the conditions are basically in place and the time is ripe to consider implementing the strategy of large-scale development of the western region. Implementing this strategy is an important policy decision of the Central Committee that takes the overall situation into account as we enter a new century. The western region<sup>5</sup> covers a vast area with abundant resources, and it has a vast development potential and a large potential market. The key to its successful development is to formulate the correct development strategy and effective policies and measures. We need to integrate developing the western region on a large scale with achieving the objectives set for the third step of the strategic plan for modernization, integrate the government's support of the region with market mechanisms, integrate accelerating the region's economic development with its social progress and integrate its development with its opening up. Developing the western region is a massive project, and we must make overall plans, focus on key areas, and carry out the project step by step and in stages. We need to rely heavily on the initiative of cadres and the masses in the region, constantly become stronger and work hard. At the same time, the state needs to gradually increase spending in the region and use policy guidance to attract more capital, technology and talented people from other parts of the country and the world. In developing the western region, we need to focus on infrastructure construction in the areas of transport, communications and energy, and give high priority to the rational development and effective use of water resources in particular. We need to put great effort into planting trees and grass, reforest cropland in a planned and gradual way, exercise comprehensive control effectively and work harder to improve the ecological environment. We need to carry out industrial restructuring, develop industries with local strengths and promote value-added resource processing. We need to give high priority to developing science and education, and focus on training skilled personnel to raise the level of the workforce in order to lay a foundation for vitalizing the region. Accelerating development in the western region is an extremely difficult undertaking. We require a sense of urgency and need to do the things that can be done first, and we also need to toughen ourselves mentally for the long haul, keep fighting when we meet with setbacks and ensure the region is developed successfully.

Developing small cities and towns is a major strategy. Great disparities exist between urban and rural areas, and the percentage of the population engaged in agriculture is large. These are important factors that have been impeding a virtuous economic cycle and balanced social development in China for a long time. Accelerating development in small cities and towns is beneficial not only for absorbing surplus rural labor and solving deep-seated problems concerning the development of the rural economy, but also for stimulating nongovernmental investment and end-use consumption, and provides enormous market space and an inexhaustible impetus for national economic development into the next century. All localities need to include the development of small cities and towns in their plans for economic and social development, and formulate policies and measures for effectively promoting their development. Development needs to be planned scientifically, with a rational layout, on an appropriate scale and with an emphasis on results. We need to focus on using market mechanisms, making greater use of nongovernmental investment and make use of market mechanisms under government guidance to develop small cities and towns. We need to integrate developing small cities and towns with developing township and village enterprises and scientific agricultural practices. After five to ten years of hard work, we should turn a number of small cities and towns into regional rural economic and cultural centers that can extend influence to and stimulate the surrounding rural areas, and significantly raise the level of urbanization nationwide.

### **3. Accelerate scientific and technological progress and raise our technological innovation capability**

Scientific and technological progress and innovation are the decisive factors in developing the productive forces and the primary impetus for economic and social development. Implementing the strategy of reinvigorating the country through science and education, and promoting scientific and technological progress and innovation are integral to raising the overall quality of our national economy and increasing our overall national strength. At present, the contribution of science and technology to our country's economic growth is not great, our technical equipment is relatively backward, product innovation is weak and too few scientific and technological achievements are turned into practical applications. The variety, specifications and quality of many of our products cannot satisfy demand; therefore, we need to import large quantities of them. Accelerat-

ing scientific and technological progress is an urgent task for promoting restructuring and further developing the productive forces.

To speed up scientific and technological progress, based on our country's actual conditions, we need to first use modern technology to transform traditional industries. This is the inevitable course of industrialization, and we are far from completing this work. Second, we need to develop high technology, achieve industrialization and take the high ground in science and technology. We have only just begun to address these matters. These two tasks are the focus of our scientific and technological efforts now and for some time to come. To accomplish them, we need to energetically promote scientific and technological innovation and strengthen our independent innovation capacity. Without innovation there can be no development and no vitality. Enterprises are the main agents of technological innovation. We need to encourage them to stay at the forefront of technological development in their industries; import, digest and absorb foreign advanced technology; develop autonomously and engage in technological innovation; and significantly raise their technological level. We need to increase the pace of technological upgrading in old industrial bases and traditional industries. Our present focus should be on implementing the country's policies and measures for supporting technological upgrading, and successfully selecting, evaluating and carrying out projects. We need to strengthen basic research and technological development in key areas. For major and key technologies, we need to organize the entire science and technology community to join together to tackle problems and make breakthroughs as quickly as possible.

We must implement the principle of relying on science and technology for economic development, and orienting science and technology toward economic development. We need to continue promoting the reform of the system for managing science and technology, and create mechanisms to closely coordinate science and technology with production. Large enterprises and enterprise groups need to develop technological development centers, and integrate market expansion, technological innovation, and production and operations. Research institutes, particularly those engaged in developing new applications, need to join enterprises in various forms, cooperate with them, or become enterprises themselves. We need to link up enterprises, universities and research institutes, and shorten the time it takes to translate scientific and technological achievements into practical productive forces. The state needs to continue to increase spending

on science and technology while also guiding nongovernmental funds to participate in scientific and technological development. We need to create a sound venture capital mechanism for investment in new- and high-technology industries and gradually create a diversified scientific and technological investment system.

People are the key to promoting scientific and technological progress and innovation. We need to pay particular attention to training young scientists and engineers and create conditions for them to mature and use their talents. We need to create an incentive mechanism for scientists and engineers, make sure technology, management and other production factors are included in the distribution of income, amply reward scientists and engineers who make outstanding contributions and make full use of their enthusiasm and creativity. We need to formulate policies to attract talent and encourage students and scientists and engineers who are abroad to return to China to work or serve their motherland in other ways. We need to support scientists and engineers to head or set up enterprises that are science and technology oriented. We need to further establish and promote the fine custom of respecting knowledge and talent and admiring innovation, and form a social environment conducive to scientific and technological progress and innovation.

#### **4. Deepen economic restructuring with SOE reform as the central link**

Reform is the driving force of development. SOEs are the backbone of the national economy. Successfully reforming and developing SOEs is an important economic issue affecting the maintenance of sustained and steady economic development as well as a major political issue that has bearing on the consolidation of the socialist system. A decision was adopted at the Fourth Plenary Session of the Fifteenth Central Committee on promoting SOE reform and development. Implementing the guiding principles of this session and achieving the three-year targets for SOE reform and development are the most important tasks in next year's economic work. All localities and departments need to give them the highest priority, take actual conditions into account, formulate specific measures for putting these guiding principles into practice, clarify goals, set priorities and strive to complete all the tasks set forth at the session. Here, I would like to re-emphasize two points.

First, we need to properly handle the relationship between improving



enterprises' external conditions and transforming the way they operate. SOE reform and development are systems engineering projects, and all sectors must closely cooperate in order to create the necessary external conditions. In recent years, the state has adopted many measures to reduce the debt burden of enterprises, find new jobs for their redundant personnel and relieve enterprises of their obligation to perform social functions, and we need to continue to conscientiously implement these measures. It is very important for enterprises to examine themselves internally, and strive to create a modern corporate structure and operating mechanisms suitable to the needs of the market economy. SOEs must give high priority to creating a new structure and new mechanisms. If they do not, they will be unable to play their proper role even when external conditions are favorable, and it is possible that, despite finding transitory solutions to problems, the same ones will appear over a period of time. We must prevent such a situation from occurring.

Second, we need to properly balance achieving long-term goals and tackling current problems. SOE reform is a long-term undertaking that must be carried out gradually in stages and cannot be accomplished all at once. The three-year goals proposed by the central leadership for SOE reform and development address the current problems. They are therefore very important and must be completed. Doing so will greatly raise the confidence of the whole Party and lay the foundation for achieving our ten-year goals. We must mentally prepare ourselves for a long struggle and work perseveringly and solidly to create a relatively complete modern corporate structure, achieve strategic adjustment and reorganization, and make better use of the leading role of the state sector of the economy. In the first half of next year, we will carry out inspections at central and local levels to gauge how well the guiding principles of the Fourth Plenary Session of the Fifteenth Central Committee are being implemented.

Ultimately, the key to completing next year's economic work is to deepen reform. We need to give prominence to reform in all our work. We need to take SOE reform as the central link and continue to carry out reform in the areas of finance, banking, distribution of goods, science and technology, education, housing and the social security system. We need to have reform permeate every aspect of accelerating economic development, stimulating restructuring, picking up the pace of scientific and technological progress, and opening further to the outside world, and constantly make progress toward the goal of creating a socialist market economy.

### **5. Further improve people's lives**

Constantly improving people's lives is an inherent requirement for boosting effective demand and driving economic growth and the key to properly balancing reform, development and stability. Since the adoption of the reform and opening up policy, the incomes of urban and rural residents have increased many times over, thus benefiting the people. At the same time, we must realize that people's overall standard of living is not very high, the lives of laid-off urban workers is still difficult, farmers' incomes are still low and tens of millions of people are still without basic necessities. We will need to work long and hard to raise people's standard of living. We need to gradually raise the real incomes of urban and rural residents, especially those in low- and middle-income brackets, while maintaining economic growth. As people's standard of living gradually rises, the foundation of social stability will become firmer.

Increasing farmers' incomes by any means possible is an important task of our present agricultural and rural work. In striving to bring moderate prosperity to the whole country, the focus of our work and the greatest difficulties are in rural areas. The key to achieving moderate prosperity in rural areas is raising farmers' incomes. We need to adopt comprehensive measures to adjust and optimize the structure, increase investment in agriculture, expand the program of providing employment in place of relief, and stimulate the flow of agricultural products in order to open up new ways and areas to increase farmers' incomes. At the same time, we need to actively yet prudently reform rural taxes and fees, implement standardized and law-based supervision of them, and reduce the burden on farmers at the root. Next year is the last year for implementing the Seven-Year National Action Plan to Lift 80 Million People Out of Poverty.<sup>6</sup> We need to further mobilize all sectors of society, spare no effort to intensify poverty alleviation and development, increase spending on poverty alleviation and strive to complete these arduous and historic tasks.

Another focus of people's lives should be concern for low-income urban residents. The best way to improve their lives is to develop the economy and expand employment. Governments at all levels need to energetically carry out their employment work, vigorously develop an economy with multiple forms of ownership, support small and medium-sized enterprises, encourage the development of tertiary industries, integrate the development of labor-intensive and technology-intensive industries and create more jobs. We need to increase vocational training and do our best

to help the laid-off looking for work gain access to job opportunities. We need to give high priority to investigating the income distribution situation, improve policies and use economic and legal measures as well as the necessary administrative measures to adjust and standardize income distribution.

Establishing a sound social security system is an important aspect of creating a socialist market economy and a necessary condition for successfully reforming SOEs and restructuring the economy. We need to continue to strengthen the social security system, with the focus on unemployment, old age and medical care; gradually expand its coverage; and increase the level of social security. We need to raise funds in various ways. We need to consider how to supplement social security funds for SOEs undergoing reform and reorganization, and set aside sufficient funds in the budget. At present, it is particularly important to make social security funds available and pay pensions, and ensure that rules and regulations are put in place, funds are available and people receive social security benefits. At the same time, we need to establish a sound subsistence allowance system for urban residents. This is an important measure for maintaining social stability, and it must be carefully implemented.

The five points I have discussed are intimately related, and they have a direct impact on overall reform, development and stability. Leading comrades at all levels need to recognize the importance of all of these efforts in the context of the overall situation, plan accordingly and complete next year's economic work.

### **III. Effectively Strengthening the Party's Leadership and Ensuring All of Next Year's Tasks Are Accomplished**

Next year's tasks of reform, development and stability will be very arduous. All Party members, especially leading cadres at all levels, must comprehensively and accurately understand the principles and policies of the central leadership; carry out work in their localities and departments under the direction of its guiding principles; understand the situation and clarify tasks; seize opportunities, break new ground and forge ahead; and strengthen confidence and work in solidarity.

Understanding the situation and clarifying tasks means facing the new century and bringing one's thinking in line with the analysis and judgment of the central leadership on the current international and domestic situations as well as the tasks, principles and policies it has defined per its judg-

ments. We need to keep the overall situation in mind, be clearheaded, correctly grasp the direction in which we are going and excel at combining immediate with long-term tasks and specific objectives with overall goals. No matter how complex the situation or how difficult the task, we must always adhere to the Party's basic theory, line and platform, firmly keep economic development as our central task, uphold the Four Cardinal Principles and the reform and opening up policy, and unwaveringly achieve the objectives already set forth.

Seizing opportunities, breaking new ground and forging ahead means having a deep understanding of the essence of the guiding principles of the Fifteenth National Party Congress, actively utilizing all favorable international and domestic factors and conditions, energetically pressing forward with reform and opening up, and striving to initiate a new phase in all our work. We need to increase our sense of urgency and accelerate our development and growth, with the focus on developing the economy and increasing our overall national strength. We need to maintain the "three favorables"<sup>7</sup> as our basic criteria, further emancipate our minds, seek truth from facts, boldly innovate, solve deep-seated conflicts and problems facing economic and social development by deepening reform and stimulating development, and promote a fundamental transformation of the economic system and the pattern of economic growth.

Strengthening confidence and working in solidarity means firmly adhering to the ideals and beliefs of building socialism with Chinese characteristics. Without underestimating difficulties, we need to become more confident of the certainty of success and always keep our spirits and revolutionary morale high. We need to fully exploit our political strengths, further strengthen unity within the whole Party, especially leading bodies at all levels, strengthen unity among the people of all our country's ethnic groups, mobilize the enthusiasm of all sectors to the greatest possible extent, be of one heart and one mind, and concentrate on our work. We need to firmly and decisively eliminate all interference, maintain social and political stability, and ensure that all our undertakings progress smoothly.

Here, I would like to stress three points.

### **1. Properly balance various interests and further improve stability**

Ensuring stability will be a matter of great importance for the whole Party next year. In the final analysis, maintaining stability depends on deepening reform and accelerating development. At the same time, we must



regulate the pace of reform to assure that it progresses vigorously yet prudently. We should seize the opportunity to press ahead with reform when conditions are ripe, while taking into consideration how much the country, the masses and society can tolerate, and adapt the intensity of reform and the pace of development to adapt to society's limits. When we introduce an important policy decision, we need to thoroughly deliberate and carefully evaluate how our actions might affect the masses psychologically. We also need to adopt corresponding measures to relieve the masses' anxiety and give them confidence in the future. This is essential for maintaining stability and promoting reform and development.

The key to properly balancing reform, development and stability is to safeguard the people's interests throughout. The people are the mainstay and the motive force of reform and development as well as the source and foundation of stability. If they wholeheartedly support reform, we will be able to handle all kinds of complex situations and conflicts, and solve any problems that might arise. To win the support of the masses, we must make realizing and safeguarding the interests of the overwhelming majority of the people the aim and standpoint of all our work, and strive to ensure workers, farmers, intellectuals and other basic members of the masses share in the fruits of reform and development. The highest criterion for judging all the Party's principles and policies is whether they serve the interests of the overwhelming majority of the people and the most fundamental standard for judging them is whether the overwhelming majority of the people are satisfied with them. Deepening reform will inevitably bring about an adjustment in interest relations. We need to guide the masses to correctly understand the relationship between local and overall interests as well as immediate and long-term interests. Restructuring the national economy and deepening SOE reform will affect the interests of millions of people, and we must clearly explain their inevitability and necessity to the masses in order to guide the masses to actively support and participate in reform efforts.

We need to pay close attention to and correctly handle the conflicts among the people that arise under the new circumstances. We need to give high priority to solving problems of significant concern to the masses that arise in the course of reform to prevent minor problems from escalating and conflicts from intensifying. Currently, in some localities work related to the primary level and the masses is weak, and many matters intimately related to the interests of the masses are being ignored. This situation must

change. Leading cadres at all levels need to go to villages, workshops and communities, listen to what the masses have to say, understand their demands and gauge their mood. All matters that affect the masses' interests need to be dealt with one by one. If problems cannot be solved immediately, cadres need to conscientiously explain why. They need to constantly analyze the situation in their own locality, department and workplace, become adept at identifying problems in their early stages, formulate well-targeted contingency plans and solve problems when they first arise. In handling conflicts among the people, we need to do more ideological and political work, and settle all conflicts and disputes in accordance with the law. We need to handle unexpected incidents well, rely on persuasion and prevent them from intensifying. When a mass disturbance that seriously affects social stability occurs, we must quickly adopt decisive measures to deal with it. We need to be on high alert against hostile forces deliberately trying to destabilize the country, and crack down on them strictly and without mercy in accordance with the law. Stability in ethnic minority areas affects the country's long-term political stability, and we must make unremitting efforts to preserve it. The key to doing so is to accelerate economic development, implement our ethnic policy and manage relations between ethnic groups.

## **2. Increase efforts in cultural and ethical progress and promote all-around economic and social progress**

Throughout the course of reform, opening up and modernization, we must adhere to the principle of fostering both material progress and cultural and ethical progress and attaching equal importance to both. The Flanging incident again shows that we must persevere in promoting cultural and ethical progress. The consequences of not doing so or not doing it well are too dreadful to contemplate. Promoting cultural and ethical progress not only provides ideological assurances, psychological motivation and intellectual support for material progress, but can also satisfy the people's ever-increasing cultural needs. As economic development and social progress continue, the people's needs in this area will grow. In recent years, we have worked hard to promote cultural and ethical progress and achieved considerable success. The whole Party needs to strive to discover the laws for making cultural and ethical progress under the conditions of developing a socialist market economy and put more effort into making such progress. We need to conscientiously implement the Guidelines on Strengthen-

ing and Improving Ideological and Political Work, recently issued by the Central Committee. We need to genuinely strengthen publicity work and ideological and education work, and work particularly hard in the areas of dispelling doubts and perplexities and improving people's understanding, providing guidance through publicity and patiently convincing the people, and uniting them in will and action. The proportion of elderly people in our population is increasing fast, and we must do our work concerning them well.

Achieving balanced economic and social development is an important guiding principle of our country's socialist modernization. To achieve all of our cross-century goals we must continue to press ahead with all of our social programs. Principal leading comrades of Party committees and governments at all levels must undertake overall planning for education, science and technology, culture, health, sports, environmental protection and family planning while handling the many tasks of economic development, and strive to promote balanced development between the economy, society and the environment.

### **3. Strengthen Party organizations and raise the ideological and political quality and leadership ability of cadres at all levels**

The on-going concentrated education in the "three stresses" for leading bodies and leading cadres of the Party and government above the county level throughout the country has achieved good results, which need to be further consolidated. The next step is to carry out concentrated education in the "three stresses" for county-level (city-level) cadres. Leading bodies and leading cadres of Party committees and governments at the county level are in direct contact with primary-level bodies and the masses, and they are charged with the arduous tasks of implementing the guiding principles of the central leadership at the primary level and directing cadres and the masses in carrying out reform and development. Successfully carrying out education in the "three stresses" in counties and county-level cities is of great importance for making Party organizations more cohesive and forceful. Party committees and governments at all levels need to carry out this education in earnest in accordance with the Central Committee's requirements and make sure they achieve substantive results. The basic experience and important accomplishments of this education should be carried over to the routine work of Party building and strengthening the ranks of cadres.

Reform and opening up and socialist modernization are unprecedented undertakings. At present, the international and domestic situations are developing rapidly. If leading cadres want to calmly respond to new conditions, constantly adapt to new circumstances and correctly understand and solve new problems, they must study, study, then study some more. Studying should be a habit and should be institutionalized. They need to have a reading plan and focus on experiential learning. They need the courage to see the real world through the storm of the actual struggle for reform and opening up, and constantly raise their ideological and theoretical levels and their ability to control the overall situation. We need to emphasize effective work. Cadres at all levels need to constantly seek truth from facts, boldly speak the truth and report situations accurately. The letters we receive from the masses show that in some localities the problems of false and exaggerated reports and formalism are very serious, and this has made a very bad impression on the masses. I have discussed this problem a number of times, but the problem of false and exaggerated reports persists in some localities and departments despite the warnings. Some people never tire of making the same mistakes. We need to give this phenomenon deep thought. To thoroughly correct this problem, we must deal with it from the perspective of institutions and mechanisms. We need to clearly oppose and put an end to any form of dishonesty and deception and strictly investigate and punish cases of dishonesty and deception. Any cadres who engage in dishonesty and deception will be barred from receiving promotion. If a case comes to light after a cadre has been promoted, he or she will be resolutely removed from his or her position. We need to tirelessly improve Party conduct, build an honest and clean government and combat corruption. Leading cadres, especially those who are first in command, need to set a good example.

Democratic centralism is our Party and state's fundamental organizational and leadership principle and an important guarantee for moving forward united as one, avoiding and correcting mistakes as well as reducing errors, and we must adhere to it in everything we do. In some workplaces, intra-Party life is abnormal and lacks both democracy and centralism, and people mutually impede others from doing something instead of uniting. All this can be attributable to the failure of adhering to democratic centralism. Leading cadres at all levels, especially principal leading cadres, should take the lead in observing all the conditions of democratic centralism in order not to make arbitrary decisions and go their own way. We need to



gradually create a set of scientific decision-making mechanisms based on democratic centralism. We need to always make important decisions based on collective discussion, fully carry forward democracy, listen to opinions from all sides, make policy decisions carefully and decrease or eliminate losses arising from bad decisions as much as possible. We should adhere to the system of collective leadership with a division of responsibilities among individuals, in which team leaders willingly take on responsibility while allowing members of their team to fully express their enthusiasm, initiative and creativity. In handling the relationship between central and local authorities, we need to let both sides take initiative. On the one hand, we need to fully implement the Central Committee's line, principles and policies, and ensure that all orders and prohibitions are followed. On the other hand, we need to get local authorities, primary-level organizations and the masses to be creative and encourage all localities to work creatively on the basis of their actual conditions.

To complete the cross-century development tasks set forth by the Party we must quickly prepare cadres. This is a mission of strategic importance. In line with the central leadership's arrangements, Party committees at all levels need to place selecting and training young cadres at the top of their agenda and have a sense of urgency and take effective measures to this end. On the basis of emancipating our minds and adhering to the mass line, we need to formulate a training plan, improve the selection process and choose the right candidates. We also need to actively create an environment conducive to the healthy maturation of young cadres, temper them by having them work at the primary level and in difficult situations, and train and test them in practical situations. We need to adhere to the concept of the survival of the fittest and boldly promote the most outstanding candidates.

Finally, I would like to briefly discuss the formulation of the Tenth Five-Year Plan for National Economic and Social Development. It will be the first five-year plan that deals with implementing the third step of the strategic plan for modernization in the new century, and it is vital that we research and formulate it well. We need to accurately grasp the international and domestic situations, focus on our country's strategic objectives, thoroughly research important issues related to achieving modernization while developing a socialist market economy, maintain balanced economic and social development, consider every aspect while stressing key points, stay grounded in the present while planning for the future, draw on the wisdom

and strengths of all sectors, and make sure the work of drawing up a plan meets high standards and is of high quality.

Finishing our economic work is a formidable task and a heavy responsibility with far-reaching significance. We must uphold Deng Xiaoping Theory and the guiding principles of the Fifteenth National Party Congress as our guide, unite with and lead the people of all our country's ethnic groups in raising our spirits, struggling hard, breaking new ground, forging ahead and victoriously carrying the great cause of building socialism with Chinese characteristics into the new century.

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<sup>1</sup> "Establish a New Security Concept Suited the Needs of the Times," note 1, p. 310, this volume.

<sup>2</sup> The "two states" statement is a fallacy dished out by Lee Teng-hui, then head of the Taiwan authorities, to split the motherland. Lee brazenly declared in an interview with Deutsche Welle on July 9, 1999, that the Taiwan authorities had already defined cross-Straits relations as "state-to-state relations, or at least special state-to-state relations." The political nature of the "two states" statement is a deliberate and vain attempt to divide Chinese sovereignty and territory by separating Taiwan from China. The "two states" statement was strongly condemned by the sons and daughters of the Chinese nation both in China and abroad and was opposed by the international community.

<sup>3</sup> "Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 365.

<sup>4</sup> "Seize the Opportunity to Implement the Strategy of Large-Scale Development of the West," note 1, p. 337, this volume.

<sup>5</sup> *Ibid.*, note 2.

<sup>6</sup> The State Council printed and distributed the Seven-Year National Action Plan to Lift 80 Million People Out of Poverty on April 15, 1994. The plan sets forth the goal of concentrating human, material and financial resources and mobilizing all sectors of society to basically solve the problem at that time of 80 million impoverished rural residents lacking the basic necessities within the seven years between then and 2000.

<sup>7</sup> "Promote Further Development of Township and Village Enterprises," note 1, p. 119, this volume.

## REVIEW AND SUMMARY OF THE CENTRAL MILITARY COMMISSION'S WORK OVER THE LAST TEN YEARS\*

*November 24, 1999*

The education campaign to stress study, politics and integrity among leading bodies and leaders at and above the regiment level has progressed smoothly in accordance with the arrangements of the Party Central Committee and the Central Military Commission (CMC) and achieved significant results.

At its executive meeting on August 31, the CMC made arrangements to carry out the “three stresses” campaign. Since then, everyone has made careful preparations. I asked the PLA’s General Political Department to solicit comments and suggestions concerning the work of the CMC from leaders of every major military unit, the executive organs of the PLA’s Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department, and a number of military academies. In general, comrades on the CMC are politically firm; have a strong sense of responsibility; resolutely implement the Party’s line, principles and policies; and make strict demands upon themselves. As a group they are united and provide effective leadership for army building and reform.

Today, comrades on the CMC are holding this meeting on the “three stresses” campaign mainly to review the experiences of the past ten years and draw lessons from our work. In this review we need to take note of both successes and failures, say what we mean and seek truth from facts. Thorough materialists are fearless, and only the selfless can be fearless. We should all have this attitude.

The successes we have achieved in army building should be attributed to Mao Zedong’s military thinking and Deng Xiaoping’s thinking on army building in the new period, to the collective leadership of the CMC and to the hard work of the whole army. For any shortcomings, I, as Chairman of

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\* Excerpt from a speech at a meeting of the Central Military Commission on the education campaign to stress study, politics and integrity.

the CMC, should bear primary responsibility. I will inevitably touch on specific problems in my speech, but my attitude is that we should concentrate on issues rather than individuals, and focus instead on learning from experience. Working in this way will help to increase mutual understanding and improve leadership. I will speak first, and then every comrade may have their turn.

At the Fifth Plenary Session of the Thirteenth Central Committee I was elected Chairman of the CMC. That was exactly ten years ago. Our Party and Comrade Deng Xiaoping passed this burden along to me, and I am deeply aware of the great responsibility that comes with it. During these ten years, I have always kept Comrade Deng Xiaoping's political testament in mind. I have never slackened my efforts to fulfill my responsibilities and have always taken a personal interest in the important issues of army building and military conflict. The successes we have achieved in army building give me a sense of satisfaction. When problems arise in the army, it makes me worried, to the point where I cannot sleep soundly at night. There are two problems concerning army building that are foremost in my mind: First, can our army keep pace with the trend of global military developments, win possible high-tech wars in the future, and safeguard the sovereignty, security and unity of the motherland? Second, can our army maintain its nature, character and style as a people's army, forever remaining a revolutionary army under the Party's absolute leadership? I believe that I am doing my utmost for army building. Our country's security and social and political stability are faced with serious threats.

You cannot appreciate the difficulty of a task until you have done it yourself. Our Party and country's development over the last ten years has been far from ordinary, and the same is true of our army's development. The international and domestic environments in which army building has occurred have undergone profound changes.

Over the past ten years, in the late 1980s and early 1990s, Eastern Europe underwent drastic changes, the Soviet Union fell, bipolarity ended, a trend toward multipolarity developed and international tensions continued to ease overall. Nevertheless, the world is still far from peaceful. A constant succession of major events has taken place around the world, and regional conflicts and local wars have broken out one after another. The development of world socialism suffered a serious setback, putting us under unprecedented pressure. The whole world is watching to see if China can continue to fly the red flag of socialism. International hostile forces



threaten to wipe communism off the face of the earth, and they predict China will suffer the same fate as the Soviet Union and Eastern European countries and soon collapse. They put pressure on our country in every way they can and openly support the acts of sabotage and subversive activities of domestic anti-communist, anti-socialist and ethnic separatist forces. They are like dark clouds bearing down on a city, threatening to overwhelm it. They are intensifying their infiltration and sabotage efforts to Westernize or split the country, and they continue to stir up trouble in the name of so-called human rights, democracy and religion as well as on the questions of the Dalai Lama,<sup>1</sup> Taiwan, trade and military sales.

During these ten years, spurred by rapid scientific and technological progress, global military developments have occurred rapidly. The Gulf War<sup>2</sup> in 1991 made it clear that modern warfare had already begun to become high-tech warfare. The world's major countries are adjusting their military strategies, accelerating efforts to modernize their armed forces and entering a new phase of military competition mainly based on high-tech development. Our army faces enormous tasks and severe challenges in its modernization and military preparedness. If we do not work harder to achieve considerable progress in military modernization, we will fall irrevocably behind the tide of world military development, and we will fall into a very passive and difficult position in possible high-tech defensive wars in the future.

During these ten years, our country's reform, opening up and modernization injected new vitality and vigor into army building, but it also brought new situations and problems. This kind of social environment, with its numerous interconnected elements of success and failure, progress and regression, poses a severe test to the thoughts, work style and discipline of the army's officers and enlisted personnel, and likewise tests army stability and building.

In short, though we faced complex international and domestic problems and the burdensome task of army building over the past ten years, under the correct leadership of the Central Committee and thanks to the hard work of the comrades in the CMC and the common efforts of all the army's officers and enlisted personnel, our army passed stern tests in the areas of political and military struggle and severe natural disasters. It also made significant progress in becoming more revolutionary, modern and standardized; noticeably raised its combat capability; and successfully completed all the tasks assigned to it by the Party and people.

The most fundamental reason the state of army building is as good as it is today is that we have always used Deng Xiaoping's thinking on army building in the new period as our scientific guide. Chairman Mao was the main founder of our army. Comrade Deng Xiaoping was the chief architect of army building and reform in the new period. He carried on and developed Mao Zedong's military thinking and formulated scientific thinking on army building in the new period. The historic mission for our generation is to continue to carry forward the cause of army building on the foundations laid by Chairman Mao and Comrade Deng Xiaoping. At the first enlarged meeting of the CMC in my tenure as Chairman, I pointed out that Comrade Deng Xiaoping's thinking on army building in the new period will serve as a long-range guide for future army building, and that the whole army should conscientiously study and implement it.<sup>3</sup> At the enlarged meeting of the CMC held shortly after the conclusion of the Fourteenth National Party Congress, we also pointed out that Comrade Deng Xiaoping's thinking on army building in the new period is the fundamental basis and guiding thought for army building under the new historical circumstances. Unswervingly adhering to Mao Zedong's military thinking and Deng Xiaoping's thinking on army building in the new period is a reliable guarantee for constantly making our army more revolutionary, modern and standardized. In short, over the last ten years, we have completely, correctly and energetically implemented Comrade Deng Xiaoping's line, principles and policies. Of course, the process of implementation was not without interference, but we resolutely eliminated barriers and followed the course laid out for us by Comrade Deng Xiaoping from start to finish.

### **I. On the Work of the CMC over the Past Ten Years**

Over the past ten years, the CMC set forth many important policies and guiding principles concerning the orientation and matters of overall importance for army building, made a series of important policy decisions and arranged a number of major projects. The main content can be summarized as follows.

First, the CMC upheld the Party's absolute leadership over the army throughout. Our army executes our revolutionary political missions, and the Party's absolute leadership over the army will forever be its unchanging characteristic. Chairman Mao established the fundamental principle of and a complete set of systems for the Party's absolute leadership over

the army. He brilliantly summed up this principle in the statement: "Our principle is that the Party commands the gun, and the gun must never be allowed to command the Party."<sup>4</sup> Comrade Deng Xiaoping always took a firm stand on the issue of the Party's absolute leadership over the army. He stated, "The army must always place itself at the disposal of the CPC Central Committee and the Party. Only those who listen to the Party should be elected leaders of the army. The army must not do anything under its own banner."<sup>5</sup> When he left his post as Chairman of the CMC, he repeatedly cautioned us, "Our army should always be loyal to our Party, to the people, to our country and to socialism."<sup>6</sup> On the eve of the Fourteenth National Party Congress, he stressed that the first criterion for selecting army leaders is political: Do they listen to the Party, and are they true Communists?

Ensuring the Party's absolute leadership over the army is always an important issue with a bearing on the nature and purpose of our army, the future of socialism and the lasting political stability of our country; therefore, this is always the most important issue in army building and development. We absolutely will not tolerate at any time or under any circumstances any doubts, irresolution or interference concerning this fundamental principle. The first decision taken by the CMC after the Fourteenth Congress was to reiterate the need to carry forward the traditions of the old Red Army, uphold the principle of the Party commanding the gun, oppose factionalism and sectarianism, and eliminate improprieties in the promotion process. This decision received a strong reaction throughout the army, and everyone agreed that the CMC had won the hearts of the troops.

The key to upholding the Party's absolute leadership over the army lies in ensuring that the gun is in the hands of people loyal to the Party. When appointing high-ranking cadres in the army, especially at the level of greater military regions and above, the CMC attaches great importance to stringent political screening, and other members of the CMC and I have personally talked with many candidates for promotion. We always pay close attention to this issue and repeatedly stress it because on the important political matter of upholding the Party's absolute leadership over the army, there can be no negligence or mistakes; otherwise, there could be dire consequences.

Because we pay close attention to upholding the Party's absolute leadership over the army, the army has always been in tune with the Central Committee ideologically and politically, has obeyed its orders in everything it does, and has resisted the impact of erroneous political views from both inside and outside the country that the army should be "departified," depo-

liticized and nationalized. Historical facts show that whoever holds control of a country's army will significantly determine the future and fate of that country. Our Party led the people in turning China red, and whether we can keep it from ever changing color and whether our socialist cause can flourish are intimately connected to whether our Party can truly exercise control over the army. If our Party can do so, the country will not fall into chaos, and any domestic or foreign disturbances that may arise will be relatively easy to deal with. All leading cadres in the army are also Party cadres, and they must uphold and safeguard the Party's leadership in full. They all need to consciously place themselves under the leadership of the Party and ensure the Party's absolute leadership over the army. Comrades in the CMC must be perfectly clear and firm on this matter at all times.

Second, the CMC proposed five general requirements for army building. On the basis of developments and changes in the international situation and the requirements for our country's overall development, Comrade Deng Xiaoping focused on the historic missions facing the army in the new period and stated that we must build the army into a powerful, modern and standardized revolutionary force. This is the overall goal of army building. How to achieve this goal is a strategic issue of overall significance. At the All-Army Conference on Military Affairs in December 1990, the requirements were set forth that all army units need to be qualified politically and competent militarily and have a fine work style, strict discipline and adequate logistics support.<sup>7</sup> These five requirements were clarified as the general requirements for army building at the enlarged meeting of the CMC in January 1991, and were reiterated at the Fourteenth and Fifteenth National Party Congresses. These general requirements were proposed to make Comrade Deng Xiaoping's overall goal for army building in the new period more specific and should be implemented in all of our work.

The fundamental purpose of setting forth these general requirements is to ensure that the entire army, especially leading offices and cadres, firmly establish and implement the idea of comprehensive army building and coordinated development. Army building is an integral whole, in which becoming more revolutionary, more modern and more standardized are intimately and inseparably related. We must persist in using a dialectical approach to comprehensively observe and analyze problems, and plan for and promote work. We can ensure the smooth progress of army building only if all aspects of the army's work mutually complement and enhance each other, and we can raise the overall level of army building only if all



aspects of the army's work progress together. If we separate the different aspects of army building and deal with each separately, attaching too much weight to one and too little weight to another, and even let them impede or oppose each other, army building will certainly suffer as a result. In our army's history, erroneous tendencies such as considering "purely military viewpoints" and believing "politics can overcome anything" resulted in serious consequences. The five general requirements are meant to provide epistemological and methodological clarification of the guiding thought for all-around progress in army building, and create a better balance between the different functional groups of the army. In recent years, the CMC and the PLA's Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department focused on the overall objectives and general requirements of army building, comprehensively planned for and promoted army building, and coordinated all aspects of the work well.

Third, the CMC adopted a military strategic principle of active defense for the new period. Since the founding of the People's Republic, we have adopted the military strategic principle of active defense. Our Party adopted this principle based on China's socialist system and our national security requirements. At the beginning of the 1990s, our country's security environment and the tasks for military conflict changed dramatically, and our military strategic principle must adapt to these changes; otherwise it will be difficult for our army to win a defensive war in the future, and the modernization of our defense and army will lack a scientific basis and a realistic orientation. At the All-Army Conference on Military Affairs in December 1990, it was pointed out that we should look on the principle of active defense as our cherished tradition, and we should comprehensively and systematically study it, completely and accurately understand it, and unwaveringly implement it, while at the same time realistically drawing upon it and carrying it forward in light of changing circumstances. Early in 1993, after several years of gestation, the CMC formulated a military strategic principle of active defense for the new period. This principle adjusted our strategic direction considerably and shifted the focus of military preparedness from dealing with local wars fought under normal conditions to winning local wars fought under modern technological conditions, especially high-tech conditions. This clarified the objectives and missions of our army's military preparedness under new conditions, grasped the principal contradictions in army building and correctly solved problems concerning

the direction which army building and reform should take. Facts prove that this important strategic decision made by the CMC was timely and correct.

A very important aspect of formulating and implementing a military strategic principle for the new period was adopting the strategy of strengthening the army through science and technology and relying on scientific and technological progress to raise the army's combat effectiveness. The Gulf War demonstrated that modern warfare is becoming high-tech warfare, and the side with high-tech superiority clearly holds the initiative on the battlefield, while an army with technological backwardness is open to attack. We undertook a considerable amount of investigation and research and I personally read a lot of material, and had the Headquarters of the General Staff hold a forum and the PLA Academy of Military Sciences offer a seminar on the Gulf War. We stressed that in modernizing our army against the backdrop of rapid worldwide scientific and technological development and the profound changes taking place in the global military arena, all army personnel, especially leading cadres, must attach great importance to and make full use of science and technology and improve the quality of the army. In 1995, the CMC clearly put forward the strategy of strengthening the army through science and technology with the focus on augmenting national defense research, improving weapons and military equipment, raising the technical competence of officers and enlisted personnel, pursuing scientific organization and staffing, raising our scientific and technological innovativeness, and improving our scientific management. At the same time the CMC proposed shifting the emphasis of army building from quantity to quality and from labor-intensive to technology-intensive. The All-Army Conference of Chiefs of Staff held in November of this year made arrangements for developing operation concepts tailored to our army's strengths, accelerating weapons and equipment upgrading, and solving problems concerning combined arms and services operations. All army units need to promptly implement these arrangements.

In order to effectively safeguard the security and unity of the motherland, we must create rapid deployment forces. I visited Yunnan in November 1989, and I visited Tibet in July, Xinjiang in August, Inner Mongolia in September and Guangxi in November of 1990, and on all these visits I carried out troop inspections, during which I constantly thought about this problem. At the All-Army Conference on Military Affairs in December 1990, the decision was made to create rapid deployment forces. Our country covers a vast area and has a long frontier, and we cannot maintain

a standing army large enough to rely solely on the human-wave tactics of massive numbers of troops and an unbroken line of sentries along our border. In a future local high-tech war, the time to prepare will be short but the process swift, and the initial battle will be of decisive significance; therefore, our army must have a powerful, rapid-response combat unit. In addition, because our country has limited financial resources, we cannot modernize the army in all respects all at once; we have to set priorities and proceed step by step. We need to give top priority to making weapons, equipment, materials and funding available for creating rapid deployment forces, and conduct intensive training. We have already made great progress in establishing rapid deployment forces, and they have become the key to responding quickly to local wars or unexpected emergencies.

Our military strategic principle for the new period implements and adheres to our thinking on a people's war. A people's war is our special weapon for overcoming our enemies and winning victory. It is one of our genuine advantages. The CMC has always stressed that in a future high-tech war we will still need to fight a people's war. No matter how developed weapons and equipment become or how much the way battles are fought changes, in the end, the factor that determines victory or defeat in battle is people, not weapons. We need to take new historical conditions and the requirements of a future high-tech war into account, and actively develop our thinking on a people's war and strive to create a set of strategies and tactics for fighting a people's war under high-tech conditions.

We steadfastly employ the military strategic principle for the new period to manage overall army building and to meet the challenges of global military development. Army building in the areas of army-wide military training, political work, logistics support, upgrading weapons and equipment, battlefield construction, building reserve forces and creating a system of national defense mobilization are in full swing. The plans we have adopted in all these areas are being implemented smoothly.

Fourth, the CMC put ideological and political development before other aspects of army building. A fundamental principle and particular strength of our Party's leadership over the army is that it emphasizes and persists in building the army ideologically and politically. Strengthening ideological and political development is a reliable guarantee that the army will remain a people's army and that it maintains the correct development orientation. The foremost requirement in upholding the Party's absolute leadership over the army is that the Party controls the army's ideology and

politics. In the past and at present, in China and abroad, many armies with illustrious military exploits collapsed eventually, the main reason being that their ideological defenses crumbled. Our army does not live in a vacuum. The social environment in which we are building socialism with Chinese characteristics is very complex. Under the conditions of carrying out reform and opening up and developing a socialist market economy and in international and domestic environments in which various ways of thinking interact, some mistaken ways of thinking and decadent lifestyles in Chinese society are bound to have an influence on our officers and enlisted personnel. It is much easier for people to work for the common good in hard times than in good. This is a recurring historical phenomenon. Though our army overcame all difficulties and hardships during the war years, whether or not it can keep its edge during a long period of relative peace and while we open up and develop a socialist market economy is a new and complex test. A series of vivid examples set off alarm bells for our troops. Strengthening our troops ideologically and politically and ensuring officers and enlisted personnel are politically staunch and ideologically and morally pure is an important practical problem we must solve as we build the army in the new period. At the enlarged meeting of the CMC in 1994, it was clearly stated that we need to put ideological and political development before other aspects of army building. Afterwards, I also stated that leading cadres must stress politics and emphasized that the army needs to have higher standards and requirements in stressing politics, and that in this area it has to be sure to draw clear lines between right and wrong on some basic issues. At the All-Army Conference on Political Work held in July of this year, it was again emphasized that we need to look at ideological and political development as having a bearing on the overall strategic work of the Party, state and army, and that leading cadres at all levels need to consider promoting ideological and political development as their first responsibility. At the meeting, the Decision on Certain Questions Concerning Strengthening the Army Ideologically and Politically Under Conditions of Reform and Opening Up and Developing a Socialist Market Economy was deliberated and adopted, and the Party Central Committee has already approved and distributed it to the whole Party and army.

The CMC demanded that we steadfastly arm the whole army with Deng Xiaoping Theory; develop extensive and thorough education in patriotic devotion and the need to foster a revolutionary outlook on life, respect cadres, cherish enlisted personnel, and work hard under the new



circumstances; and guide officers and enlisted personnel in adopting a correct worldview, outlook on life and sense of values. The CMC also especially emphasized the need to educate officers and enlisted personnel in revolutionary moral integrity, and to create and maintain the integrity of Communists and revolutionary soldiers throughout the ranks of the army. Starting by resisting the influences of extravagance and decadence, we threw ourselves into educating troops to improve and rectify their discipline and ideology. With the focus on improving Party conduct and upholding incorruptibility, we strove to improve the education and supervision of high- and mid-ranking cadres, and required army leaders at all levels to draw upon and carry forward the Party and army's fine traditions, and preserve the qualities of the old Red Army. At the enlarged meeting of the CMC in December 1993, it was pointed out that the army's cultural and ethical progress should be at the forefront of society. Subsequently, the CMC and the General Political Department issued documents in support of this idea, and the whole army achieved gratifying results in this regard. Particularly in the ongoing struggle against the Falungong cult, the army has adopted a firm attitude, acted swiftly, taken effective measures and done a good job. This shows that when faced with a complex ideological and political struggle, comrades in the CMC are clearheaded and take a clear-cut stand on major issues of principle. Of course, we also learned a lesson from the problem of the Falungong cult, which some members of the army got involved in. This further illustrates that the army can never afford to relax, but rather must persevere when it comes to ideological and political development. We need to conscientiously learn from these lessons and experiences, and strive to improve and strengthen the army's ideological and political work.

Unity is an important guarantee for our army to maintain and strengthen its cohesiveness and combat effectiveness. As long as Party committee leading bodies are united, officers and enlisted personnel are united, and the army is united with the government and people, our army will be invincible and cannot be overwhelmed by any hardships or by any powerful enemy. We have always considered unity inside and outside the army to be an important aspect of our ideological and political development. The whole army takes the Party's basic theory, line and platform as its ideological and political foundation, works to eliminate all factors that adversely affect or hinder unity, and seeks to further strengthen unity in every respect. Members of Party committee leading bodies at all levels work closely together

and support each other, and officers and enlisted personnel up and down the ranks take care of each other and are closely united. All army units have carried forward the fine tradition of supporting the government and cherishing the people, promoted unity between the army and the government and people, and maintained a relationship with the masses as close as fish and water, sharing the same fate and being of one mind.

Fifth, the CMC concentrated its efforts on developing weapons and equipment. We have built a relatively complete system of national defense research and production through the hard work of several generations since the founding of the People's Republic. Atomic and hydrogen bombs and artificial satellites are examples of the cutting-edge strategic weapons and equipment we have developed, making us an important player in the global arena of advanced military technology and greatly raising our country's international standing and influence. However, our weapons and equipment are still significantly inferior to those of the world's great military powers. While we have always opposed the theory that weapons alone decide the outcome of war, we nevertheless value science and technology and have a high regard for the use of weapons and equipment. If our weapons and equipment are outdated and we lack the effective means with which to stand up to our enemies, we will prevail in war only at a terrible cost; therefore, we must give a prominent place to national defense research and upgrading weapons and equipment in our efforts to increase our military power, and strengthen our material and technological foundation for winning a high-tech war.

For a long time, our efforts to upgrade weapons and equipment have been plagued by overlapping, decentralized and fragmented management, which have seriously affected our ability to make and develop a concerted effort. In March of last year, we decided to create the General Armament Department. We can say with certainty that strengthening centralized, unified leadership over the upgrading of weapons and equipment was the correct direction to take, and we must stay unwaveringly on this course.

We have adopted correct principles and policies on developing "assassin's mace weaponry." 1) We need to concentrate our strengths in a coordinated effort to achieve breakthroughs in key projects and technologies. 2) We need to do some things while setting others aside, and catch up in some areas but not all. 3) We need to rely mainly on our own efforts, and turn to imports only when necessary. 4) We need to focus on developing weaponry systems. 5) We need to emphasize quality and results. In the last ten years,

national defense research and the development of weapons and equipment have advanced relatively quickly. Recently, we conducted a successful test flight of our first experimental spacecraft. This is a milestone in the history of space exploration in China, and it is of great significance for our country to make breakthroughs in manned spaceflight technology, as well as a great inspiration to the army and people of the entire country.

Sixth, the CMC carried out organizational and staffing adjustments and reforms, the main task of which was reducing the army by half a million troops. Downsizing the army while raising its quality and taking the path of fewer but better troops with Chinese characteristics was an important idea advanced by Comrade Deng Xiaoping based on the new trends in world military conflict. When he headed the CMC, he led several large-scale streamlining efforts, particularly the one-million man troop reduction in 1985, which made great strides toward making the army more capable, integrated and efficient. All comrades in the CMC believed that we must continue to implement Comrade Deng Xiaoping's principle of fewer but better troops. When formulating the Outline Plan for Army Building During the Ninth Five-Year Plan Period, the CMC concluded, on the basis of a careful analysis, that our troop strength of three million was still too high, and that a number of important relations had still not been straightened out, the army needed to be organized more rationally, and it was providing too many services to service personnel and their families, all of which adversely affected the overall effectiveness and cost-efficiency of army building. The CMC therefore decided to cut troop strength by another half million.

In adherence to the guiding thought of streamlining the army while straightening out relations and optimizing its structure, we carried out major reforms in the army's leadership, command and logistics support systems, significantly streamlined high-level leadership and command units, and thoroughly restructured units throughout the army. We adjusted and reformed the system of military academies and took the first steps toward carrying out large-scale military education. This already plays and will continue to play an important role in making leadership, command and management more efficient, creating an organization and staff system that accords with the law of modern military development, and modernizing our army. We also adjusted and reformed the militia and reserve forces on the basis of the policy of reducing numbers and raising quality, and further strengthened the national defense reserves.

We made important adjustments to the leadership and management system of the armed police in 1995, brought the armed police under the dual leadership of the State Council and the CMC, and implemented a system of unified leadership and management combined with a hierarchical chain of command.

We also accelerated the adjustment and reform of the policy system. Many of the policies and systems currently employed by the army were formed under the planned economy and are no longer suitable for the new circumstances, in which we are developing a socialist market economy. The decision was made at the enlarged meeting of the CMC at the end of 1997 to adjust and reform the policy system. This decision was uniformly supported throughout the army. The Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department have already achieved preliminary results in implementing this work, and they need to maintain a firm grasp and attain even better results in the future.

Seventh, we launched extensive and thoroughgoing scientific and technological training throughout the army. Military training is the basic method for raising troops' combat effectiveness in peacetime. Strict military training is necessary to organically integrate people and weapons, make officers and enlisted personnel proficient in combat skills, fortify their confidence in being able to defeat a better-equipped enemy with the weapons they have, and cultivate in them a courageous and tenacious fighting spirit and iron discipline. The whole army must attach strategic importance to education and training, and leading cadres and leading bodies at all levels must focus on these efforts. At the All-Army Conference on Military Affairs in December 1990, it was clearly stated that the army must make strict military training a part of its regular core work and do it effectively.

The content and methods of military training develop in accordance with developments in weaponry, as well as in accordance with the development and evolution of forms of combat and warfare. Since the beginning of the 1990s, the whole army has strengthened its research in combat tactics and the reform of training methods, and this has played a positive role in improving our defense capabilities. To win a future high-tech war, our army must put into effect the strategy of strengthening the army with technology in its military training, develop scientific and technological training, incorporate more technical content, and push military training to a higher level. To deal with the problem of low scientific and cultural levels among



officers and enlisted personnel and a lack of knowledge needed to fight a high-tech war among most leading cadres, the CMC, Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department formulated a plan for the whole army to gain knowledge of high technology, launched a high-tech training course for cadres at and above the level of army commander, and led and promoted a drive throughout the army to study high technology. All military academies reformed their course content and methods, and increased the high-tech educational content in an effort to train new, high-caliber military personnel. Through several years' hard work, all the officers and enlisted personnel of the army, especially leading cadres at all levels, have improved considerably their scientific and cultural quality and their understanding of modern military technology. Last year, the CMC required the leading offices and leading cadres of all levels of the army make invigorating training through science and technology their guiding thought on military training. We must steadfastly continue to train our troops in science and technology and ensure the army significantly improves its ability to fight a high-tech war as soon as possible.

Eighth, the CMC adopted the policy of running the army on the basis of the law. Through a long period of practice, our army has forged a series of highly effective methods for self-governance, and it must always adhere to them. At the same time, we must learn how to run the army strictly on a legal basis. Comrade Deng Xiaoping always stressed strengthening the legal underpinnings of the army so that there are laws and regulations to follow in every aspect of army building. Following Comrade Deng Xiaoping's thinking, the CMC clearly brought the requirement to run the army on the basis of the law to the attention of the whole army. Between November 1989 and June 1990, we promulgated ten military statutes. The Routine Service Regulations promulgated on June 9, 1990, stipulate, "We must steadfastly run the army strictly and in accordance with the law, and enforce strict, scientific standardized management." In 1991, the CMC formulated the Outline Plan for Army Building During the Eighth Five-Year Plan Period, which clearly stated, "We must unwaveringly implement the policy of running the army on the basis of the law." Running the army on the basis of the law means establishing in law the fundamental principle of the Party's absolute leadership over the army, the Party's viewpoints on strengthening national defense and upgrading the armed forces, and the army's successful experience in self-governance in order to make army

building more standardized and institutionalized and make the army more revolutionary, modern and standardized.

Over the past ten years, the CMC has expended considerable energy enacting military legislation, including the formulation and promulgation of 12 military laws, 124 military statutes and more than 2,000 military regulations. The National Defense Law, Military Facilities Protection Law, Garrison Law of the HKSAR, Garrison Law of the MSAR, Regulations of the PLA Headquarters, Regulations on Political Work in the PLA, Logistics Regulations of the PLA, Training Regulations of the PLA, Regulations on the Supervision of Weapons and Equipment of the PLA as well as the three new general regulations<sup>8</sup> and a new generation of combat regulations, were all formulated to promote national defense development and army building in various ways and ensure that the army performs its functions better. We have already created the basic framework of a system of military laws and regulations with Chinese characteristics that is compatible with our country's legal system and basically fulfills the requirements for modernizing the army and national defense.

Running the army strictly on the basis of the law is important, but also difficult. Only by running the army strictly on the basis of laws and regulations will we be able to ensure that the army maintains its image as a mighty and civilized force and its combat effectiveness. The CMC, Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department strove to resolve the problems of lax management, work style and discipline. Leading cadres and leading offices at all levels became increasingly aware of the need to run the army on the basis of the law. They implemented standardized, institutionalized management of the army, and maintained regular combat readiness, training, work and life in the army, and made the army more standardized.

Ninth, the CMC progressively blazed a path of modernizing the army with maximum returns on minimum investment. There has always been a shortage of funds and a significant gap between supply and demand in our army building. Our military expenditure, both as an absolute sum and a percentage of GDP, is the lowest of any major country in the world. It is difficult to keep this large army running normally and to develop it. Our basic thinking on the relation between developing national defense and developing the economy is based on the thinking of comrades Mao Zedong and Deng Xiaoping, which holds that army building must depend

on national economic development, and that we need to take economic development as our central task, subordinate ourselves to the overall interests of national economic development and make allowances for the difficulties the country faces. In addition, military expenditure should increase every year based on national economic development, and be used to progressively improve weapons and equipment and raise the standard of living of military personnel as well as accommodate the requirement of developing national defense with the need to ensure the country's security. Economic strength is the most basic component in a country's overall national strength, but if we do not transform a portion of economic strength into military strength as the economy develops, or constantly increase our military strength apace with our growing economic strength, and keep our military strength in line with our national defense needs, we will be unable to safeguard our country's security. This is essential to a vast socialist country like ours and always demands our close attention. In the Central Committee I have repeatedly stressed the need to provide funding from the state treasury for developing national defense and the army. In recent years, the state has been making its best efforts to increase military spending. Due to our country's limited economic strength, it is impossible to quickly and fundamentally close the supply-and-demand gap in army financing. We only have so much money, and we not only have to modernize the army, but do so quickly, so what should we do? We cannot invest as much in national defense as developed countries, so we must blaze a path of modernizing the army with maximum returns on minimum investment with Chinese characteristics. We need to make full use of the favorable conditions for army building created by reform, opening up and modernization; progressively create a mechanism in which national defense development and economic development stimulate each other and are balanced; and manage and use military funding well.

We need to always uphold and carry forward the principle of building the army through diligence and thrift and the spirit of hard work. This is not only an economic consideration, but also an important political one. The army needs to be mentally prepared to practice austerity and oppose extravagance and waste. Leading offices need to set a good example, particularly the CMC, Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department. To address the shortage of funds on the one hand and gross wastefulness on the other, we emphasized the need to strengthen scientific

organization and management and improve results through better management. All army units gave rein to the Nanniwan spirit of self-sufficiency, developed agricultural and sideline production, and significantly strengthened their ability to provide for themselves. When spending funds, we focused on priorities and concentrated spending on key equipment, key army units and key areas, while ensuring the standard of living of troops kept improving. During recent years, though we encountered many problems and difficulties, logistics support constantly improved, the material and cultural lives of troops improved significantly, and we accomplished numerous large and difficult undertakings that we had been unable to accomplish for many years. In particular, the work of comprehensively improving the living facilities for border and coastal defense troops was done well.

As the country develops, it is becoming possible for the defense economy and the civilian economy and for military technology and civilian technology to become compatible with and stimulate each other. The country is in the midst of large-scale infrastructure construction, and this creates favorable conditions for using civilian facilities to meet military needs. The army broadened its thinking, strove for compatibility and mutual benefit, and achieved positive results. For example, a national fiber-optic project carried out through a military-civilian partnership substantially improved the army's communications capability in a few short years. Relying on the national education system to educate and train army officers also saved a considerable sum of money. There is still a lot to be achieved in these areas, so we must further develop relevant policies and systems and keep up our efforts.

We carried out significant reforms in the areas of logistics support systems and support delivery methods. For a long time, the three branches of the army each had their separate logistics systems, which were either large and all-inclusive or small and all-inclusive. This was clearly unsuited to the requirements of modern warfare, army modernization and a socialist market economy, and was the source of considerable waste. In early 1990, we clearly set out the goal of striving to integrate logistics and improve efficiency. After exploring reform alternatives for many years, the CMC decided to create an integrated logistics system for the three branches of the army. This was a huge step forward in modernizing the army's logistics. Of course, this joint logistics system still has certain limitations, and we need to actively yet prudently improve it to integrate the supply of general-purpose materials and service support for all three



branches of the army. In recent years, we progressively outsourced logistics support, particularly in areas concerning the lives of military personnel, to independent service providers, and this greatly reduced the army's burden of providing social services. We not only need to maintain this direction, but accelerate the reforms.

Tenth, we firmly put an end to the business activities of the army and armed police force. Chairman Mao and Comrade Deng Xiaoping were both firmly opposed to the army engaging in business activities. The army's funding should come entirely from the state, and it should not engage in business or "self-development." In China and abroad, in ancient and modern times, an army's involvement in business has always been accompanied by corruption. On November 12, 1989, at the first enlarged meeting of the CMC after I became its chairman, I stated, "Generally speaking, the army should be entirely funded by the state. The notion of the army developing and improving itself is not feasible and something of which I have never approved.... It should not try to become self-sufficient. It would be very dangerous if it devoted all its energy to doing business and earning profits."<sup>9</sup> Shortly thereafter, when I listened to a report by the head of the PLA's General Political Department on December 19, 1989, and a report by the head of the PLA's General Logistics Department on January 3, 1990, I reiterated this opinion. Great harm can come from the army engaging in business for profit. One, engaging in commercial activities inevitably diverts the attention of leading cadres and leading offices at all levels. Over time, if a significant number of cadres and troops do not attend to their proper duties and they lose their proper focus, then the army's ability to carry out its duties will suffer. Two, engaging in business will inevitably lead to conflicts of interest with civilians and localities, which will adversely affect relations between the army and the government and between the army and the people, and throw the national economy into chaos. Three, business is a breeding ground for corruption, and it corrupts cadres, undermines the troops' ethos, and seriously harms the army's image. Frankly, I have wanted for a long time to give the order for the army to immediately cease all business activities. Nevertheless, we must consider conditions and timing when dealing with problems. In the early 1990s, the country's finances were stretched to breaking point, and insufficient money was available to support the army entirely from the state treasury. In addition, back then, the harm caused by the army engaging in commercial activities was not yet fully known, and the army's enthusiasm for business was running

high. If brought to a sudden halt, many cadres would have been unable to adjust their thinking; therefore, we were forced to adopt the approach of gradual reduction and rectification.

Last July, the Central Committee decided to launch a nationwide crack-down on smuggling. We discovered that some units and personnel within the army and armed police force were involved in smuggling. Business activities are an important source of the continuous cases of smuggling and other economic crimes among troops. This made us acutely aware that it was high time the problem of the army's business activities was fundamentally solved. If things were allowed to continue, they would cause the army to deteriorate and might even imperil social and political stability. The Central Committee resolutely made the policy decision to firmly and completely put a stop to all the business activities of the army and armed police force. This decision was based on army building over the long term and the country's overall situation. After the Central Committee determined the course, comrades in the CMC reached a common understanding, acted quickly, exercised strong leadership, worked effectively, and ensured that thousands of business enterprises were disbanded or transferred to local authorities within the specified timeframe, thus completing the shared resolution of the Central Committee and the CMC. Ending the army's business activities relieved army building of a great burden, removed many hidden dangers and redeemed a number of cadres. It allowed leading cadres at all levels to concentrate their energies on army building, further solidified the army's relations with the government and people, and safeguarded the army's fine image. The great significance of this decision will become increasingly evident with time.

Eleventh, the CMC formulated and promulgated a program for primary-level army building. Giving high priority to strengthening the primary level is a fine tradition of our army. If primary-level work is not done properly, then nothing else can be accomplished. The most basic task of army building is primary-level army building. Work at the primary level provides the foothold for all our work. It was decided at the Fourteenth National Party Congress to establish a socialist market economy and the CMC formulated a new military strategic principle for the new period, and both of these developments imposed new higher requirements on primary-level army building. Army units had also learned many new lessons from their experiences of improving primary-level army building under these new historical conditions, and we needed to review those lessons. In 1993, the

CMC decided to revise the program for primary-level army building. The CMC held three executive meetings to research the problem of revising the program, and the Headquarters of the General Staff, General Political Department, and General Logistics Department all viewed this revision work as an overall important aspect of army building and conscientiously carried it through. The revised program for trial implementation was promulgated at the end of 1993, and was officially issued in 1995. The new program for primary-level army building requires comprehensive development, progress and proficiency in this work. This is a tremendous advance in our guiding thought for work in this area. At that time I wrote a comment, stressing, "We must do a good job implementing this and make comprehensive progress in army building at the primary level."

The CMC, Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department have been giving high priority to implementing the program for primary-level army building and doing this work effectively. They have held a forum on primary-level army building every year since 1994 to guide institutions at all levels in strengthening their work in this area on the basis of the program, focusing their work on the key links and weak points, and carrying out their regular ideological and administrative work well. The most important aspects of this work have been putting effort into building primary Party branches, improving their ability to solve their problems and lead all aspects of the work, making full use of their role as bastions and Party members' role as vanguards and models, and giving impetus to comprehensive primary-level army building.

We made it a practice to visit army companies every time we traveled around the country, no matter how busy we were, to meet with officers and enlisted personnel at the primary level, have heart-to-heart talks with them directly, listen to their suggestions, and get a concrete understanding of the particular conditions they face. Whenever we discovered cases of inappropriate relations, or instances of officers accepting gifts from enlisted personnel, encroaching on their interests, or abusing them emotionally or physically, we promptly criticized them severely. We require that institutions at all levels show more concern for the vital interests of officers and enlisted personnel at the primary level, give them more timely assistance, and solve problems for them. After several years of united efforts up and down the ranks, a number of difficult problems that persisted at the primary level for a considerable length of time have

been solved, and many troops stationed at border outposts and on plateaus and islands are now garrisoned in military barracks, have fresh vegetables to eat, hot water for bathing and television reception, which has improved their cohesiveness and combat effectiveness.

Twelfth, the CMC selected and trained outstanding young cadres. Selecting and training a large number of young cadres in accordance with the principle of making cadres more revolutionary, younger, better educated and more professionally competent, and endowed with both professional ability and political integrity, who can carry our cause forward and take on heavy responsibilities is a strategic task for ensuring there will be qualified people to continue army building in the future. Comrade Deng Xiaoping always paid close attention to this matter and led by example. He was thoughtful and farsighted, and he proposed selecting a number of people in their 40s from throughout the army and assigning them to posts where they could receive training.

We must obey Comrade Deng Xiaoping's wish and select and train the next generation of cadres in order to make army cadres, especially the high-level leadership, younger and ensure there are people to carry on the work. If we fail to do this task well, we will be unable to justify ourselves to Comrade Deng Xiaoping. The CMC has already adopted several important measures for selecting and training outstanding young cadres. We are constantly working hard to make Comrade Deng Xiaoping's strategic design for injecting youth into high-level leadership a reality.

Thirteenth, the CMC formulated a three-step development strategy for modernizing national defense and the army. This is a massive systems engineering project, and it can be accomplished only with unremitting efforts over several generations and by relying on a scientific development strategy. Strategic arrangements were made at the Fifteenth National Party Congress for basically accomplishing modernization in three steps during the next century.<sup>10</sup> We need to have a correspondingly long-term scientific development strategy for modernizing national defense and the army to make it easier to comprehensively balance the development of national defense and army building with the development of the national economy. At the enlarged meeting of the CMC in late 1997, a three-step development strategy was set forth for modernizing national defense and the army by the middle of the next century<sup>11</sup> that clarified the general line of thought on modernizing national defense and the army.

According to this three-step development strategy, we will have mod-



ernized our national defense and the army by the middle of the next century, that is, the centenary of the founding of the People's Republic. As long as we work tirelessly in accordance with this strategy, we will achieve this goal.

Fourteenth, the CMC encouraged the whole army to energetically explore the characteristics and laws for running the army under the conditions of reform, opening up and developing a socialist market economy. Since the beginning of the 1990s the historical background and the social environment for army building have changed drastically, not only from the period before reform and opening up, but also from the 1980s. How should we run the army under these new circumstances? And how should we guide the troops? Many people have thought about this, done a great deal of work and acquired a lot of good experiences. Nevertheless, we must also realize that sometimes leading offices and leading cadres are merely reactive in their work. In the areas of ideology, political attitude, work style, discipline and internal relations, there are still many problems and weak links in the army. This is because we still have to thoroughly study and accurately understand the characteristics and laws of army building under the new conditions, our understanding has not made the leap from the realm of necessity to the realm of freedom, and a number of our ways of thinking about work, our work methods and our policies and measures are inappropriate. This requires us to make a complete and systematic analysis and study of the new conditions and problems we face in army building, and discover laws and the methods and measures that actually work so we can run the army more effectively. At the enlarged meeting of the CMC in 1996, it was proposed that we launch an army-wide campaign to explore the characteristics and laws of army building under the new conditions.

After this issue was raised, bodies at all levels studied, explored and achieved important results. Comrades on the CMC also continually considered this issue in depth. At the enlarged meeting of the CMC at the end of last year, we reviewed the basic lessons learned in army building over the 20 years since the adoption of the reform and opening up policy and pointed out seven relationships in army building and military work that need to be correctly understood and dealt with: the relationship between war and peace; the relationship between developing national defense and economic development; the relationship between making the army more revolutionary, more modern and more standardized; the

relationship between quantity and quality in the army; the relationship between regular and reserve forces; the relationship between carrying on fine traditions and implementing reforms and innovations; and the relationship between drawing on the beneficial experience of foreign armies and maintaining our army's unique characteristics.<sup>12</sup> These seven relationships are derived from using Deng Xiaoping's thinking on army building in the new period to guide our work. They are also the crystallization of the collective wisdom of all comrades in the army, and we must always uphold and make conscious use of them.

Exploring the characteristics and laws for running the army under the new conditions is a task of historic importance that we must persevere with in the long term. We need to guide our troops to emancipate their minds and seek truth from facts, to analyze the specific problems their unit or department faces while studying the overall problems of army building, and to constantly probe deeper into a number of important and difficult problems while using their research results to guide their work. If we truly do this work well, the ability of leading cadres at all levels to run the army will constantly improve and the work of modernizing the army will progress more smoothly.

## **II. On a Number of Major Issues Concerning Army Building Now and in the Near Future**

At present, our country and the army are in a crucial period of development, and both are facing rare historic opportunities and severe challenges. Although the world is still far from peaceful and we need to maintain the utmost vigilance, it should be possible to avoid another world war for a considerable period of time. Our peripheral security environment as a whole is relatively stable. As long as our strategic planning is appropriate and we do all our work well, it is entirely possible to have a relatively favorable international security environment for a considerable period of time, during which we can intensify our efforts to achieve all our strategic national development goals.

The overall domestic situation is excellent. We have achieved great results in carrying out reform, opening up and modernization and accumulated significant material and technological strength, and we are fully capable of maintaining sustained, rapid and sound economic development. Of course, the road ahead will not be entirely smooth. Local wars like the

Gulf War and the Kosovo War,<sup>13</sup> economic disturbances such as the Asian financial crisis and problems such as the Falungong cult can still occur.

We must be fully prepared mentally and materially to overcome any difficulties or dangers, whether foreseeable or not, that may arise in the political or economic arenas or come from nature. As long as the entire Party, the army and the people are each firmly united and our economic strength, national defense strength and ethnic cohesiveness constantly increase, we can “sit tight in the fishing boat despite the rising wind and waves.” We need to make the most of this historic opportunity to make great strides in modernizing national defense and the army.

The key to speeding up the development of the army is to grasp major issues affecting the overall situation. I constantly ponder the next step for army building. I feel there are several major issues that require our full attention and that we must pool the collective wisdom of all concerned to make comprehensive progress by adopting policies and measures, taking concrete steps and coordinating efforts.

First, we need to focus on combat preparedness. Achieving the complete reunification of the motherland is an unfulfilled dream of Chairman Mao, Comrade Deng Xiaoping and the other proletarian revolutionaries of the older generation, as well as the common hope of the people of all China's ethnic groups. The Central Committee's basic principle for solving the Taiwan question is “peaceful reunification and one country, two systems.” Achieving peaceful reunification will certainly not be an easy task. The Taiwan authorities are proceeding further and further away down the road of secession. They are actively expanding their army and preparing for war in an attempt to resist reunification. We must take responding to this complex situation as our starting point and rapidly and effectively prepare for possible combat. The more thoroughly we prepare and the stronger we are militarily, the less likely it will be that secessionist forces advocating Taiwan independence and foreign interventionists will act rashly and the more possible it will be for peaceful reunification to occur.

Our general principle in modernizing army building is to seek an appropriate level of overall progress while making breakthroughs in specific areas. These specific areas are the focal points; they are the keys. Planning for military combat is our most practical and urgent task, and if we have a good grasp on this task, we will have a good grasp on the focal points and keys of military modernization. We should focus our military planning on winning a future local war under high-tech conditions, and we must quickly

and effectively create an elite military force capable of fighting wars under high-tech conditions.

Second, we need to further study and resolve the problem of the organization and staffing of the army. For more than 20 years, we have tirelessly worked to adjust and reform the organization and staffing of the army and accomplished a great deal. However, this problem has built up over a long period of time, and it can only be solved step by step, not overnight. We are fully aware of the problems that still remain. The main problem is that the ratios of officers to enlisted personnel, administrative staff to troops, and combat troops to non-combat troops are out of proportion.

Reforming the organization and staffing of the army is an important task that will influence the overall situation and have an effect in the long term. We must actively yet prudently carry out this task while ensuring the country is secure and the army is stable. We need to have an explicit goal and follow a methodical line of thought in determining troop staffing and organization. We need to listen to everybody's suggestions. China is a vast country and our army's level of modernization is low. We therefore need to maintain an appropriately large regular army to safeguard national security and social stability. From now on, the emphasis for adjusting and reforming the organization and staffing of the army will shift from cutting troop strength to optimizing the army's structure and create a better balance between its various functional groups.

We need to pay sufficient attention to the problem of disproportionate ratios of officers to enlisted personnel, administrative staff to troops, and combat troops to non-combat troops, and actively create conditions to gradually rationalize them. The excessive base number of cadres, especially mid- and high-ranking ones, brings with it many problems. We need to provide a lot of housing. Overhead costs are high. Every year we have to find jobs for a large number of demobilized cadres and the number of retired cadres is continually increasing. This is a crushing burden on the state and the army. We have to find a way to gradually solve this problem. Although they have been adjusted several times, the army's leading offices are still bloated and have too many departments with overlapping functions. This leads not only to inefficiency but also to confusion. If this situation does not change, it will be difficult to meet the requirement of having a complex and agile combat command for wars fought under high-tech conditions. Everything needs to be evaluated on the basis of whether or not it contributes to winning a future local war fought under high-tech conditions. The



problems of organization and staffing are no exception. Everything found during the evaluation to be conducive to this objective should be continued and constantly improved, and everything that is not should be resolutely and quickly changed. Under the planned economy, the army provided most social services and necessities of life to the troops and their dependants, and in so doing, launched many different kinds of businesses. Now, the situation has changed. The conditions and opportunities are ripe for outsourcing the army's logistics support to independent service providers, and we need to gradually transfer functions that are not related to combat to the marketplace and genuinely streamline the army. In short, the army needs to unburden and liberate itself. If our general line of thinking is correct and we tirelessly and steadily move forward, the army's organization and staffing will take on an entirely new look.

Third, we need to give high priority to training a new type of military personnel. People are the key to whether or not we can win a future war and whether or not the army will deteriorate. Without high-caliber personnel, everything else is lip service. The further we proceed with army modernization, the more we need a new type of high-caliber personnel. At present, not only do we have a serious shortage of trained personnel, but too many of them leave the army to pursue different careers. This is a serious problem that will get worse before it gets better. We need to conscientiously make training personnel a strategic task; take everything into consideration, from training regimes, education content and policy systems to management and support mechanisms; and strengthen overall planning and macro guidance. The questions of what we should do about mid- and high-ranking cadres, primary-level cadres and technical personnel need to be addressed individually, and feasible solutions need to be found for each. Most of the training of military personnel takes place in military academies. With regard to leadership positions in these academies, we must assign cadres who are ideologically and politically outstanding, and who have excellent work styles and leadership capabilities. Academies have to be well-run before the army can be run well. We must be willing to spend what it takes and put in the effort required to run military academies well. Cadres coming out of these academies need to be tested by experience. We need to work particularly hard to devise a plan for training military personnel, strive to make significant improvements in training them in the Tenth Five-Year Plan period, and greatly improve the quality of the whole contingent of cadres by 2010.

Fourth, we need to effectively strengthen Party committee leading bodies at all levels. To build the army, we first need to strengthen these leading bodies to make them the leadership core of the army's united struggle. Strengthening leading bodies is always a task of the utmost importance. We must take new circumstances and tasks into account, further strengthen leading bodies at all levels ideologically and organizationally, improve their work style, and raise their political level and their ability to lead the development of troops. We need to place special emphasis on the education and supervision of high-ranking cadres. The Party needs to police itself; high-ranking cadres most of all. We need to ensure that guns are in the hands of people who are loyal and reliable. The key to army building is how we deal with this group of people. High-ranking cadres have important positions and a lot of power, but they are subject to relatively few restrictions and little oversight, and some of them are subject to almost no restrictions or oversight. It will be difficult to deal with many problems if the CMC, Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department are not dealing with the education and management of these high-ranking cadres, especially top-level cadres in greater military regions. The main problem concerning the education and management of high-ranking cadres is that they are too lax and weak. Running the army strictly and in accordance with the law must begin with high-ranking cadres and high-level offices enforcing strict standards. This means not only strictly investigating and punishing offenses, but also improving education and management on a regular basis. We need to strengthen the evaluation of the leading bodies of major military units. When we visit them, we cannot simply listen to their work reports; it is more important to understand their ways of thinking and political situations, and to scrutinize their work ability, work style and leadership level. We also need to be strict with the executive organs of the Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department in order to prevent them from abusing their office. We need to pay close attention to improving these organs, and work harder to ensure nothing goes wrong in vital departments that manage money, materials and personnel. At the same time, we need to implement the program for primary-level army building more effectively, continue to pursue comprehensive development and raise primary-level army building to a new level.

Another issue is that the army needs to do everything it can to further

the country's modernization. This is an important aspect of Comrade Deng Xiaoping's thinking. He noted, "Since the development of all our armed services is tied to national development, they should devise ways to assist and actively participate in it."<sup>14</sup> We have always emphasized that national defense and army building must be subordinate to the general interests of national economic development, and that the army needs to actively support and assist localities in their economic development. Only if the national economy constantly develops can better conditions be constantly created for national defense and army building. In recent years, the army has made significant contributions by participating in building a number of key projects, combating large-scale natural disasters, assisting locals living near duty stations to increase production and overcome poverty, and training people in skills needed in both military and civilian work. There are also a number of military facilities, such as ports, airports, railroad lines and warehouses, which the army turned over to local governments or shared with them. A number of defense technology industries have taken significant steps toward combining peacetime with wartime needs or military with civilian interests. The army needs to continue this trend in the future, and search for new ways to support and participate in the country's economic development. The PLA is a large school, and numerous cadres and soldiers have received strict training in ideology, politics, discipline and work style, and their quality ranges from fairly good to good. Every year, many demobilized cadres and soldiers take civilian jobs, and it is worth further studying how to make best use of these people. Is it possible for us to involve them in economic development in hardship areas in a planned and organized way, particularly in the large-scale development of the western region<sup>15</sup> we are about to carry out? Previously, Chairman Mao set up the Production and Construction Corps to assist this region with its economic development while also ensuring the corps safeguarded its social stability and border security. The situation is different today, and we need to look for new ways to develop all regions, particularly the western region, under the conditions of developing a socialist market economy. The Central Committee stated that we need to seize the opportunity to implement the strategy of large-scale development of the western region. This is an important development strategy concerning national modernization that is grounded in the present but that stretches far into the future. To implement this strategy, we need to mobilize and organize a large number of personnel and labor from all walks of life to work on this century project.

The conditions in the western region are harsh, and the tasks of development and construction are demanding. Without meticulous scientific organization and a large number of well-trained and experienced personnel, it will be very difficult to successfully develop the western region on a large scale. It is therefore advisable to consider organizing demobilized cadres and soldiers to join this effort each year. If we organize this well, implement necessary policies, and arrange good jobs and living conditions for the people going there, this will help not only to hasten the development of the region, support national economic development, and strengthen the army's unity with the government and the people, but also to expand the job opportunities available to demobilized cadres and soldiers, and promote and maintain stability within the army. I raise this issue in the hope that everyone gives it serious thought.

### **III. On Further Improving and Strengthening the Work of the CMC**

Historic changes are taking place in the composition of the army's high-level leadership. Top-level leading cadres of the army's greater military regions all entered the army after the founding of the People's Republic and many members of the CMC began their careers in the 1950s and 60s. The Party and the people placed us in this elevated position, and we must successfully pass on the relay baton we received from the elder generation of revolutionaries to the next generation and carry forward the work of modernizing the army. Every one of us must be firm in our ideals and convictions and devoted to the Party's cause, and work for the benefit of the country and the people without any thought of ourselves. We need to expand our vision, broaden our minds and constantly keep international and domestic development trends in mind. We need to find time to study; strive to improve our ideological and political level and our intellectual and leadership level; and become better able to lead army modernization and direct a high-tech war. We need to have a high sense of responsibility for the future of the Party, state and army; do our work and lead the army more effectively; and genuinely exercise control of the army for the Party and people. Each generation has its historic responsibilities. The historic responsibilities of this CMC and the next are to ensure that the strategic objectives for the first step of the three-step strategy for modernizing national defense and the army are achieved on schedule, and to make comprehensive progress in making the army more revolutionary, modern and



standardized. In order to complete these tasks, we must further improve and strengthen our work.

First, we need to concentrate our energy on studying and solving important problems in army building. Our army work is extremely complicated, and leaders at all levels need to be good at grasping what is most important and solving the major problems. The CMC's job is to manage the overall situation and control orientation, and we should devote most of our energy to dealing with strategic issues, overall guidance and macro policy decisions. The higher rank a leader has, the more important it is for him or her to resist routinism. If we focus on important issues and handle them well, this will stimulate the whole situation and make it easier to deal with lesser matters. This is an important approach to work that we must always adhere to.

We need to constantly improve our leadership and work styles. Everyone needs to be good at extricating themselves from a tedious daily routine. We need to maintain an appropriate distance from routine work and instead, whenever it is necessary, concentrate our efforts on matters of general significance, and sit down and discuss with each other important matters at length, in order to expand our thinking and deepen our understanding. The CMC, Headquarters of the General Staff, General Political Department, General Logistics Department and General Armament Department should not concern themselves with matters that fall within the army's scope. This will eliminate a lot of wasted effort on everyone's part, and be helpful in preventing bureaucratism, formalism and routinism.

Second, we need to safeguard the unity of the CMC as a collective. Chairman Mao and Comrade Deng Xiaoping both had many important things to say on maintaining unity. At present, the CMC is united; its members support each other, and work well together. Nevertheless, I need to stress this issue again because of its utmost importance. By unity, we mean unity grounded on the implementation of the Party's basic theory, line and platform. This is the only kind of unity that is lasting. All comrades must safeguard the unity of the CMC as a collective with the same care as they cherish their own eyes.

A discussion of the unity of collective leadership naturally raises the issue of how to view the leadership core. Leading such a large Party, ruling such a large country and building such a large army requires a united and unified leadership core. This is a law of history. Comrade Deng Xiaoping said, "A collective leadership must have a core; without a core, no leader-

ship can be strong enough.”<sup>16</sup> Safeguarding the core means safeguarding the fundamental interests of the Party and the people; it does not mean giving an individual a position of prominence. I have always stressed the need to properly handle the relationship between the individual and the collective, and that in doing our work we need to rely on everyone’s wisdom, strong unity and collective leadership. The core is formed through struggle, and it needs to play its role through collective leadership. The core is maintained by effectively safeguarding and implementing the Party’s line, principles and policies.

Collective leadership, democratic centralism, discussion of matters before meetings and decision making at meetings are concrete manifestations of the implementation of the principle of democratic centralism, and they are also an important guarantee for strengthening the unity of collective leadership. If we adhere to these practices, we can better seek common ground on major issues while reserving differences on matters of secondary importance, unite everyone’s will and wisdom, and effectively prevent liberalism and inappropriate relations. Historical experience tells us that unjust personnel decisions, the “mountain-stronghold mentality,” sectarianism and factionalism are extremely harmful, and are the source of many problems affecting unity. During the war years, mountain strongholds emerged in the army because the situation was complex and it was difficult to transfer cadres from one position to another. Chairman Mao and Comrade Deng Xiaoping both discussed this problem. The situation today is completely different. The army is a unified whole, and cadres are frequently transferred from one position to another; therefore, cadres can no longer be identified by the mountain stronghold they belong to. That would not be beneficial to unity or in accord with the facts, and it could easily be exploited by anyone with an ulterior motive. When promoting personnel, we must adhere to the principle of appointing people on the basis of merit, through public discussion and collective decision making, and without regard to their origins. This is something Chairman Mao and Comrade Deng Xiaoping always advocated. We not only need to be very scrupulous about this issue ourselves, but also ensure that our staff and family members do not interfere in the army’s personnel affairs.

We are colleagues; in addition to work, we have a sense of comradeship. We need to trust each other, learn from each other and support each other. As long as we all take the Party’s cause and principles as our starting point and emphasize mutual regard and friendship, we will find

it easy to agree on many things and feel happy about them, and work in a concerted way.

Third, we need to break fresh ground with a spirit of reform and innovation. Around the world, military technology is progressing rapidly, and competition in the military arena is becoming fiercer by the day. This requires us to further enhance our pioneering and innovative spirit. We will suffer dearly if we are conservative and reluctant to change. If we act conservatively we will fall behind, and if we fall behind we will come under attack. Through the long course of revolutionary struggle, our army formed a set of fine traditions, which are enormously valuable, and these basic elements must never be abandoned. Nevertheless, if we ignore the developing situation and the changing historical conditions, and just do things the way they have always been done, not only will it be impossible to move forward, but we will not even maintain our present position. An important factor affecting our guidance for work and restricting army building is that some ways of thinking and work methods are far from suitable for the new conditions. I have visited many army units in recent years, and I truly feel that there are many new situations and new problems. For example, people in the 1920s and 30s, and even in the 50s and 60s, had very different interests and ways of considering problems than soldiers in the 90s. To obtain results in army education and management, we have to improve our methods. Another example is that, nowadays, information technology is very advanced, mass media is widely available and Internet technology in particular is developing rapidly, and we have to research and solve many problems in order to fully utilize new advances in science before we can make our operational command, training supervision and ideological education more effective. These problems can only be solved through reform, and new methods need to be found through innovation.

We need to further emancipate our minds and work creatively in accordance with established major policies and principles of the Party. The army needs to be reformed cautiously and prudently, and some reforms require the necessary objective environment and certain material conditions. Nevertheless, some of these conditions can be created through hard work, and the solutions to some problems are only an issue of thinking, with no significant outlay of funds required. In carrying out reform we need to be proactive and tackle thorny problems boldly and resolutely. Although some problems have accumulated over a long time and there is a process for solving them, we have to be determined to solve them. We cannot delay. If

we wait until problems get worse, they will be more difficult to solve. We need to face difficulties squarely, and effectively do what can and must be done. In short, the tasks we face in running the army are still daunting, and everyone needs to work harder.

Fourth, we need to continue to work resolutely, quickly and pragmatically. Our army has always had the fine tradition of working resolutely, quickly and pragmatically. Regardless of whether it is military, political, logistics, armament, research or teaching work, the army must do all of it in this way. I have said in the past that when we address problems, we must work quickly and effectively; otherwise, we will accomplish nothing. Working quickly means working with a sense of urgency, not in a relaxed or sluggish manner. We must study, research, make decisions and arrangements and carry out inspections and supervision day and night. If we waste time, we will lose opportunities. Working effectively means working conscientiously and achieving results without engaging in formalism or doing things for mere form or show. We must speak the truth and do practical work that achieves concrete results. The international and domestic situations we face are changing and developing rapidly, we shoulder great and onerous responsibilities, and we must live up to the expectations the Party and people place on the army. All of this requires us to give full rein to and sustain the practice of working resolutely, quickly and pragmatically.

I believe that through this “three stresses” campaign, the CMC will become more united and resolute as a collective leadership, and will certainly achieve further successes in leading army building and reform.

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<sup>1</sup> “On Strengthening and Improving Study,” note 13, p. 304, this volume.

<sup>2</sup> *Ibid.*, note 4, p. 302.

<sup>3</sup> Cf. “Do a Good Job Building and Reforming the Army,” *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, p. 72.

<sup>4</sup> “Problems of War and Strategy,” *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1975, Vol. II, p. 224.

<sup>5</sup> “With Stable Policies of Reform and Opening to the Outside World, China Can Have Great Hopes for the Future,” *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 307.

<sup>6</sup> “Speech to Comrades Who Had Attended an Enlarged Meeting of the Military Commission of the Central Committee of the Communist Party of China,” *ibid.*, p. 323.

<sup>7</sup> Cf. Jiang Zemin, “The Army Needs to Be Qualified Politically and Competent Militarily and Have a Fine Work Style, Strict Discipline and Adequate Logistics Support,” *op. cit.*, p. 131.

<sup>8</sup> A reference to the Discipline Regulations of the PLA, Routine Service Regulations of the PLA, and Drill Regulations of the PLA.

<sup>9</sup> Jiang Zemin, “Do a Good Job Building and Reforming the Army,” *op. cit.*, p. 75.



<sup>10</sup> "Hold High the Great Banner of Deng Xiaoping Theory and Comprehensively Advance the Cause of Building Socialism with Chinese Characteristics into the 21st Century," I: "Looking Back and Looking Ahead at the Turn of the Century," p. 4, this volume.

<sup>11</sup> "Achieve Cross-Century Development Goals for Modernizing National Defense and the Army," pp. 82-90, this volume.

<sup>12</sup> "Historical Experiences of Army Building over the Last 20 Years," pp. 265-272, this volume

<sup>13</sup> "Establish a New Security Concept Suited to the Needs of the Times," note 1, p. 310, this volume.

<sup>14</sup> Deng Xiaoping, "The Army Should Subordinate Itself to the General Interest, Which Is to Develop the Country," *op. cit.*, p. 105.

<sup>15</sup> "Seize the Opportunity to Implement the Strategy of Large-Scale Development of the West," note 2, p. 337, this volume.

<sup>16</sup> Deng Xiaoping, "Urgent Tasks of China's Third Generation of Collective Leadership," *op. cit.*, pp. 300-01.

# SPEECH AT THE CEREMONY OF THE TRANSFER OF GOVERNMENT OF MACAO HELD BY THE CHINESE AND PORTUGUESE GOVERNMENTS

*December 20, 1999*

President Jorge Sampaio,  
Honored Guests,  
Ladies and Gentlemen,

On this refreshing moonlit night beside becalmed waters, the governments of China and Portugal are holding this solemn ceremony of the transfer of government of Macao to proclaim the Chinese government's resumption of its exercise of sovereignty over Macao. This important moment, which is the focus of world attention, will be remembered forever in history.

From this moment on, Macao will enter a brand-new era in its development. On behalf of the central government and the people of all China's ethnic groups, I would like to extend a cordial greeting and best wishes to our Macao compatriots who are returning to the embrace of the motherland.

From this moment on, the friendship between the peoples of China and Portugal and the friendly cooperation between our two countries will develop from a new starting point. Our two sides have conformed to the trend of the times and realized the smooth transition and transfer of Macao through our common efforts. I wish to sincerely thank all those who have contributed to the resolution of the Macao question and people across the world who have shown interest in and supported its return.

The Chinese government has, in accordance with the great concept of "one country, two systems," proposed by Deng Xiaoping, successfully resolved the questions of Hong Kong and Macao. This represents the great progress made by the Chinese people in accomplishing the great cause of national reunification. The implementation of the "one country, two systems" concept in Hong Kong and Macao has played and will continue to play an important role as a model for eventually settling the Taiwan question. The Chinese government and people are confident and capable of achieving an early settlement of the Taiwan question and completely reunifying China.

After the return of Macao, the Chinese government will firmly implement the principle of “one country, two systems,” under which the people of Macao will administer Macao with a high degree of autonomy. The MSAR will be vested with executive, legislative and independent judicial powers in accordance with the law, including the power of final adjudication. Macao inhabitants, irrespective of race or beliefs, will be masters of this land, and enjoy, as equals, the rights and freedoms guaranteed by law.

After the return of Macao, we will protect the economic interests of all countries and regions in Macao in accordance with the law. I hope that the countries and regions with investment and trade interests in Macao will continue to work for its stability and development.

Our Macao compatriots have a glorious tradition of patriotism, and they have always been related by blood and had a mutual affinity with the people of the rest of the motherland. It is our firm belief that, with the support of the central government and people of all our ethnic groups, the government of the MSAR and our Macao compatriots will successfully manage, build and develop Macao. After its return to the embrace of the motherland, Macao will surely have an even brighter future.

Thank you.

SPEECH AT THE MEETING TO CELEBRATE  
THE ESTABLISHMENT OF  
THE MACAO SPECIAL ADMINISTRATIVE REGION  
OF THE PEOPLE'S REPUBLIC OF CHINA

*December 20, 1999*

Ladies and Gentlemen,  
Fellow Compatriots,

Today is a day of nationwide celebration for our Macao compatriots and the people of all China's ethnic groups. The Chinese and Portuguese governments have just held the ceremony of the transfer of government of Macao, at which the Chinese government solemnly declared the resumption of its exercise of sovereignty over Macao and the official establishment of the MSAR of the People's Republic of China. This signifies that henceforth our Macao compatriots have truly become the masters of this land and that Macao has entered a brand-new era in its development. This great event of the Chinese nation will shine forever in the annals of history.

At this solemn moment in history, on behalf of the Central People's Government and the people of all our ethnic groups, I would like to extend our warm congratulations on establishing the MSAR, our cordial greetings to our Macao compatriots who have returned to our large family of the motherland, and our sincere gratitude to all our compatriots at home and overseas who have contributed to Macao's return. I would also like to express, on behalf of the Chinese government, our thanks to all our foreign friends who have shown interest in and supported the return of Macao. I wish to extend our welcome to all honored guests and friends from the world over who are present at this celebration.

At this solemn moment in history, we cherish with deep affection the memory of Mr. Deng Xiaoping. With his great political vision and extraordinary wisdom, he proposed the principle of "one country, two systems," charting the correct path for settling the questions of Hong Kong, Macao and Taiwan. The successful return of Macao is yet another historic monument built up by the Chinese people on the road to national reunification following the return of Hong Kong.



Macao has been Chinese territory since ancient times. The Chinese people have carried out an unyielding struggle for the return of this sacred parcel of the motherland. Although Macao has been separated from the motherland for a long time, the bonds of flesh and blood and national interests have always bound our compatriots in Macao closely with the people of the motherland. The increasingly prosperous socialist motherland has been the fundamental force behind the epochal change in Macao's status. The return of Macao is also a great victory in the cause of world peace and justice. It proves once again that this historic trend of human progress cannot be blocked by any force on earth.

The Chinese and Portuguese governments settled the Macao question through negotiations. This was a wise political decision that conformed to the requirements of the times. Here, I would like to express thanks to all the people in Portugal, both inside and outside government, for the efforts they made to settle the Macao question. The successful settlement of this question has provided a new historical starting point for developing the friendship between the people of China and Portugal in the 21st century.

Now that the Chinese government has resumed its exercise of sovereignty over Macao, Macao will continue to practice its existing capitalist system, maintain its current social and economic systems and lifestyle, keep its laws basically unchanged, and protect the right of private ownership of property in accordance with the law. As a special administrative region of the People's Republic of China, with the exceptions of foreign affairs and defense matters, which are the responsibility of the Central People's Government, Macao will enjoy a high degree of autonomy as provided for in the Basic Law of Macao, such as executive, legislative and independent judicial powers, including the power of final adjudication. The interests of inhabitants of Portuguese descent in Macao will be protected in accordance with the law, and their customs and cultural traditions will be respected. For the many foreigners who live in Macao, the MSAR will continue to be their home, where they can live and work in peace and happiness. In the Macao of tomorrow, all residents, irrespective of race or color, will have the opportunity to compete on an equal footing and enjoy the rights and freedoms guaranteed by law.

Now that the Chinese government has resumed its exercise of sovereignty over Macao, the MSAR will remain a free port and a separate customs territory, and may maintain and develop its own economic relations with countries and regions and relevant international organizations under

the name of “Macao, China.” It will retain financial independence and practice an independent taxation system. The central government will not levy taxes in Macao. The MSAR will formulate its own policies in the areas of the economy, trade, money and banking, education, medical and health services, science and technology, culture, and religion in accordance with the law, and may formulate its own policies on tourism and recreation in light of its overall local interests. The economic and trade activities and the investment interests of all countries and regions of the world in Macao will be protected in accordance with the law.

The central government’s principles and policies regarding Macao and the provisions in the Basic Law of the MSAR - which are in full conformity with the fundamental interests of the country and Macao, and with the interests of investors from different countries — are fundamental guarantees for the region’s long-term stability and development. The Basic Law of the MSAR is the constitutional law of Macao and a national law of China, and it must be observed not only by Macao but the whole country. No department of the central government and no local authority will be permitted to interfere in the affairs managed by the MSAR as stipulated in the Basic Law.

I would like to extend heartfelt congratulations to Mr. Edmund Ho Hau Wah, who has today been sworn in as the first Chief Executive of the MSAR. The central government has full confidence in and gives complete support to the Chief Executive and the government of the special administrative region under his leadership.

Our Macao compatriots have played an important role both in the struggle of the Chinese people for national liberation and in the motherland’s modernization drive. They have actively participated in all the tasks of the transitional period and made valuable contributions to Macao’s smooth return. We firmly believe that they will continue to carry forward their glorious traditions of loving the country and loving Macao, in order to make new and even greater contributions to maintaining long-term stability and development of Macao, and in order to safeguard the fundamental interests of the country and the nation.

The great motherland will forever be a staunch supporter of Macao. Since the founding of New China, the people on the mainland have always shown interest in and supported the stability and development of Macao, and the ties between Macao and the mainland have increasingly grown closer. Now that Macao has returned, its role as an important bridge to and

window on the rest of the world for the motherland will continue to grow. A stable social environment is a basic condition for economic development and for the people to live and work in peace and contentment. The central government will resolutely support all necessary measures the government of the special administrative region adopts to maintain social stability in Macao. I am confident that with the support of the central government and the 1.2 billion people of the motherland, the people of Macao, under the leadership of the government of the MSAR, will work harder with a pioneering spirit and strive to strengthen themselves so they can build a beautiful future for Macao.

The first rays of light from the dawn of the 21st century are on the horizon. The Chinese government and people will continue their efforts to accomplish the great cause of the reunification of the motherland in line with the basic principle of “peaceful reunification and one country, two systems.” The successful implementation of the “one country, two systems” concept in Hong Kong and Macao will provide a positive impetus to the early settlement of the Taiwan question. Chinese people of all ethnic groups and all patriots who support the motherland’s reunification and care for its development should unite together more closely and contribute actively to turning China into a strong, prosperous, democratic and culturally advanced modern country and achieving the great rejuvenation of the Chinese nation. The world of tomorrow should be one of lasting peace, and achieve common development and universal prosperity of all countries. The Chinese people are ready to make unremitting efforts with the people of all countries to create a better future for the world.

Thank you.

## RAISE THE SCIENTIFIC LEVEL OF THE WHOLE NATION\*

*December 23, 1999*

The human race is approaching a new millennium.

The course of human civilization spans at least 6,000 years. All the nations on earth have together created a magnificent human civilization. Chinese civilization, together with the ancient civilizations of Egypt, Babylon, India and Greece, are the cradles of human civilization.

Before the 15th century, Eastern civilization, epitomized by Chinese civilization, was far more advanced than Western civilization. For over 14 centuries, from the Han Dynasty to the early Ming Dynasty, China's science and technology were among the most advanced in the world. During that period, the Chinese nation contributed a considerable number of important inventions that affected the progress of world civilization.

Afterwards, China gradually fell behind. Why is this? In the modern era, beginning with Lin Zexu,<sup>1</sup> many people with high ideals continually raised and pondered this historical issue, but none found the right answer. Chinese Communists, with comrades Mao Zedong and Deng Xiaoping as their representatives, provided the only correct answer: China fell behind because of its outdated productive forces and social and political decay. China's bullying and humiliation at the hands of Western powers exacerbated its economic backwardness and national decline. Backwardness leaves a country vulnerable to attack. China therefore needed to carry out a revolution in order to fundamentally change the old relations of production and the political superstructure, thereby opening the way to liberate and develop the productive forces. As a result, more than 80 years ago Dr. Sun Yat-sen led the Revolution of 1911, and 50 years ago the CPC led the new-democratic revolution and the subsequent socialist revolution to victory. These revolutions and the socialist reforms currently being implemented were designed to liberate and develop the productive forces.

With the use of Comrade Deng Xiaoping's famous dictum that science and technology constitute a primary productive force, we made new breakthroughs in our understanding of the position and role of science

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\* Foreword to the *Academician Popular Science Series*.



and technology in economic and social development. We should use this knowledge of the truth to make an in-depth review of the experiences gained from developing science and technology in the past, and to better advance China's scientific and technological programs. Although ancient China had glorious achievements in science and technology, there were still deficiencies. This is principally because the country lacked the tradition of experimental science and a complete system of scientific disciplines, did not give science and technology their rightful position in society, and worse still, did not have the driving force or mechanisms to promote the development of the productive forces through science and technology. This may be one reason why modern science and technology were first developed in post-Renaissance Europe instead of China. Moreover, even though China made great and rich cultural achievements and developed fine cultural traditions throughout its history, the comparative lack of scientific spirit throughout society was a drawback. It is the social responsibility of Chinese people today to break new ground for the future by reviewing the past and carry forward our fine cultural traditions of the past while making up for past deficiencies.

In the new century, the Chinese nation will achieve a great rejuvenation. In this large developing country with one fifth of the world's population, we will basically achieve modernization in another 50 years, which will be another great, earthshaking undertaking. To achieve this glorious objective, we should fully avail ourselves of the superiority of socialism and unswervingly implement the strategy of reinvigorating the country through science and education.

Reinvigorating the country through science and education requires the participation of the whole society. Scientists and educators especially, should boldly take the lead in promoting a scientific spirit, disseminating scientific thinking, advocating scientific methods and spreading scientific knowledge to the public. Reinvigorating the country through science and education also requires that we do our basic work well. Editing and publishing high-quality popular science books is one aspect of this basic work and is of great significance for raising the scientific level of the whole nation.

I wrote the above as the foreword to the *Academician Popular Science Series* when the first volumes of the series were in press.

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<sup>1</sup> Lin Zexu (1785-1850), a native of Houguan, Fujian in the Qing Dynasty (now Fuzhou, Fujian Province), was a Qing Dynasty statesman. In 1838, when he served as Governor General of Hunan and Hubei, he banned the non-medicinal consumption of opium with remarkable success. In December of the same year, he was made an imperial envoy and investigated and banned the opium trade in Guangdong. Within a matter of months, he confiscated over 1.15 million kilograms of opium from British, American and other merchants and destroyed it publicly in the ocean outside of Humen in June 1839. After the Opium War broke out, he commanded his troops in setting up strong defenses and putting up determined resistance, foiling the plot of the British army in Guangdong. He was later removed from office under a false charge and banished to Xinjiang. He advocated subduing enemies by learning from their strengths, paid attention to investigating foreign conditions, and organized the translation of Western materials, which were compiled into books, including *A Gazetteer of Four Continents*, *Foreigners About China*, and *The Law of Nations*. He was acclaimed by Chinese historians as the “first person to open his eyes to the outside world” in modern China.

## NEW YEAR'S GREETINGS FOR 2000\*

*December 31, 1999*

Ladies and Gentlemen,  
Comrades and Friends,

Bells will soon ring out across the skies around the world to usher in the year 2000. Human civilization is about to enter a new century and a new millennium. Tonight, the people of all countries of the world, whether in the east, west, south or north, regardless of their ethnic groups and beliefs, are elated about and inspired by the arrival of this historic moment.

First, I would like to wish the people of all China's ethnic groups, overseas Chinese and friends all over the world a Happy New Year, and extend to them our very best wishes for the new century and the new millennium.

This moment is most likely to inspire people to review the past and look forward to the future. Only by correctly understanding history can we move toward the future.

Great changes have occurred in the course of human history over the last millennium. Ancient human civilizations developed into modern civilizations. Feudal societies became capitalist, and in some countries a completely new socialist system emerged. Human economic activities entered the industrial age and are now entering a new era characterized by the rapid development of new- and high-technology industries. Humankind created vast material and intellectual wealth, incomparably greater than that of previous millennia. Our ability to understand and transform the world enabled us to escape one realm of necessity after another in a constant leap toward the realm of freedom.

Over the past millennium, the achievements of human civilization were made amidst social changes and scientific and technological progress achieved by weeding through the old to bring forth the new. The Renaissance broke the dark reign of theology in Europe during the Middle Ages. The mighty powers of peace and justice defeated overlords who rode rampant over the world, and won victory in the unjust wars they launched. The movement for national liberation that surged during this century brought an end to the centuries-old colonial system. Outstanding creations by

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\* Speech at a celebration for people from all walks of life in China's capital to welcome in a new century and a new millennium.

people around the globe and extensive exchanges between them converged to form a mighty force to push history forward. The desire for peace and development has become the trend of the times in the world today.

Before the present millennium began, China was famous throughout the world for its glorious civilization of several thousand years, and it maintained a leading position in the world until the 15th century. After this time, due to the slow growth of its productive forces and to its social and political decay, China gradually fell behind. As a result, by modern times it had declined into a miserable semi-colonial and semi-feudal society that was bullied and humiliated by world powers. Nevertheless, the Chinese people did not yield. Instead they advanced in wave upon wave and waged an extremely hard and bitter struggle. The CPC, represented by Comrade Mao Zedong, combined the basic tenets of Marxism with the concrete realities of China, and following a great revolution, led the Chinese people in finally establishing New China in the middle of this century. After this, China entered a new era of building socialism. Now, the Chinese people are taking giant strides toward modernization along the path of reform and opening up pioneered by Comrade Deng Xiaoping.

Eventually, progress overcomes backwardness, science overcomes ignorance and justice prevails over evil. These are scientific truths that history has made clear time and time again. The noble cause of world peace and development cannot be deterred.

Facing the new century and the new millennium, farsighted statesmen in all countries should take a historical perspective and ask themselves: "What should the future world be like and what contributions should we make in order to make it a reality?"

We hope that in the future, all countries and ethnic groups can co-exist in peace and harmony and cooperate with each other in a friendly manner to achieve common development. We hope that they can create a just and equitable new international political and economic order and achieve lasting peace and universal prosperity so that the people of all countries can build and enjoy a happy life according to their own desires. The world is moving toward multipolarity, which is an inevitable trend in historical development and also the common will of all peoples in all countries across the world. The Chinese people are ready to work hard with the people of other countries to oppose hegemonism and power politics, impel the process of multipolarization and create an even brighter future for the world.



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We truly believe that in the new century, the Chinese people will continue firmly along the path of building socialism with Chinese characteristics, China's socialist system will become more consolidated and complete through continuous reforms, the country's development will lead to national prosperity through the common progress of all regions, and the Chinese nation will bring about a great rejuvenation on the basis of the complete reunification of the motherland and the establishment of a prosperous, strong, democratic, culturally advanced and modern socialist country.

# TO RUN THE COUNTRY WELL WE MUST FIRST RUN THE PARTY WELL AND TO RUN THE PARTY WELL WE MUST RUN IT STRICTLY\*

*January 14, 2000*

The world is undergoing major and profound changes, science and technology are advancing with each passing day, competition in overall national strength among countries is increasingly fierce, and we face rare development opportunities as well as severe challenges. Our Party is leading the people of all China's ethnic groups in the struggle to meet our grand cross-century goals. Reforms are at a crucial stage. And development is in a key period. We need to continue to work hard in order to study and properly handle new situations and problems that arise as we move forward. The CPC is the core force leading the great cause of building socialism with Chinese characteristics. Workers, farmers, soldiers, students and businesspeople — the Party is the leader of all. The key to how the affairs in China today are handled depends on the Party, and it depends on its ideology, work style, discipline, organizational situation, capabilities, and level of leadership. The nature of the Party, its position in the life of the country and society, and its historic mission, require us to run the Party well in order to run the country well and to run the Party strictly. If we always run the Party strongly, we will run the country correctly and effectively.

Running the Party strictly is our Party's fine tradition and a valuable lesson that the Party has learned from experience and a principle it has consistently upheld. Firmly implementing this principle is an important guarantee for maintaining the advanced nature and purity of the Party, and for strengthening its cohesiveness and capabilities. At the Fifteenth National Party Congress strategic tasks were set forth for promoting Party building in the new century, the principle of running the Party strictly was reaffirmed, and clear work requirements were specified. All this is of general and far-reaching significance, and all Party comrades, especially leading cadres, must fully recognize its extreme importance.

When the policy of reform and opening up was first instituted,

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\* Excerpt from a speech at the Fourth Plenary Session of the Central Commission for Discipline Inspection.

Comrade Deng Xiaoping and the Party accurately predicted that the new environment created by the implementation of this new policy would provide fresh impetus and vitality for developing and strengthening the Party. They also recognized that the new policy could have a variety of negative influences on Party members and cadres, and they therefore repeatedly emphasized the need to comprehensively strengthen and improve Party building. Over the last two decades, we have not only proposed the general objectives for Party building in the new period,<sup>1</sup> but also carried out a great deal of work centered on the two historic issues of how to continually raise our level of leadership and governance and how to improve our ability to resist corruption, prevent degeneration and withstand risks. Since 1989, we have promptly reviewed the grave lessons we learned from the political disturbances in the late spring and early summer of that year, adopted important measures to strengthen Party building, and repeatedly emphasized the importance of running the Party strictly. In particular, we have strengthened efforts to improve Party conduct, uphold incorruptibility and combat corruption, and further clarified our guiding ideology, basic principles, work arrangements and leadership structure for combating corruption. I have delivered speeches at plenary sessions of the Central Commission for Discipline Inspection on a number of occasions since the Fourteenth National Party Congress. In general, we have obtained good results in Party building over the past few years, but a significant number of new problems have also arisen. Why is this? Leading cadres at all levels should give this serious thought.

I believe an important reason why negative phenomena and corruption continue unabated in the Party despite repeated prohibition, and are also becoming increasingly serious in some cases, is that Party organizations and leaders in many localities and organizations are not running the Party strictly and they neglect the education, supervision and oversight of Party members and cadres, particularly leading cadres. In some localities and organizations, leading bodies are weak and lax, and lack strength ideologically and politically. They are unable to balance economic development and Party building, and they concentrate on the former to the neglect of the latter, with the result that they have never solved the problem of the Party not policing itself. Some leading cadres not only fail to spot telltale signs, but remain apathetic after a problem becomes serious. They even cover up or protect perpetrators instead of teaching, criticizing or investigating them. Other leading cadres try to get along with everybody and cultivate

inappropriate relationships. They lack integrity when they encounter erroneous ideologies or behavior, especially when they involve so-called “old acquaintances,” “able” people who can do things for them, “celebrities,” “VIPs,” people with powerful connections, and their own relatives. Even when the problem is serious they adopt a tolerant, even condoning attitude. Meanwhile, other leading cadres still have not learned the correct lessons from history, and confuse running the Party strictly with “Left” practices. They think “strict” means “Left.” They do not criticize and combat wrongdoing. Others are extremely bureaucratic. They act like lords and masters, totally ignoring the masses, and fill their bellies all day without ever doing anything. What I am offering here is mainly an analysis of the factors that hinder and influence efforts to run the Party strictly from the perspective of Party organizations and leading cadres. I hope Party committees and leading comrades at all levels attach great importance to running the Party strictly and pore over the reason this principle is not being followed effectively enough, so as to take proper steps, eliminate obstacles, be determined and truly implement the requirements of the Central Committee for running the Party strictly.

Implementing the principle of running the Party strictly is not a one-time requirement for only one aspect of our work. It must be incorporated in all of the Party’s work to strengthen itself ideologically, politically and organizationally, and to improve its work style, discipline and institutions, so that this principle is reflected in the education, supervision and oversight of Party organizations at all levels and Party members and cadres. The requirements for running the Party strictly were clearly set forth at the Fifteenth National Party Congress, and Party organizations at all levels must implement them. The requirements are to handle all affairs strictly in accordance with the Party’s Constitution as well as its rules and regulations; to place rigid demands on Party members, especially leading cadres, and supervise and oversee them strictly; to emphasize Party spirit and principles, engage in active ideological struggle, promote healthy tendencies and oppose unhealthy practices in intra-Party life; to recruit new Party members based on standards set forth in the Party’s Constitution, and severely deal with Party members who do not live up to standards; and to strictly enforce the Party’s code of conduct and make every Party member equal in the face of this code. These five requirements are interrelated and inseparable, and all are important. Party organizations at all levels and all Party members and cadres must diligently act according to these requirements.



Leading cadres especially must set an example, be strict with themselves and assume a leading role.

Implementing the principle of running the Party strictly requires that the Party polices itself. Party committees at all levels should establish a sound responsibility system for Party building, with each level supervising and driving the next lower level, all the way down to local Party branches and individual Party members. All levels need to strictly implement collective leadership combined with personal responsibility. When problems arise, the persons responsible should be clearly identified. They must not be allowed to evade responsibility through such excuses as, “it was a resolution made through collective discussion,” but must be held accountable in accordance with the responsibility system. There can be organizational guarantees for strictly running the Party only when the requirements for policing it are implemented.

Running the Party strictly first of all requires us to manage leading bodies and leading cadres well. A great deal of past experience shows that this must be achieved in order to have credibility with our subordinates, at the primary level and among the masses and to ensure that the Party is run strictly. The Central Committee already has many regulations and requirements on this issue, and I would again like to emphasize four points.

First, leading cadres must be subject to strict requirements and strict education. The Constitution and relevant regulations of the Party are very clear concerning the requirements for leading cadres, and the Central Committee has set forth five competency requirements for high-ranking cadres.<sup>2</sup> Party committees at all levels should subject leading cadres to strict requirements and education based on these standards. If these standards are lowered, then the requirements will be less strict. As soon as Party committees identify signs of unhealthy tendencies among cadres, they should promptly caution these cadres and give them sincere help. If problems arise, they should be dealt with decisively and strictly. Party committees should also warn leading cadres in advance of problems that may occur among them, and clearly and carefully explain requirements, including a discussion of what they can and cannot do, what they must uphold and what they must oppose, and closely monitor them to ensure compliance.

Strict requirements for and supervision of leading cadres need to be combined with conscientious and strict self-discipline. Internal factors are decisive in changing things. Strict self-discipline based on Party spirit plays a decisive role in the progress and improvement of every Party member

and cadre. This is the basic reason the Central Committee has repeatedly emphasized that leading cadres need to stress study, politics and integrity; be dignified, self-critical, self-cautioning and self-motivated; and work hard to improve themselves. “When things decay, vermin thrive.”<sup>3</sup> It is imperative that leading cadres at all levels fully understand this life philosophy in order to strengthen their consciousness of Party spirit more purposefully. Leading cadres face many temptations and tests in the new historical circumstances; therefore, they must regularly clear the dirt from their minds, be very much on the alert and never lose vigilance.

Because we have been living in an environment of peaceful development for a long time and our living conditions have improved, some people no longer try to make progress, but rather single-mindedly seek pleasure and indulge in extravagances. This is a major reason a lot of problems has emerged. Several years ago I called on leading cadres to combine the implementation of current Party policies with an adherence to the highest ideals of the Party and the demands the Party’s Constitution places on them, and to balance the relationship between some people prospering first and everyone prospering eventually. It seems all leading cadres at all levels are not paying attention to this issue or do not understand it fully and correctly. Some still have only a vague idea of it. Permitting and encouraging some regions and some people to prosper first through honest labor and lawful business activities is a major policy of the Party and the state. Its purpose is to accelerate economic development and achieve common prosperity by allowing those who prosper first to lead the others to prosperity. We should be fully aware that this Party policy conforms to the rule that economic development is unbalanced and things advance in a wavy style. Only by following this policy can we fundamentally break away from the egalitarianism that has held us back for so many years and dampened people’s enthusiasm, and fully mobilize and make use of the enthusiasm, initiative and creativity of our workers. It was for this reason that the Party introduced this policy first for the good of laboring people. To be more specific, the policy encourages frontline workers, farmers and intellectuals, together with the Party members at the primary level who engage in production and development alongside them, to prosper first through honest labor and lawful business activities. When they see the masses and primary-level Party members prospering first, leading cadres of the Party and the state at all levels should not get impatient and try to follow suit. Leading cadres at all levels should rely on the salaries they receive from the state to arrange their

lives. Although the majority of them are not paid particularly high salaries and have just enough to get by, they must adhere to the principle of enduring hardship first and enjoying comforts later. Leading cadres should have this awareness and dedication. They should not try to supplement their incomes and gain benefits in addition to their salaries. It is incorrect and very dangerous for leading cadres to think only about how they can prosper first. Once this kind of thinking occurs, it is easy to misuse the power in one's hands to work for personal gain and to engage in influence peddling, which will inevitably harm the interests of the state and the people. Regardless of whether it is a period of revolution, construction or reform, leading cadres must adhere to the principle of enduring hardship first and enjoying comforts later. They must correctly understand and implement the Party's policy of bringing prosperity to the people, and do everything they can to help the masses, especially those in impoverished areas, prosper. Leading cadres should take the lead in bearing hardships, be willing to dedicate themselves and possess the spirit of being "the first to worry about the world's troubles and the last to enjoy its pleasures."<sup>4</sup> We need to repeatedly talk with leading cadres at all levels about these principles and requirements. If leading cadres hold higher ideals, have a genuinely firm ideological line of defense, and conscientiously act in accordance with the Party's principles and requirements, then many problems can be avoided.

Here I would also like to emphasize the need for leading cadres to do a good job supervising their spouses and children. An ancient Chinese maxim states, "Cultivate the moral self, regulate the family, maintain the state rightly and make all peaceful."<sup>5</sup> If you cannot supervise your own families, how can you expect to successfully run the Party and the country? In recent years, the number of leading cadres who have not regulated their families strictly but rather have turned a blind eye when their spouses or children took advantage of the influence of their position and power to reap illegal benefits, and even protected their relatives from the consequences of criminal activities has not been on the decrease, but on the increase. This is a profound lesson for us. The power of leading comrades is granted to them by the people, and they must use this power only in the interest of the people. They must never use it as a means for obtaining personal gain for themselves and their families. We are Communists. We must never permit the decadent nepotistic practices of the old feudal society under which anyone who rendered service to the emperor was rewarded with a title for his wife and official positions for his sons, or when a man

attained the Dao, even his chickens and dogs ascended to heaven. Whether or not leading cadres can satisfy this requirement is a practical and serious test they must pass. The regulations forbidding leading cadres from taking advantage of the influence of their power and position to gain illegal benefits for their spouses and children are being reiterated at this plenary session of the Central Commission for Discipline Inspection. This is necessary and has strong practical significance. Leading cadres at all levels must observe these regulations strictly.

A current problem is the so-called “59 phenomenon.” As leading cadres near the retirement age of 60, some of them sense they are retiring and relax their personal standards, thinking it is their last chance to take something for themselves. The result is that they engage in illegal and criminal acts. We must address this problem and do more to study it and prevent such occurrences. The key to resolving this problem is to teach leading cadres, especially high-ranking ones, about the importance of preserving their revolutionary integrity late in life, constantly improving training in Party spirit, and strengthening ideological and political self-cultivation so that they are always honest, trustworthy and incorruptible, and work in the interests of the public. Communists should always put the interests of the Party and the people first and not be concerned about their own fame and fortune. When we come to this world we are without fame and fortune, and we cannot take them with us when we die. We must always do more to benefit the country, society and the people. This is the fundamental expression of the value of life. Yuan opera and the novel *Dream of the Red Chamber* both contain the words: “People are naked and without cares when they come into and leave this world,” so what kind of personal interests can we not give up? Countless poems, songs and prose throughout Chinese history advise people to strive to excel, not to seek fame and wealth, and not to shamelessly seek personal gain for the sake of unearned honors or petty profits. Laozi said, “There is no greater mistake than following desire; There is no greater disaster than forgetting contentment.”<sup>6</sup> I’m not saying that everyone should be disillusioned with this world; that is a negative attitude toward life. The philosophy of Communists is a philosophy of struggle, and we should tirelessly struggle for the interests of the Party, the state, the nation and the people. We must not think so much about personal fame and fortune; otherwise it will be very hard to pass the tests presented by the new social environment created by the reform and opening up policy and the development of the socialist market economy.



Second, the selection and placement of leading cadres must be handled strictly. Selecting the virtuous and appointing the able is an important matter. Party committees at all levels must fully implement the principle of making our contingent of cadres more revolutionary, younger, better educated, more competent, and endowed with both professional ability and political integrity. They must avoid one-sidedness and oversimplification. They must appoint people on their merits and not practice cronyism. They must select people from the broadest possible pool of candidates and not restrict the pool to a certain group of individuals or their own locality. They must pay close attention to the ideological and political integrity of candidates, including their moral integrity, and not make selections based on talent alone. In particular, they must attach great importance to fostering democracy, adhering to the mass line and complying with the principle of seeking the masses' approval, so that candidates who are not supported by the majority are not nominated, those who have not been vetted by organization and human resources departments are not considered, and those who have little support during group discussions are not appointed. They should promptly find and select cadres who are firm politically, have made outstanding accomplishments, are upright and honest, have the support of the masses, work hard and live simply, seek truth from facts, have a good work style and work in an earnest and down-to-earth manner. The best candidates who meet all these criteria should be given the most important assignments. People who have shaky political beliefs, are irresponsible in their work, use their connections for personal gain, crave official positions, scramble for power and profit, form cliques, engage in fraud, make false reports or exaggerate, should not only not be promoted, but should be severely criticized and, if the case warrants it, resolutely investigated and punished. We need to proceed level by level to establish a sound system for holding people accountable for neglect of supervisory responsibility over personnel appointments so that anyone who makes appointments in violation of policy and procedures for appointing cadres will be held strictly accountable for any resulting problems. Those who are discovered using their power for personal gain, engaging in influence peddling, or taking bribes and selling positions when appointing cadres should be relentlessly pursued, resolutely investigated and prosecuted, and sternly punished.

Third, leading cadres must be subject to strict oversight. Judging from the major cases that have been uncovered recently and over the past few years, some leading cadres have been trading power for money and sex to

the point that they are simply so blinded by greed and have become so audacious and unscrupulous that they will stop at nothing. As I understand it, most of the violations of the law and discipline by leading cadres that have been investigated and prosecuted in recent years have been uncovered through leads provided by the masses or in connection with other cases. To a large extent, this is a reflection of the fact that oversight of leading cadres has been too weak. The major problem here is that effective oversight and supervision systems and mechanisms are not complete, and the higher the position of leading cadres, the less effective the oversight and supervision of them. This appears to be a weak link in cadre work. In this area, existing systems should be resolutely implemented and further improved. Where there is no system, one should quickly be put in place. This is an urgent matter. We need to rectify the phenomenon of placing great importance on cadre selection and placement but neglecting oversight afterwards. When there is a problem it must be handled sternly, regardless of who is involved. Oversight needs to be tightened, particularly proactive oversight, by moving its focus to problems before they arise to keep them from occurring in the first place or becoming serious if they do occur. Social conditions and interpersonal relationships are now more complex than ever, making effective oversight of leading cadres difficult. But the harder it is, the harder we have to work to strengthen and improve oversight work, and strive to ensure that the oversight of Party organizations extends to wherever leading cadres exercise power and to wherever their leadership activities extend. Leading cadres' work performance as well as their activities outside of work should be subject to oversight. Taking the nature of the activities of leaders at different levels and in different positions as their starting point, Party committees at all levels should seek the means to exercise effective oversight of leading cadres and work hard to improve oversight on the basis of changing circumstances.

As Comrade Deng Xiaoping once pointed out, leading members of the same Party committee see each other much more often than their superiors and subordinates.<sup>7</sup> This was a profound insight of Comrade Deng Xiaoping's that has a powerful and practical guiding role. Some of our leading bodies lack regular mutual oversight and assistance, and they try to keep on good terms with everybody at the expense of principle, make concessions to avoid trouble, and avoid and cover up problems. These cadres have consciously or unconsciously become prisoners of a vulgar philosophy. This situation must change. Leading bodies at all levels need to carry out their

responsibilities and their members need to maintain collegial relations that emphasize principles and Party spirit. When cadres need to be reminded of something, they should be promptly reminded; when they need to be criticized, they should be promptly criticized; and when they engage in improper behavior, that behavior should be promptly stopped. This is how cadres truly show concern for their comrades.

Fourth, violations of the law and discipline among leading cadres must be investigated and persecuted earnestly. We must resolutely curb the phenomenon of being lenient and soft in dealing with such violations. The higher the ranking of cadres and the greater their fame, the more seriously their violations of the law and discipline should be investigated and persecuted. This is because these people have great influence, and the damages caused by their violations of the law and discipline are greater. Prosecuting prominent cases will also have a great deterrent effect. In the early 1950s, we resolutely handled the cases of Liu Qingshan and Zhang Zishan.<sup>8</sup> This played an important role in warning Party members and cadres about combating corruption, promoting incorruptibility, and guarding against degeneration after they entered the cities. We must severely punish cadres who dare to ignore the law and discipline, and who engage in illegal and criminal activities. We must do this in order to ensure the smooth implementation of reform, opening up and modernization; to educate, show concern for and warn all cadres; and to safeguard the sanctity of the law and discipline. Regardless of who is involved or how high a position they hold, they should receive due punishment and be heavily condemned. They should never be shown leniency; otherwise, we will be unable to curb this wave of corruption and it will be difficult to convince the masses that we are serious. For representative cases that are serious and have a major negative impact, we need to make the issues and lessons perfectly clear and teach them to the people so they raise their awareness and take warning from them. Some cases can be made public to create a powerful impetus and increase public confidence. Leading comrades at all levels are prohibited from interceding for cadres who have violated discipline and the law; and, more importantly, nobody is allowed to protect them or cover up for them. Discipline inspection organs must deal severely with cases of failing to report infractions, not acting on cases or putting up barriers, or otherwise interfering in investigations and persecutions.

Our Party is a Marxist political party built around its own political platform and its own political line to achieve its own political goals. Our Party

must have iron discipline. We can be victorious in all we do only if the Party has strict discipline and remains full of vitality. Some Party members and cadres publicly express opinions in newspapers, periodicals, books and lectures that are contrary to the Party's line, principles and policies and to decisions of the Central Committee on major theoretical issues and its conclusions on historical questions. Some publicly distort the Party's history, defame leaders of the Party and its fine traditions, and spread views that are contrary to Marxism. This has serious adverse effects on other cadres, the masses and ideology. Still, other Party members and cadres support the principles, policies and major decisions of the Party in public, but oppose them in private, and implement them when they feel like it and ignore them when they do not. These are all serious violations of the Party's political discipline, and they must draw the attention and vigilance of Party committees at all levels and all Party comrades. Those guilty of the aforementioned problems must closely examine their mistakes and return to the correct standpoint. Relevant Party organizations must promptly seek these people out, talk to them, earnestly point out their mistakes, and educate and assist them in changing their way of thinking. Those who persist in their errors after receiving education, who continue to oppose the Party's political stand and who continue to hold to their erroneous stance in public should be subject to the Party's disciplinary measures. Leading cadres need to be more vigilant of foreign publications and media that create political rumors with ulterior motives. Ignore such rumors; do not spread them. The Central Commission for Discipline Inspection has been devoting more effort in recent years to investigating and persecuting Party members and cadres who violate political discipline, which is both correct and necessary. The commission should intensify its work and investigate and persecute several typical cases of this behavior, basing their work on facts, with the law and discipline as their yardstick, in order to safeguard the sanctity of the Party's political discipline.

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<sup>1</sup> The general objectives for Party building in the new period were set forth in the Decision of the CPC Central Committee on Several Important Issues Concerning Strengthening Party Building passed at the Fourth Plenary Session of the Fourteenth CPC Central Committee on September 28, 1994. This document stated that the objectives were to make the Party a Marxist political party that is armed with the theory of building socialism with Chinese characteristics; serves the people wholeheartedly; is completely consolidated ideologically, politically, and organizationally; can withstand all types of risks; and is always at the forefront of the times. In Jiang Zemin's report at the Fifteenth National Congress of the CPC, the objectives were modified to make the Party a Marxist political party that is armed with Deng



Xiaoping Theory; serves the people wholeheartedly; is completely consolidated ideologically, politically, and organizationally; can withstand all types of risks; is always at the forefront of the times; and leads the people of the country in building socialism with Chinese characteristics. Cf. "Hold High the Great Banner of Deng Xiaoping Theory and Comprehensively Advance the Cause of Building Socialism with Chinese Characteristics into the 21st Century," this volume, p. 44.

<sup>2</sup> The five requirements were set forth in the Decision of the CPC Central Committee on Several Important Issues Concerning Strengthening Party Building, which was passed at the Fourth Plenary Session of the Fourteenth Central Committee on September 28, 1994. According to Article 16 of this decision, high-ranking cadres, especially principal leading cadres of the Party and government at and above the provincial and ministerial level, not only need to become proficient in general knowledge and professionally competent and do their job well, but first and foremost must also strive to become statesmen who sincerely believe in Marxism, keep to the path of socialism with Chinese characteristics, and have the ability to run the Party and government. In addition, the decision sets forth five requirements they should meet. They should 1) have firm political convictions, always keep their heads clear, purposefully adhere to the Party's basic theory and line, and be able to stand the test of any hardship; 2) have broad vision, be thoroughly familiar with the country's conditions, understand the world, emancipate their minds, seek truth from facts, be pragmatic and innovative, and break new ground; 3) be open-minded, stress Party spirit, keep the overall picture in mind, implement democratic centralism in an exemplary fashion, be impartial and just, appoint subordinates on the basis of merit, and excel at uniting with others and working with them; 4) have good leadership ability and a good mastery of leadership skills, be skillful in assessing situations, be able to direct the overall situation, and excel at coordinating all kinds of forces; and 5) have an outstanding work style, handle public affairs honestly and diligently, work hard, be well grounded in reality, carry out investigations and studies, be modest and circumspect, maintain close ties with the masses, and wholeheartedly serve the interests of the people.

<sup>3</sup> Cf. Su Shi (1037-1101), Northern Song Dynasty, "On Xiang Yu and Fan Zeng." The original text reads, "When things decay, vermin thrive. When men become suspicious, slander spreads."

<sup>4</sup> Fan Zhongyan (989-1052), Northern Song Dynasty, "On Yueyang Tower."

<sup>5</sup> "The Great Learning," *Book of Rites*. The original text reads, "Their persons being cultivated, their families were regulated. Their families being regulated, their states were rightly governed. Their states being rightly governed, the whole kingdom was made tranquil and happy." Later, people shortened it to "Cultivate the moral self, regulate the family, maintain the state rightly and make all peaceful."

<sup>6</sup> Chapter 46 of *Laozi*.

<sup>7</sup> Cf. "Speech Delivered at an Enlarged Working Conference of the Party Central Committee," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1995, Vol. I, p. 305.

<sup>8</sup> "Resolutely Crack Down on Smuggling," note 1, p. 170, this volume.

## THE YOUTH VOLUNTEER MOVEMENT IS A NOBLE CAUSE<sup>\*</sup>

*January 16, 2000*

The youth volunteer movement is a noble cause in contemporary socialist China. It reflects the Chinese nation's traditional virtues of willingness to help others and assisting those who are poor or in difficulty, and it is a cause that is full of promise. Vigorously promoting this cause is beneficial for creating a new trend of the times: one of dedication, friendship, mutual assistance and progress throughout society. I hope that you continue to work hard in the new century and carry on the glorious traditions of China's young people, and that you strive persistently, constantly innovate and bravely forge ahead in order to make new and greater contributions to the great rejuvenation of the Chinese nation.

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<sup>\*</sup> Comments written on a letter from young volunteers

## DEVELOP A STABLE, BALANCED AND STRONG PUBLIC FINANCE SYSTEM\*

*January 19, 2000*

Managing public finances is a major function of a state and an important area of government activity. Fiscal and taxation policies are a country's main macro-control tools. The fiscal strength of a country has a major impact on its prosperity and security. Great fiscal strength is an important reflection of a country's power, stability and security, as well as a major guarantee for promoting economic development and social progress. Developing a stable, balanced and strong public finance system, formulating and implementing correct fiscal and taxation policies, and vigorously carrying out fiscal and taxation work in China are inevitable requirements for us to promote all aspects of reform, opening up and modernization, and to achieve our grand cross-century development goals as well as the complete rejuvenation of the Chinese nation.

China is a socialist country, and if we are to promote progress in the great cause of building socialism with Chinese characteristics, constantly improve the material and cultural lives of the people of all our ethnic groups, and safeguard social stability and the country's economic and national security, then we must work hard to create a strong national public finance system. While developing a socialist market economy, we must ensure the market fully plays its basic role in allocating resources. In addition, we must be aware that China's market system still has some imperfections and the market itself has some defects that will be hard to overcome. Therefore, we must strive to improve the macro-control system, become adept at using fiscal tools such as budgets, taxation and transfer payments, and make use of their important functions and roles in resource allocation, income distribution, economic control, oversight and supervision in order to promote sound economic development and all-around social progress in China.

Cadres at all levels, particularly high- and mid-ranking ones, should study public finance and taxation, become familiar with policies, laws and

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\* Excerpt from a speech at the study session on fiscal and taxation affairs for principal leading cadres at the provincial and ministerial level held by the CPC Central Committee.

regulations concerning public finance and the profession of public finance, firmly establish the idea of managing public finances for the people, and constantly improve their ability to exercise leadership and management over economic work.

To fundamentally transform the economic system and pattern of economic development and pursue a path of balanced economic development with rapid growth, sound performance and constant improvements in overall quality, we must meet the requirements for developing a socialist market economy, further deepen fiscal and taxation reform, and do fiscal and taxation work well.

First, while carrying out fiscal and taxation work, we not only need to consider economic matters, but also political and social ones. As Comrade Mao Zedong once pointed out, “The country’s budget is a major issue that reflects the entire country’s policy because it defines the scope and direction of government activities.”<sup>1</sup> Comrade Deng Xiaoping, while concurrently serving as Vice Premier of the Government Administration Council and Minister of Finance in 1954, clearly pointed out that in our fiscal work we must take both financial resources and government policy into consideration and never simply consider the former while ignoring the latter. We must understand that government policy is calculated in “amounts” and that setting the amounts determines the policy. The amounts allocated indicate the importance and urgency of projects, as well as which projects should be undertaken and which should not be. This is therefore a political issue.<sup>2</sup> In general, the fundamental criteria for determining if fiscal and taxation work is being done well is whether this work is helping to develop the country’s socialist market economy and solidify the socialist system, whether it is helping to realize, safeguard and develop the fundamental interests of the people, and whether it is helping to safeguard the country’s unity and security, and to promote ethnic solidarity and social stability. To do our fiscal and taxation work well, we not only consider economic matters, but also political and social ones, as well as current and future issues. We need to be flexible when considering economic matters; in other words, we cannot be too rigid, but must give ourselves some room to maneuver. Being too rigid will make it difficult to do fiscal work well by stifling it, and this would directly affect the economic, political and social effects of fiscal spending, affect economic and social development, and affect efforts to increase revenue sources and enhance the country’s financial strength.

Naturally, paying close attention to political and social matters does



not mean we should not pay close attention to economic matters or not emphasize good economic results and performance. Rather, it means we should set the general objectives and overall orientation for fiscal and taxation work on the basis of political considerations and overall economic and social development in order to fully and comprehensively make use of the functions and roles of the fiscal and taxation systems so that they better serve the country's overall reform, development and stability.

At this point, I would like to discuss several examples. Promoting balanced regional economic development through a standardized regime of transfer payments and carrying out the strategy of large-scale development of the western region are absolutely essential in order to maintain and develop the overall stability and unity of border regions and ethnic minority areas, provide more resources and a larger market for national economic development, and eventually achieve prosperity for all. Doing this work well not only has major economic significance, but also has major political significance. The government's use of part of the country's fiscal revenue to pay basic living allowances to workers laid off from SOEs and help them find other employment is not only a requirement for achieving the Party's purpose of serving the people wholeheartedly, but is also necessary in order to create a stable social environment vital for the continuation of reform and development. Some of the economic and technological projects that China is undertaking in cooperation with developing countries in Asia, Africa and Latin America may not be very beneficial in the short term, and other projects even require China to give some uncompensated assistance; however, if we do not invest and set up factories in these countries and strengthen mutual economic and technological cooperation now, it will be hard for us to make inroads later when other countries completely dominate the resources and markets of these countries. Developing countries are the main countries supporting us in opposing hegemonism and power politics in the international arena. Helping them exploit and utilize their rich resources and cultivate their potential markets not only promotes their development, but is also beneficial to China's long-term economic development. Intensifying our work with other developing countries is a major strategy. Good slogans are not enough. We must provide money as well. This is an important requirement for and manifestation of the need to stress politics. We must fully and thoroughly consider issues such as this from a political and strategic perspective. Comrades working in economic areas such as fiscal and taxation work, banking and foreign trade need to

take a broader perspective, stand taller, see further, and consider both economic and political issues in order to provide an important guarantee for China's sustained economic and social development.

Second, we must follow the principle of feeding the people first, then building the country. China is not yet a rich country and has a large population, so we need to consciously follow this principle in planning fiscal expenditures. People's first concern is getting enough to eat. People first of all want to take care of the basic necessities of clothing, food, shelter and transportation before they think about other matters. They think first about survival and then about development, and they first want to safeguard their ability to reproduce before they consider social reproduction. This is the most basic truth of Marxist materialism. Nevertheless, fully understanding and steadfastly applying it are not at all easy. Some leading cadres frequently forget this most basic truth of Marxist materialism, and divert funds that should be used to ensure and improve people's lives to other uses, including vanity projects. They do not realize that people must eat first. Is this not absurd and idiotic?

In our fiscal work, we must attempt only what we have the resources to accomplish, limit spending to what we can afford, be thrifty with public funds, increase revenue and reduce expenditures, and do some things while setting others aside. However, some leading cadres look at the public treasury as a moneybag, or as cooked rice in a big pot, from which each takes what they need. Others are overly enthusiastic about launching projects and go in for large-scale construction without regard for the actual strength of public finances, expecting the treasury to guarantee their loans, or misappropriating or diverting special funds, which affects the normal government operation and social stability. At present, the problem of wages in arrears is extremely serious in some localities, and Party committees and governments at all levels must pay close attention to this situation. According to incomplete statistics, county-level civil servants' wages are in arrears in 25 of the 31 provinces, autonomous regions and municipalities directly under the central government. As of November 1999, 838 counties, nearly 30% of the country's total, were behind in paying wages to their civil servants. Although this is a problem with public finance at the county level, you cannot say that those in charge of public finances at the central and provincial government levels have no responsibility. If the salaries of primary-level civil servants cannot be guaranteed, their job commitment will inevitably be affected and it will have a serious impact on the stability

of local government. Moreover, objectively, this sort of problem may lead some government agencies and civil servants to find other ways to obtain money, including arbitrarily collecting fees and levying fines, and demanding and accepting bribes, which contributes to unhealthy practices and creates tensions between cadres and the masses. How can we be sure that the line, principles and policies of the Central Committee are being followed at the primary level under such conditions? Particularly in ethnic minority areas, where the great majority of primary-level civil servants are comrades from ethnic minority groups, how can we ensure ethnic unity and social stability there if those civil servants are not guaranteed enough money to live on and they lose interest in their work? We are very serious in raising this issue today. We are asking Party committees and governments at all levels to promptly work out solutions on the basis of diligent investigations and studies.

In addition, some local and primary-level Party and government offices and agencies have become bloated and are seriously overstaffed. This issue also requires our very close attention. Some people place their friends and relatives in government offices to feed from the “government trough” in contravention of Party and government policy, with the result that most local government revenue goes toward personnel expenses. Not only does this lead to expenditures exceeding revenue and the depletion of our financial resources, it also leads to unhealthy practices persisting and the burden on the masses increasing, giving rise to their resentment. In ancient times people said, “There is a prescription for generating wealth. There should be many people who produce it and few people who consume it. People should produce enthusiastically but consume economically. In this way, there will always be enough wealth.”<sup>3</sup> In other words, there will be enough wealth only if there are more people engaged in production and less living off government funds, and only if the people planning production are industrious as well as frugal with the wealth of the people. The opposite situation, in which there are few producers and many consumers, will of necessity be difficult to sustain. We must work hard to solve the problem of overstaffing in some local and primary-level Party and government offices. If these offices invite serious problems by arbitrarily recruiting personnel in violation of relevant Party and state policies and regulations, then they must be sternly punished in accordance with the law and disciplinary regulations. There are now around 38 million government workers in the country: more than one of every 30 people in the total population. The public

finance system cannot support such a large corps of government workers. We must resolutely eliminate redundant personnel through the reform of government offices. The key is to find new work and employment opportunities through restructuring and economic development for personnel who are made redundant; otherwise, it will be difficult to achieve our streamlining objectives. Redundant personnel from government offices at the county and township levels can be organized to carry out various forms of pre-production, production and post-production services as industrialized operations become more common in agriculture. This will serve the many farmers of the country by guiding them toward the large market of the socialist market economy, raising the level of family farming operations and increasing farmers' incomes, and will also open up a wider range of working and living options for county and township civil servants where they can make good use of their skills. Some younger personnel with good political integrity and educational backgrounds among redundant personnel may be selected to work in and improve primary-level organizations and schools in the countryside. Many counties and townships have already done this, so we must review and disseminate their positive experiences.

Third, we must gradually solve the problem of "the two ratios." At its Fifteenth National Congress, in line with the requirements of China's reform and development, the Party set forth the goals and tasks of concentrating our financial strength to revitalize the state's finances, gradually raising the ratio of revenue to GDP and the ratio of central government revenue to national revenue. Not only are these two ratios significantly lower than the average for developed countries, they are also lower than those of many developing countries. China's ratio of revenue to GNP was 11.7% and the ratio of central government revenue to national revenue was 49.5% in 1998. The average ratio of revenue to GDP for six developed countries, including the United States, France, Germany and the United Kingdom, was around 40%, and the ratio of central government revenue to national revenue for those same countries was over 70%. China has a population of more than 1.2 billion and a vast territory in which conditions vary greatly from place to place and regional economic development is very uneven. If we are to accelerate economic and social development we must fully unleash the initiative of both the central government and local governments. As the economy grows, it is necessary for local public finance to grow correspondingly, but for the country as a whole, our financial strength should not become dissipated. The central govern-



ment must maintain control of an appropriate level of economic resources to sustain national economic development and to safeguard the country's unity, stability and security as well as to concentrate financial strength to accomplish essential, large undertakings. As Marx stated in his *Critique of the Gotha Program*, in the new society it will be necessary to use a portion of the total social product to replace the means of production used up, to cover the additional proportion for expansion of production, to ensure funding for the general costs of administration and for the common satisfaction of needs, such as schools and health services, to establish reserve or insurance funds to provide against accidents, disturbances caused by natural factors, etc., and to set up funds for those unable to work, etc. By the new society, Marx meant the communist society. Thus, Marx believed that even in the communist period, it will be necessary to use a portion of resources for the administration and development of society. The economy is the foundation of public finance, the state of the economy determines the state of public finance, and public finance should promote and support economic development and all-around social progress. Leading cadres at all levels need to correctly understand and handle the dialectical unity of the economy and public finance. China is now in the primary stage of socialism, and the level of its productive forces and its overall economic and cultural level are not high. For a long time to come, it will be difficult for the country's public finances to meet all the needs of developing the economy and social programs. This is not an issue that will go away overnight. The two ratios can only be increased gradually on the basis of economic development as the country's public finances become stronger. Carrying out a proactive fiscal policy, intensifying infrastructure development, supporting development of agricultural infrastructure and the ecological environment, supporting economic restructuring, accelerating the development of new- and high-technology industries, upgrading old industrial bases, upgrading traditional industries, supporting balanced regional economic development, carrying out the strategy of large-scale development of the western region, implementing the strategies of reinvigorating the country through science and education and carrying out sustainable development, and establishing a social security system all require more investment and must be supported by public finance. China is often hit by natural disasters, and this demands that the central government have large amounts of reserve funds to respond to them. Today's world is not a peaceful world. We must strengthen our national defense capabilities in order to safeguard our national security

and the territorial integrity of the motherland. It is therefore absolutely essential that the state do all it can to concentrate more financial strength in the central government budget. This is an urgent matter.

The first task now is to bring order to the fiscal and taxation systems and strive to effectively manage and use the financial strength concentrated in the central government budget in accordance with the policies, laws and regulations of the state. There is still some chaos in the public finance system. For instance, the phenomena of large amounts of funds being lost through channels outside of budgetary and institutional control, departments participating in the distribution of public finances by independently collecting and spending funds, arbitrarily collecting fees and levying fines, engaging in a variety of apportionment and setting up unauthorized departmental coffers are widespread, and some local governments capriciously overstep their authority by reducing or exempting taxes or by first collecting and then refunding them. The existence of these practices not only affects the normal revenue of the central and local governments, the function and role of public finance in macro-control, and the unity of national government decrees, but also provides a breeding ground and the conditions for graft and corruption. As a result, we must strengthen the function and role of public finance in distributing public funds, bring order to the fiscal and taxation systems, standardize the distribution of funds by the government, and accelerate the reform of taxes and fees. We need to develop comprehensive and unified fiscal and taxation systems and expand the government's revenue sources by continuing to deepen fiscal and taxation reform, and also strengthen fiscal and taxation management so that we collect all funds that should be collected, stop the loss of funds caused by the actions of individuals, make the distribution of public funds rational, ensure that funds are well used, combat extravagance and waste, and advocate thrift and economy. Handling these matters correctly will strengthen the role of the public finance system and also play a positive role in fundamentally improving Party spirit and public morals and in eliminating the conditions that lead to corruption.

Fourth, we must handle public finance and manage taxation in accordance with the law. Fiscal and tax laws and regulations comprise an important legal and institutional basis for improving economic order, adjusting income distribution and carrying out economic oversight. We have already formulated a series of laws and regulations on budgets, taxation, management of state assets, finance and accounting, and all regions and depart-

ments must resolutely enforce them. We need to strictly enforce state fiscal and economic discipline, strengthen the implementation of tax laws, and firmly put a stop to violations of law and discipline and irregular practices in fiscal and taxation work. We need to strengthen taxpayers' sense of the legal system and awareness of the importance of paying taxes, adopt effective measures for resolving the problem of owing back taxes, and resolutely crack down on tax evasion, tax fraud and violent refusals to pay taxes. We can never allow anyone to substitute their words or power for legal provisions, or reduce or exempt taxes without proper authority. At the same time, we need to further strengthen fiscal and tax laws to create a sound system of fiscal and tax laws and regulations that operates in an orderly manner so that we carry out government administration, handle public finance and manage taxation truly in accordance with the law.

We need to standardize primary distribution of social wealth and increase the transparency of all kinds of income, continue to deepen tax reform and strengthen tax collection and administration, improve the tax system and adjust tax rates, strengthen efforts to adjust excessively high personal incomes and tighten the collection of personal income tax, and limit unbalanced consumption and combat the squandering of public funds. At the same time, we need to use tax policy to support development and the development of tax revenue sources, and we need to deter local governments from arbitrarily adopting inappropriate tax collection methods that adversely affect the development of enterprises and the economy. With advances being made every day in science and technology, we must actively adopt modern scientific and technological methods for tax collection and administration in order to raise the quality and level of this work.

The ideological and political levels and professional competence of our fiscal and tax professionals have a direct impact on the quality of the government's fiscal and taxation work and on the implementation of fiscal and tax policy as well as on the implementation of other policies and measures of the Party and government. We must therefore continue to improve the overall caliber of our fiscal and tax professionals. Cadres who are fiscal and tax professionals must always maintain the correct political orientation and more purposefully and resolutely implement the policies and principles of the Party and government. They should firmly establish the attitude of handling public finance for the people and serving the people, be realistic and pragmatic, work diligently, be full of integrity and carry out their duties honestly. They should be skilled at interpreting their role and doing their

work in light of the overall interests of the Party and government. Finally, they should fully take into consideration developments both inside and outside the country and the realities of fiscal and taxation work, and thoroughly study major issues concerning public finance and the economy in order to aid Party and government leaders at all levels in making decisions. Party committees and governments at all levels should attach great importance to improving the overall caliber of fiscal and tax professionals and take effective measures in the areas of ideology, systems and management to ensure the development of a corps of fiscal and tax professionals with firm political beliefs, strong professional skills and good moral character.

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<sup>1</sup> "We Have Difficulties, Solutions and Hope," *Collected Works of Mao Zedong*, Chin, ed., People's Publishing House, Beijing, 1999, Vol. VI, p. 24.

<sup>2</sup> Cf. "Six Principles for Financial Work," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1995, Vol. I, p. 199.

<sup>3</sup> "The Great Learning," *Book of Rites*.



# SPEECH ON THE PARTICIPATION IN THE “THREE STRESSES” BY THE STANDING COMMITTEE OF THE CENTRAL COMMITTEE’S POLITICAL BUREAU\*

*January 20, 2000*

On behalf of the Standing Committee of the Central Committee’s Political Bureau, I would like to report to the Political Bureau on our participation in the “three stresses.” The text for this speech is based on a speech I made about the “three stresses” and reflects views expressed in speeches delivered by other comrades on the Standing Committee on the same topic. It is therefore a product of collective research.

The Central Committee decided to launch an intensive nationwide education campaign to stress study, politics and integrity for leading Party and government bodies and leading cadres above the county level. This was an important measure for promoting Party building given our new circumstances. Experience has already shown that using this education campaign to solve major problems concerning Party spirit and conduct has been of great significance for improving the ideological and political level of leading cadres, strengthening ties between the Party and the masses, and ensuring smooth progress in carrying out reform, opening up and socialist modernization.

High-ranking cadres should lead by example in all their work; this is one of the fine traditions of our Party. At the meeting of the Standing Committee of the Political Bureau of the Central Committee held last August 30, it was decided that the Standing Committee would carry out the “three stresses” campaign. At the meeting of the Standing Committee held on October 14, further arrangements were made for the Standing Committee itself to participate in the campaign. The participation of comrades on the Standing Committee in this campaign mainly aimed at drawing lessons from the work of the last decade and raising and further considering future strategic issues related to China’s reform, development and stability. During this process, we gave high priority to self-study and to committee members

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\* Speech delivered at a meeting of the Political Bureau of the CPC Central Committee.

reporting on the campaign; engaged in criticism and self-criticism, with the emphasis on self-criticism; and used the method of a “gentle breeze and mild rain” to further strengthen and improve our leadership work by drawing lessons from past experience. To implement the Central Committee’s guideline requiring that the campaign should not be carried out behind closed doors, we held seven forums to hear comments and suggestions from comrades in charge of Party committees of provinces, autonomous regions and municipalities directly under the central government; departments under the Central Committee; central state organs; and ministries and commissions, the principal leaders of the central committees of the democratic parties and the All-China Federation of Industry and Commerce, and persons without party affiliation. Comrades on the Standing Committee carefully studied and reflected on the reports from these forums. We listened to opinions and suggestions from this wide range of sources concerning the work of the Standing Committee and humbly accepted the criticism and oversight of comrades within and without the Party. This gave comrades on the Standing Committee a positive stimulus for participating in the “three stresses” campaign.

Since December 22, 1999, comrades on the Standing Committee have dedicated five half days to the “three stresses.” We attached great importance to the campaign and conscientiously studied and prepared for the sessions. We all upheld the fine traditions of the Party in integrating theory with reality, maintaining close ties with the masses, and carrying out criticism and self-criticism; conscientiously reviewed our working practices and basic experiences over the past decade; carefully considered major issues concerning current and future reform and development; and maintained a serious but lively attitude. Comrades on the Standing Committee all agreed that in this review, we need to take note of both successes and failures, say what we mean, seek truth from facts, and derive lessons from experiences. In general, the Standing Committee’s participation in the “three stresses” was successful. We achieved our objectives of further unifying our understanding, building confidence, boosting morale and continuing to make progress. This will play a positive role in promoting our leadership work.

These sessions devoted to the “three stresses” were important occasions when comrades on the Standing Committee could speak from the heart and participate in democratic meetings, as well as exchange views and study issues together. We all said what was on our minds, revealed our

thoughts and spoke sincerely, which I found thought provoking and encouraging. Through these candid discussions, we spoke frankly using the method of a “gentle breeze and mild rain,” and worked to help each other. We increased mutual understanding, strengthened relationships, learned from each other, drew on the strengths of others to make up for our own weaknesses, and encouraged each other to make progress together.

Some changes have occurred in the membership of the Standing Committee over the last decade. Some comrades have worked here for a decade, and some began serving on the Standing Committee after the Fifteenth National Party Congress. Some comrades have retired and a few have passed away. Overall, comrades on the Standing Committee are politically solid, have a good sense of responsibility, resolutely carry out the Party’s line, principles and policies, unite with and support each other, and provide effective leadership of reform and development. It has already been more than a decade since I was elected General Secretary at the Fourth Plenary Session of the Thirteenth Central Committee. I feel the heavy responsibility of this burden the Party and Comrade Deng Xiaoping entrusted to me. At that time, the political disturbances of 1989 had just been quelled, and there was an urgent need to stabilize the overall situation and unite with and lead the people of all our country’s ethnic groups in pressing forward with reform, opening up and modernization. Internationally, there were also signs of an impending storm and there were intense struggles. One could say that we were appointed at a critical and difficult time. I once personally told Comrade Deng Xiaoping that I would do everything in my power for the cause of the Party and the people until my last breath. Throughout the last decade we were mindful of the political testament of Comrade Deng Xiaoping and the great trust placed in us by the Party and the people. We have never slackened in our efforts to fulfill the responsibilities we shoulder. We have paid particularly close attention to two major problems. One is how to constantly strengthen Party building, consolidate the Party’s ruling position, and ensure the Party is always the core force leading the people of the whole country in reform, opening up and socialist modernization. The other is how to adhere to the basic line of “one central task, two basic points,” accelerate economic development and all-around social progress, continuously improve the overall strength of the country, raise the living standards of the people, and lay a strong material as well as cultural and ethical foundation for the country’s socialist system.

You cannot appreciate the difficulty of a task until you have done it yourself. Over the last decade, profound changes have occurred in the domestic and international environment and the world has been far from peaceful. In the late 1980s and early 1990s, drastic changes in Eastern Europe and the demise of the Soviet Union caused a serious setback to world socialism. Some Western countries put political pressure on China and imposed so-called economic sanctions. We were subjected to an unprecedented amount of pressure. International hostile forces stepped up various types of infiltration and sabotage in an attempt to Westernize or divide the country and openly supported the subversive activities of domestic anti-communist and anti-socialist and ethnic separatist forces. The security and the social and political stability of the country faced serious threats. The United States and other Western powers came up with neo-interventionist slogans like “human rights taking precedence over sovereignty” to create theoretical grounds for engaging in hegemonism and power politics. They intensified efforts to seek global military superiority to engage in a new type of gunboat diplomacy. Major sudden emergencies occurred one after another around the world, and regional conflicts and local wars broke out in a number of places. After arduous struggle on our part, the United States government was forced to adjust its China policy to one of “comprehensive engagement.” Nevertheless, political schemes of international hostile forces to Westernize and divide the country continue unabated and are unlikely to diminish. Meanwhile, global economic restructuring and the meteoric development of new- and high-technology industries have intensified global economic competition. Since the second half of 1997, the Asian financial crisis has impacted China’s economic development significantly. International economic fluctuations are having an ever more direct influence and impact on China’s economy, making the task of developing the economy and safeguarding the country’s economic security more formidable and critical. In May of last year, the United States launched a missile attack on the Chinese embassy in the Federal Republic of Yugoslavia<sup>1</sup> during the Kosovo War,<sup>2</sup> seriously damaging Sino-US relations. We engaged in a resolute struggle and won a significant victory.

Looking at the domestic situation over the past decade, we continued to take the Party’s basic theory and line as our guide, correctly balanced reform, development and stability, and experienced sustained, rapid and sound development of the national economy. Further progress was made



in all our undertakings, including improving the Party, promoting cultural and ethical progress, and strengthening democracy and the legal system. We encountered many new situations and problems on our way forward. China's economic life and social relations underwent profound changes, and economic sectors, forms of organization, types of employment, interests and modes of income distribution in society became diversified. The situation and struggle in the ideological and political spheres were also extremely complex. Some foreign bourgeois decadent ideas infiltrated the country, and certain unhealthy tendencies left over from our country's history or produced by everyday life sometimes appeared and gained momentum. The Falungong problem is just one acute and realistic example. We resolutely undertook a struggle against this evil cult, and eliminated a major social and political risk. Domestic and international hostile forces colluded to intensify subversion and sabotage. Secessionist forces advocating Taiwan independence increased their efforts to split the motherland. The Dalai Lama<sup>3</sup> clique also intensified its efforts for Tibetan independence. Ethnic separatist forces in Xinjiang engineered numerous disturbances, riots and violent terrorist incidents. By waging a tit-for-tat struggle and by handling them properly, we have effectively deflated the arrogance of these ethnic separatist forces and thwarted their political plots.

We have also been hit by numerous severe natural disasters over the past ten years, the most serious of which were the floods in east China in 1991 and the severe flooding along the Yangtze, Nenjiang and Songhua rivers in 1998. The army and the people of the entire country united as one in an unyielding struggle to overcome these disasters.

The road we have traveled over the past decade was far from smooth, and we repeatedly encountered political, economic and natural dangers that threatened the overall stability, security and development of the country. We responded to them calmly and successfully got through them all. These risks tested and tempered us, and we gained valuable insight and experience along the way. In short, even though we faced all kinds of complex international and domestic problems and were burdened with the monumental tasks of carrying out reform, pressing ahead with development and maintaining stability over the last decade, the entire Party and the people of the whole country were firmly united, fought tenaciously, and achieved great victories in carrying out reform, opening up and modernization.

Following is a discussion of four issues.

## **I. Review of the Work of the Standing Committee over the Last Decade**

Over the last decade, we introduced many major principles and guidelines on the orientation and overall work of the Party and the country, made a series of important decisions and formulated a number of major work plans. It can be said that not only did we more deeply ingrain the Party's basic theory, line and platform in people's consciousness so that they permeated the actions of cadres and the masses, but we also made them more specific for guiding all our work, thereby comprehensively promoting the cause of building socialism with Chinese characteristics.

Comrades on the Standing Committee focused on the following aspects when carrying out their review and summary of the last decade.

1. We established the guiding position of Deng Xiaoping Theory throughout the Party and unwaveringly upheld the Party's basic line. We continued to arm the entire Party with Marxism-Leninism, Mao Zedong Thought and particularly Deng Xiaoping Theory, and made all Party members more purposeful and resolute in implementing the basic line of "one central task, two basic points."

It was clearly stated at the Fourth Plenary Session of the Thirteenth Central Committee in June 1989, that the Party had mapped out and formulated a line and a series of basic policies for building socialism with Chinese characteristics and that we must resolutely, unswervingly and consistently implement them. In September of that year, we stated that Deng Xiaoping's theory of building socialism with Chinese characteristics is a scientific theory tested through a decade of praxis and recognized and accepted by hundreds of millions of people, and serves as a banner guiding us forward. At the Fifth Plenary Session of the Thirteenth Central Committee, Comrade Deng Xiaoping resigned from his position as Chairman of the Central Military Commission in the fundamental interests of the Party and the country. It was pointed out at that plenary session that Deng Xiaoping's basic theory of building socialism with Chinese characteristics carries forward and develops Mao Zedong Thought under the new historical circumstances, that it is an invaluable intellectual treasure of the Party and the people, and that it must continue to play a major role in guiding the great process of China's socialist modernization. At the Seventh Plenary Session of the Thirteenth Central Committee, the process of building socialism with Chinese characteristics was outlined in 12 principles.<sup>4</sup> In July

1991, based on Comrade Deng Xiaoping's thinking, we described the basic economic, political and cultural characteristics and content of the process of building socialism with Chinese characteristics.<sup>5</sup> At the Fourteenth National Party Congress in October 1992, we confirmed the position of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics as a guide for the whole Party. When the third volume of his *Selected Works* was published, I stressed that Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics was a great banner for us to follow in pursuing the cause of socialism and that it provided strong cultural and intellectual support for rejuvenating and developing the nation. Our Party solemnly inscribed this theory on our banner.<sup>6</sup>

Sadly, Comrade Deng Xiaoping passed away in February 1997. At that time, people in the international community and here at home, both inside and outside the Party, were concerned about what direction our Party and country's development would take. While mourning Comrade Deng Xiaoping's death, we clearly stated that Deng Xiaoping's theory of building socialism with Chinese characteristics is Marxism for contemporary China, and it was the unswerving resolve and conviction of the central collective leadership of the Party to hold the great banner of Deng Xiaoping's theory of building socialism with Chinese characteristics even higher and to unswervingly uphold the basic line of the Party under all circumstances as we march into the new century.<sup>7</sup> At its Fifteenth Congress the Party held high the banner of Deng Xiaoping Theory and stressed that the issue of the banner is critical; that the banner is our orientation and image; and that in China today, only Deng Xiaoping Theory, which integrates Marxism with the practices of contemporary China and the tenor of the times, can determine the future and destiny of socialism. Deng Xiaoping Theory is a new stage of Marxism's development in China. Also at the Fifteenth Congress, the Party coined the expression "Deng Xiaoping Theory," incorporated it into the Party's Constitution as part of its guiding ideology alongside Marxism-Leninism and Mao Zedong Thought, and required the entire Party to uphold Deng Xiaoping Theory and to continue enriching and creatively developing it through praxis.

We unswervingly implemented the basic line of keeping economic development as the central task and upholding the Four Cardinal Principles and the reform and opening up policy. In 1989, we stated that the Four Cardinal Principles are the foundation on which the country stands and that the reform and opening up policy is the path to making the country

strong. We also stressed that we would follow the Party's basic line for another hundred years and would always ensure that we correctly handle the dialectical unity between the one central task and the two basic points. Firmly keeping economic development as the central task and vigorously implementing reform provided a strong driving force for economic development. Additionally, we resolutely opposed and resisted all erroneous words and deeds that contravened the Four Cardinal Principles, and combated "Left" and Right errors as they emerged, in order to ensure that reform, opening up and economic development proceeded in the right direction. On July 31, 1991, when I was speaking with comrades in a seminar on the theory of Party building, some of them spoke out in favor of giving equal weight to carrying out economic development and fighting the peaceful evolution toward capitalism. I stated at the time that there could only be one central task, the task of economic development; that we could not pursue multiple central tasks; that upholding the Party's basic line of "one central task, two basic points" includes upholding the Four Cardinal Principles, which includes the requirement to oppose the peaceful evolution toward capitalism; and that we needed to correctly balance carrying out economic development and opposing the peaceful evolution. Internationally, we cannot hit out in all directions and make enemies everywhere. One cannot punch one's adversary with both fists at the same time. It was crucial to keep economic development as the central task, invigorate our economy and do all our work here at home well. We must work hard to combat peaceful evolution, but we cannot launch a movement. In carrying out this kind of ideological and political education of cadres and the masses, we need to distinguish levels and aim carefully. In January 1994, in order to better implement Comrade Deng Xiaoping's theory and the Party's basic line, we stated that the main thrust of the entire Party's work should be to seize opportunities, deepen reform, open wider to the outside world, promote development and maintain stability.<sup>8</sup> This five-pronged principle became our long-term guideline for the overall situation. The Fifteenth Congress set forth the basic platform for the Party in the primary stage of socialism and further elucidated the basic economic, political and cultural characteristics and requirements for building socialism with Chinese characteristics on the basis of Deng Xiaoping Theory, taking into account the principles, policies and practical experiences of the Party since the Third Plenary Session of the Eleventh Central Committee.

A review of our progress over the last decade reveals that the most



fundamental factor responsible for the current favorable overall situation of the Party and the country is the fact that we have persistently taken Deng Xiaoping Theory as the Party and the country's guide to action, and fully, correctly and energetically followed the line, principles and policies defined by Comrade Deng Xiaoping. Comrade Deng Xiaoping was the chief architect of China's socialist reform, opening up and modernization, and he pointed out the correct way forward for the Party and the country. We unwaveringly implemented the Party's basic line and steadfastly applied the "three favorables"<sup>9</sup> as our fundamental criterion for judging all our work, emancipated our minds, sought truth from facts, and worked hard to initiate a new phase in the cause of building socialism with Chinese characteristics. On the path of reform and development, regardless of the difficulties, interferences or risks we face, we must always hold high the great banner of Deng Xiaoping Theory. This is the spirit of the Fifteenth Congress.

2. We continued to promote reform and opening up, established an economic system that meets the needs for developing the productive forces and worked to improve it, and confirmed that the objective of reform was to establish a socialist market economy. Carrying out reform and opening up is a new policy for building socialism introduced by Comrade Deng Xiaoping as well as a historic policy decision that will determine the fate of contemporary China. We always adhered to a socialist orientation of reform, and stressed that reform is the self-improvement and self-development of the socialist system. Reform involved conscientiously adjusting and reforming aspects of and key links in the relations of production which were out of synch with the productive forces and those in the superstructure that were incompatible with the economic base, while maintaining a basic socialist system in order to stimulate development of the productive forces and comprehensive progress of social programs. We steadfastly explored and innovated boldly while staying rooted in reality, did what was easy before tackling what was difficult, proceeded in an orderly fashion, avoided causing any social shocks, and maintained social stability while making all-around progress.

Throughout the past decade, we adhered to the basic principle of keeping public ownership in the dominant position while allowing diverse economic sectors to develop side by side. In July 1991, we proposed, "Building a socialist economy with Chinese characteristics requires that we retain socialist public ownership of the means of production as the main

form of ownership while allowing and encouraging the non-public sector of the economy to undergo an appropriate amount of development. We cannot limit the economy to just the public sector without regard for the development level of the productive forces, nor can we let it lose its leading position or privatize it.... If public ownership of the means of production were to lose its dominant position, the economic foundation of socialism would be weakened. This would certainly damage the fundamental interests of all the Chinese people and socialism would no longer exist.”<sup>10</sup> It was again made clear at the Fourteenth National Party Congress that we must keep the public sector, which includes enterprises owned by the whole people and those owned by collectives, in the dominant position, with the private sector, which includes individually owned and overseas-invested enterprises, serving to supplement the economy, and that we must allow diverse economic sectors to develop side by side for a long time to come. At the Fifteenth Congress it was scientifically confirmed on the basis of a review of practical experience that China’s basic economic system in the primary stage of socialism involves keeping socialist public ownership in the dominant position while allowing economic entities under diverse ownership forms to develop side by side. It was made clear that as a socialist country, China must adhere to public ownership as the foundation of its socialist economic system; in the primary stage of socialism, China needs to develop diverse forms of ownership with public ownership in the dominant position; and any form of ownership that meets the “three favorables” criterion can and should be utilized to serve socialism. It was also made clear that the state sector plays a leading role mainly through its ability to exercise control. We must strive to find ways to achieve public ownership that can greatly promote growth of the productive forces. The joint-stock system is a way of organizing capital in modern enterprises. It can be used under both capitalism and socialism, and the key to this lies in who holds the controlling interest. These important breakthroughs on important theoretical issues had far-reaching significance for guiding the cause of building socialism with Chinese characteristics.

Based on our practical experience with economic restructuring since the Third Plenary Session of the Eleventh Central Committee and in line with Deng Xiaoping’s important idea concerning the fact that both planning and market forces are means of controlling economic activity, we stated at the appropriate time that the objective of China’s economic restructuring was to establish a socialist market economy. At a meeting

of the Standing Committee of the Political Bureau on April 30, 1992, we stated that the relationship between planning and market forces should be further clarified at the Fourteenth Congress. This was a major issue that affected all aspects of reform, opening up and modernization. On May 28, it was formally decided at a meeting of the Standing Committee that the relationship between planning and market forces should be discussed anew at the Fourteenth Congress, and that a conference of cadres should be held at the Central Party School. On June 9, I delivered a report at the school in which I proposed establishing a socialist market economy<sup>11</sup> and requested that everyone study and discuss my proposal. I reported to Comrade Deng Xiaoping on June 20. After listening to my report, he approved my idea and said that, if everyone agreed, this should be the theme of the Fourteenth Congress. Later we solicited comments from 30 provinces, autonomous regions and municipalities directly under the central government, and everyone agreed with this formulation. It was formally decided at the Fourteenth Congress that the objective of reform would be the establishment of a socialist market economy.

Overall planning for how to develop the socialist market economy was carried out and the basic framework for a socialist market economy was expounded at the Third Plenary Session of the Fourteenth Central Committee in 1993. In line with the requirements for establishing a socialist market economy, we deepened rural reform; actively promoted SOE reform; accelerated reforms in the fiscal, taxation, banking, foreign trade, foreign currency, investment, pricing, social security, housing, science and education systems; and achieved breakthroughs in all these areas. We also fostered and developed a socialist market system, improved the state's macro-control system, and strengthened the legal system of the socialist market economy. This series of reforms significantly strengthened the basic role of the market in allocating resources and further improved the macro-control system.

Over the past decade, during which we faced an extremely complex and severe international environment, we unwaveringly adhered to our basic state policy of opening up. It was decided at the Fourteenth Congress and the Third Plenary Session of the Fourteenth Central Committee to expand the scope of opening up; to open the country at all levels, through more channels and in all directions; to make full use of international and domestic markets and resources; and to pursue strategic measures such as competing on the basis of quality and diversifying

our markets. In 1994, in response to a number of ideological problems that emerged in developing special economic zones (SEZs), we clearly stated that the central leadership's resolve to develop these zones had not changed, that our basic policies concerning them had not changed, that their historic position and role in the country's reform, opening up and modernization had not changed, and that SEZs needed to create new advantages and rise to a new level.<sup>12</sup> It was further stated at the Fifteenth Congress that opening to the outside world is a long-term basic state policy, that we need to go global more actively and that we need to improve the pattern of opening up in all directions and at all levels and widen its scope. On the basis of these major policy decisions, we adopted a series of important measures to vigorously push forward opening up, to open more coastal cities, inland border cities, riverside cities and provincial capitals, and to develop and open up a development belt along the Yangtze River led by Shanghai Pudong New Area. All this constituted a new pattern of opening up which provided a strong stimulus for economic development and the development of other undertakings.

In order to create better external conditions for the country's reform and development, we devoted a great deal of effort over a long period of time toward entering the WTO. This is an economic and a political issue. When I met with US President Bill Clinton in Seattle in 1993, I made clear the three principles we would follow in dealing with this matter.<sup>13</sup> Later, based on the process of the negotiations and the requirements of struggle, and from our political and strategic considerations, we successfully proposed the working principles of "maintaining a positive attitude, being flexible, negotiating skillfully and avoiding naïveté," and "maintaining a positive attitude, sticking to principles, taking our time and letting things follow their natural course." We grasped the opportunities the negotiations presented and judged how far we could go on the basis of the requirements of the situation. We finally reached a bilateral agreement with the United States in November of last year, thereby creating important conditions for resolving the issue of China's WTO accession.

3. Adhering to our guiding ideology that development is the absolute principle, we formulated and implemented a series of principles and policies to promote reform and development and ensure sustained, rapid and sound economic development. A fundamental task of socialism is to liberate and develop the productive forces. Without development of the productive forces and economic strength, the country could not remain stable



and would have no say in international affairs. The prosperity of the people and the strength of the country depend on the country's development, and without development the people will remain poor and the country, weak. Comrade Deng Xiaoping said, "Development is the absolute principle."<sup>14</sup> This is an extremely important guiding ideology. Rich countries can be overbearing, and backward countries are at their mercy. We must never forget this fundamental lesson from history. For a large country like China, with a population of over 1.2 billion, that still has outdated economic and cultural conditions and faces acute international competition, how to accelerate and improve economic development will always be a major issue.

After 1989, to address economic problems that arose, we continued to improve the economic environment and rectify the economic order, with positive results. We expended a great deal of effort during this period in responding to the complex international situation created by the drastic changes in Eastern Europe and the demise of the Soviet Union in order to safeguard the country's social and political stability. However, in 1990 and 1991, we held a timely series of forums dedicated to studying the major issue of how to accelerate economic development and the process of reform and opening up. To deal with the problem of a high volume of overdue payments for fixed asset investment, resulting in enterprises having too little working capital, we took measures to resolve the problem of debt chains by attacking the problem at the source and clearing up arrears resulting from shortfalls in fixed asset investment, with the focus on large projects. This work significantly eased the pressure on enterprise capital, accelerated capital turnover and improved economic performance.

In the spring of 1992, Comrade Deng Xiaoping gave important talks during his inspection tour of the south in which he provided in-depth, theoretical solutions to many major questions of understanding that had long perplexed people. The result was a great wave of enthusiasm throughout the country and a new atmosphere for economic development. Some localities and departments went astray in their thinking in the process of accelerating development, resulting for a time in problems like the overheated development of real estate and development zones, unauthorized fund raising, indiscriminate lending and arbitrarily setting up financial institutions. This led to over-investment and contributed to rapid inflation, and therefore posed a threat to sustained, rapid and sound national economic development. It should be noted that we saw this coming very early on and promptly issued warnings. I wrote a letter

to members of the Standing Committee and others on April 4, 1992,<sup>15</sup> on the eve of my visit to Japan. In the letter I proposed that we needed to do a good job guiding, preserving and unleashing the enthusiasm of cadres and the masses, make the most of opportune times and strive to achieve and maintain a relatively fast pace of development, but that we must do so in a concrete manner by adjusting to the actual conditions of the various localities and departments and distinguishing different circumstances. I added that we needed to strive to deepen reform and to avoid pursuing development solely by expanding the scale of investment in order to prevent further redundant construction and high inventories. In order to strengthen leadership over economic work, the Central Committee's Leading Group for Financial and Economic Affairs was reestablished before the Fourteenth Congress. In line with the decision of the central leadership, a forum was held in Wuhan<sup>16</sup> in December 1992 to discuss how to resolve some acute problems that had arisen at that time in agriculture and rural work. At the forum, it was stressed that the position of agriculture as the foundation of the national economy needed to be further stabilized and strengthened. In April 1993, the central leadership held a meeting with secretaries of provincial Party committees and provincial governors to discuss how to solve the problems of unauthorized fund raising, indiscriminate lending and the overheating real estate and development zones. On May 19, I wrote a letter to the relevant comrades on the State Council stating that we needed to seize opportunities to resolve acute problems in economic work at that time or else important opportunities to do so might slip away, and that if such problems were allowed to accumulate there would be disastrous consequences. Subsequently, we held working conferences of provinces, autonomous regions and municipalities directly under the central government to study how to continue promoting reform in the investment, fiscal and taxation, and banking systems, and how to solve deep-rooted economic problems by deepening reform. On June 22, I gave Comrade Deng Xiaoping a report on the economic situation and recommended strengthening macro-control, with the focus on financial work. Comrade Deng Xiaoping strongly supported this recommendation. On June 24, we announced 16 measures<sup>17</sup> for resolutely resolving the acute economic problems that had emerged. Through our hard work, we succeeded in controlling inflation while sustaining a rapid rate of economic growth, thereby achieving a soft landing. This macro-control effectively enabled us to avoid large

economic fluctuations and also laid the foundation for withstanding the impact of the Asian financial crisis.

I bring up that period of history to illustrate the need to steadfastly follow, without the slightest deviation, the new policy of reform and opening up that Comrade Deng Xiaoping established and the series of scientific guidelines he expounded in his important talks during his inspection tour of the south. With regards to the problems that have arisen in certain localities and departments concerning economic development in the past few years, they are specific problems in implementation resulting from not fully, correctly and actively applying Deng Xiaoping Theory - this is what caused them to make mistakes in their work. We should seek truth from facts in analyzing these problems and draw lessons from them to help improve our economic work in the future.

Our experience of directing reform and development has made us profoundly aware of the extreme importance of correctly handling basic relationships in economic and social development. In September 1995, we stated that all Party comrades should correctly handle 12 major relationships<sup>18</sup> in the socialist modernization drive. The most important and fundamental of these was correctly balancing reform, development and stability. Reform is a profound social change. How to correctly grasp this change and promote social progress, while preserving social stability, is an important matter that affects the whole situation as well as a major part of the art of leadership. We have always stressed that reform is the impetus, development is the objective, and stability is the prerequisite; therefore, we must be adept at simultaneously considering the strength of reform, the speed of development and the ability of society to tolerate change. Because we have always worked to balance these three factors, we have successfully promoted reform and development and maintained social and political stability in ways that were mutually supportive and complementary.

In the second half of 1997, the Asian financial crisis had a significant impact on China's economy. We adopted the guiding principles of staying confident, having a clear idea of the situation, taking preventive measures, responding coolly, working hard with concentrated effort, and maximizing gains while minimizing losses.<sup>19</sup> In order to maintain the momentum of economic growth, we decisively adopted important measures, including efforts to boost domestic demand, implement a proactive fiscal policy, increase infrastructure development and stabilize the renminbi exchange rate. Constantly working to expand domestic demand and developing domestic

markets should be the basis for China's economic development and its long-term strategic principle. Boosting domestic demand and developing domestic markets are important issues that have a bearing on the overall future development of the country, and the entire Party needs to continue to do a good job in this area.

Finance is the heart of a modern economy. We have always paid close attention to maintaining sound operation of the financial sector. When we improved the economic environment and rectified the economic order in 1989 and strengthened macro-control in 1993, we took significant measures to keep the financial sector operating stably. Each year since 1994, the Central Committee's Leading Group for Financial and Economic Affairs has listened to a report on financial work. Since 1996, the central leadership has carried out many studies related to economic security and preventing financial risk. In early 1997, the central leadership undertook important initiatives for deepening financial reform, rectifying order in the financial sector, and guarding against and defusing financial risks. In November, the central leadership held a national conference on financial work to carry forward the reform of the financial system. These were all important preparations that enabled us to respond effectively to the Asian financial crisis.

During the past decade, we have continued to use development to resolve problems that have arisen along the way, and adopted a series of major principles, policies and strategic measures at the right moments to promote sustained, rapid and sound development of the national economy. We proposed and implemented fundamental changes in both the economic system and pattern of economic growth. We clearly proposed that economic growth should be about both scale and structure, both quantity and quality, and both speed and results, and that it is not about blindly expanding production capacity. Economic growth targets are predictive, intended for guidance, and they are adjustable. We need to strive to improve the overall quality of the national economy, enhance our overall national strength and international competitiveness, carry out strategic restructuring of the economy, and promote rational distribution in and the balanced development of regional economies. We need to continuously strengthen the position of agriculture as the foundation of the national economy, strive to upgrade and improve traditional industries, develop new- and high-technology industries, and accelerate service sector development. We need to use market forces as our guide and advances in science and technology as the driving force, and ensure that



production and operations adapt to changes in demand in domestic and international markets. We set forth and implemented a strategy of reinvigorating the country through science and education, and clearly pointed out the need to accelerate education reform and development, build a national knowledge innovation system, strengthen the country's capacity for independent innovation, and achieve rapid technological development. We set forth and implemented a strategy of sustainable development and clearly pointed out the need to intensify ecological environment development, strictly protect arable land, intensify efforts to harness major rivers and lakes, and integrate ecological conservation projects with land remediation, industrial development and regional economic growth. Based on Comrade Deng Xiaoping's ideas, we laid out a strategy for the large-scale development of the western region, and we are now intensifying the evaluation and planning work in preparation for gradually implementing this strategy. We made important decisions concerning agriculture, SOEs, finance, science and technology, education, social security, poverty alleviation and development, and comprehensively carried them out.

Through a decade of exploration and praxis, we improved our ability to direct overall economic development against a backdrop of complex international and domestic conditions, and also gained a great deal more experience in macro-control.

4. We continued to promote political restructuring, expanded the scope of socialist democracy, and laid out an important strategy for upholding the rule of law and building a socialist country under the rule of law. We remained true to Comrade Deng Xiaoping's ideas and actively promoted political restructuring to develop socialist democratic politics.

It was decided at the Fourth Plenary Session of the Thirteenth Central Committee that we should promptly develop socialist democracy and the socialist legal system. In July 1991, we provided an outline of socialist politics with Chinese characteristics and laid out the requirements for continuing political restructuring.<sup>20</sup> It was decided at the Fourteenth Congress to press ahead with political restructuring and to significantly expand our socialist democracy and legal system. At the Fifteenth Congress it was decided that, under the leadership of the Party and on the basis of the people being the masters of the country, we need to follow the rule of law and develop socialist democratic politics with Chinese characteristics, and explicit requirements were set out to that end. At the Fifteenth Congress the rule of law was elevated to the status of a basic strategy of the Party for lead-

ing the people in national governance and it was proposed that building a socialist country based on the rule of law combines upholding the Party's leadership, carry forward people's democracy and acting strictly in accordance with the law and provides institutional and legal assurances that the Party's basic line and principles are implemented, and that the Party plays the role of the leadership core at all times by exercising control over the whole situation and coordinating everyone's efforts.

We have always required all Party comrades to be aware of the following: First, the general aims of reforming the leadership system of the Party and government are to help consolidate the socialist system and the Party's leadership; develop the productive forces under the Party's leadership and the socialist system; implement the line, principles and policies formulated since the Third Plenary Session of the Eleventh Central Committee; and safeguard national unity, ethnic solidarity and social stability. Second, political restructuring should be in line with economic restructuring. We need to always preserve the vitality of the Party and the country, overcome bureaucracy, improve efficiency, and boost the enthusiasm of lower-level organizations and workers, farmers and intellectuals through political restructuring. Third, we must uphold the fundamental political institutions of the people's democratic dictatorship and the people's congresses, and we absolutely must not imitate Western political models. Fourth, political restructuring must be carried out in a planned and step-by-step manner under the leadership of the Party. It must be carried out firmly yet prudently and one step at a time. Fifth, developing democracy must be closely integrated with improving the legal system.

Over the past decade we obtained positive results in political restructuring. We improved the Party's style of leadership and governance and altered the phenomena of the Party acting on behalf of the government and the Party and government being inseparable, thereby strengthening and improving the Party's leadership. We further improved the system of people's congresses, provided a legal basis and strong guarantees to enable deputies to people's congresses at all levels to carry out their duties and obligations, and made election work more standardized and institutionalized. We improved the system of multiparty cooperation and political consultation under the leadership of the CPC, constantly made progress in standardizing and institutionalizing political consultation, democratic oversight, and participation in and deliberation of state affairs at all levels of CPPCC committees, and consolidated and developed the broad patriotic united

front. We strengthened primary-level democracy in urban and rural areas, extensively carried out local mass autonomous activities in the countryside mainly consisting of democratic elections, democratic decision making, democratic management and democratic oversight. We also improved and strengthened the organization of urban residents' committees and the system of workers' congresses in enterprises and institutions. We significantly improved the socialist legal system, set up a framework for a system of socialist laws with Chinese characteristics and put the basic aspects of the country's political, economic and social activities on a legal footing. Significant progress was made in law enforcement, the administration of justice, educating the public about the legal system, and the rule of law. The functions of governments at all levels were further transformed. The work of streamlining government and Party organs is now underway, and a national civil service system has been implemented. Further achievements were made in reforming the cadre system by instituting democratic recommendations, open testing, selection on the basis of merit and the introduction of competitive mechanisms.

5. We adhered to the principle of giving high priority to both material progress and cultural and ethical progress, strengthened publicity and ideological work and our work in the area of socialist culture and ethics, and promoted all-around social progress. We always stressed that we will achieve socialism with Chinese characteristics only when we balance economic, political and cultural development and make both material progress and cultural and ethical progress. At no time can cultural and ethical progress be sacrificed for temporary economic development. We must adhere to the principle of making both material progress and cultural and ethical progress in order to achieve sustained economic development and all-around social progress, and fully reflect and give play to the superiority of the socialist system.

After the political disturbances of 1989, having learnt that our focus on material progress to the neglect of cultural and ethical progress led to the widespread ideological trend in favor of bourgeois liberalization and resulted in disaster, we greatly promoted cultural and ethical progress and we strengthened and improved ideological and political work in particular. In July 1991, we set forth the basic requirements for developing socialist culture with Chinese characteristics, and emphasized the need to keep Marxism-Leninism and Mao Zedong Thought as our guide and to never accept a diverse guiding ideology. We must greatly enhance the ideological, moral,

scientific and cultural qualities of the entire nation.<sup>21</sup> In 1994, we proposed arming the people with scientific theories, providing them with correct media guidance, imbuing them with a noble spirit, and inspiring them with excellent works of literature and art as the main tasks on the publicity and ideological fronts.<sup>22</sup> A resolution was passed at the Sixth Plenary Session of the Fourteenth Central Committee in 1996 to further promote socialist cultural and ethical progress. At the Fifteenth Congress, it was further stated that building socialist culture with Chinese characteristics means adopting Marxism as our guide with the goal of training citizens to have high ideals, moral integrity, a good education and a strong sense of discipline. And it means developing a national, scientific and popular socialist culture geared to the needs of modernization, the world and the future. Clear requirements were put forward for this work at the congress.

We armed the entire Party and educated the people with Deng Xiaoping Theory in accordance with these major policy decisions and requirements. We educated the whole of society in patriotism, collectivism and socialism to positively guide the people to adopt the common ideal of building socialism with Chinese characteristics as well as a correct worldview, outlook on life and sense of values. We vigorously promoted advanced models, staged widespread mass activities to promote cultural and ethical progress, and encouraged all thinking and ethics conducive to national unity, ethnic solidarity, economic development and social progress. We educated Party members and the masses about the importance of hard work, called on them to promote the five aspects of the revolutionary spirit<sup>23</sup> advocated by Comrade Deng Xiaoping, and propounded the pioneering spirit for the new period<sup>24</sup> to cadres and the masses. We carried out education in socialist ideology in the countryside. We proposed that the correct guidance of public opinion brings the Party and people good fortune. We pointed out that on the publicity and ideological fronts we needed to energetically publicize the Party's line, principles and policies; maintain a firm grasp on the correct guidance of public opinion; always adhere to a principle of unity, stability and encouragement; and strengthen positive guidance in order to better unify the thinking, focus the efforts, strengthen the convictions, and raise the spirits of cadres and the masses. This provided a strong guarantee in terms of ideology and public opinion for successfully implementing reform, opening up and modernization. We emphasized the need to promote the theme, advocate diversity, maintain the initiative, and actively develop cultural programs. We also emphasized the importance of



helping the cultural industry flourish while exercising supervision over it in order to promote the healthy development of the cultural market while tirelessly eliminating social evils. We emphasized the need to vigorously develop education and science, and channel information on science and technology and culture to the public in a variety of ways. These measures to make greater cultural and ethical progress played an important role in establishing and consolidating common ideals and goals and strengthening cohesiveness and creativity among cadres and the masses.

6. We strengthened ethnic and religious work, maintained stability and promoted sustained development in ethnic minority areas, and actively guided religions to adapt to socialist society. We worked hard to consolidate and improve the system of regional ethnic autonomy. We conscientiously implemented the Party's ethnic and religious policies, and comprehensively improved the Party's ethnic and religious work. We stressed that all ethnic groups should breathe the same air, share the same fate and be of one mind. We fostered the idea that the Han ethnic group needs the ethnic minorities and the ethnic minorities need the Han, and that the ethnic minorities need each other. We promoted greater solidarity, mutual trust, mutual support and mutual assistance among all ethnic groups as well as development and prosperity in all ethnic minority areas.

At the Central Ethnic Work Conference in January 1992, the main tasks for ethnic work in the 1990s were set forth, requiring us to continue consolidating and developing socialist ethnic relations based on equality, unity, mutual assistance, and common development and prosperity, to uphold and improve the system of regional ethnic autonomy, and to accelerate the economic development and social progress of ethnic minority groups and areas. At the Third Tibet Work Forum in 1994, the decision was made to carry out 62 assistance projects in Tibet that paired a recipient in Tibet with a donor from elsewhere in China. These projects have effectively promoted economic and social development in Tibet. In 1996, we also decided that coastal provinces and cities should provide assistance to partners in ethnic minority areas, and this also produced good results. At the Central Ethnic Work Conference in September last year, arrangements were made for ethnic work extending into the next century, and it was suggested that the key to successfully carrying out ethnic work and strengthening ethnic solidarity in the new historical period is to accelerate the development of economic, cultural and other programs in ethnic minority areas. We constantly strengthened training of cadres among ethnic minorities, especially

mid- and high-ranking cadres. We effectively promoted stability and development in ethnic minority areas by, for example, intensifying resource exploitation and infrastructure development, implementing the system of transfer payments from the central budget, correcting defects in the pricing of resource products, intensifying anti-poverty efforts and increasing appropriations for education among ethnic minority groups.

We strengthened and improved the Party's religious work, appropriately handled increasingly complicated religious issues that had emerged in the new international and domestic situations, and maintained religious stability. In 1993, we called on all comrades of the Party to fully and correctly carry out its religious policy, strengthened supervision of religious affairs in accordance with the law, actively guided religions to adapt to socialist society,<sup>25</sup> and further clarified some major principles concerning religious work. We have always emphasized that leading cadres at all levels in the Party should hold the Marxist outlook on religion, be fully aware of the importance of doing a good job in religious work and become better able to deal with complex religious affairs. To patriotic religious believers, we advocate the principle of political unity and cooperation and respect for others' beliefs, and have consolidated and developed relations with religious groups as part of the patriotic united front.

We held high the banner of ethnic solidarity and resolutely cracked down on the activities of domestic and overseas hostile forces and separatists trying to use ethnic and religious issues to politically infiltrate and split China. We carried out a resolute struggle against the attempts of the Dalai Lama clique to split the motherland. In 1995, we engaged in a tit-for-tat struggle with the Dalai Lama clique over the issue of identifying the reincarnation of the late Panchen Lama, and achieved a major victory. Later, we began providing patriotic education at Tibetan Buddhist monasteries and strengthened supervision of the process of identifying reincarnations of living Buddhas after their death. In 1996, the Standing Committee studied how to safeguard stability in Xinjiang, and clearly stated that the main threat came from ethnic separatist forces and illegal activities carried out in the name of religion. We actively worked with the leaders of Central Asian countries and reached a consensus with them on jointly opposing religious extremism, and this created conditions conducive to safeguarding stability in Xinjiang. We continued to properly handle two different types of religious conflicts, effectively safeguarded the sanctity of the law and the interests of the people, united with the masses of religious believers who

love their country and their religion, and isolated and suppressed the small number of people committing illegal and criminal acts in the name of religion. We also appropriately handled the widespread armed fighting in Xiji County, Ningxia, which arose from a problem within a religious order<sup>26</sup> and likewise handled several incidents arising from the publication of material that was offensive to religious sentiments. We correctly handled relations with the Vatican, required that work related to the Catholic Church under the new circumstances be handled well, and upheld the principles of independence and self-administration in religious affairs.

7. We adhered to the principle of “one country, two systems,” smoothly engineered the return of Hong Kong and Macao to the motherland, and achieved major victories in combating separatist and Taiwan independence forces. Total reunification of the country was the unfulfilled wish of Chairman Mao, Comrade Deng Xiaoping and other revolutionaries of the older generation and is also the common wish and desire of all Chinese people. We did a great deal of fruitful work to reunify the motherland on the basis of Comrade Deng Xiaoping’s scientific concept of “one country, two systems” and made significant progress. After 1989, Britain adopted an uncooperative attitude regarding the return of Hong Kong and created all sorts of obstacles. We promptly adopted the policy of taking the lead and making preparations for any eventuality, and after much hard work and struggle, we achieved the smooth return of Hong Kong. The HKSAR is maintaining prosperity and stability guided by the principle of “one country, two systems,” under which the people of Hong Kong administer Hong Kong with a high degree of autonomy. Recently, we also smoothly resumed the exercise of sovereignty over Macao. The successful application of the principle of “one country, two systems” to the Hong Kong and Macao questions will serve as an important model for eventually resolving the Taiwan question.

We made some major policy decisions and work arrangements related to the Taiwan question, effectively safeguarded the one-China principle and the position of Taiwan as a part of China, and promoted the development of relations across the Taiwan Straits. In January 1995, speaking on behalf of the Central Committee, I set forth the eight-point proposal for developing cross-Straits relations and promoting the peaceful reunification of the motherland at the present stage,<sup>27</sup> in which I clearly declared that adhering to the one-China principle is the basis and prerequisite for peaceful reunification and proposed that negotiations for peaceful

reunification could proceed in stages, with the first stage being the formal cessation of hostilities across the Straits on the basis of the one-China principle. In June 1998, we also set forth the strategic consideration that a timetable for resolving the Taiwan question should be established on the basis that it cannot drag on indefinitely.

We waged a resolute struggle against the secessionist forces advocating Taiwan independence. In 1995, the leader of the Taiwan authorities visited the United States and blatantly peddled the notion of “two Chinas” to the international community. We clearly indicated that we must dispel our delusions and prepare to fight. The Central Committee decided to engage in a tit-for-tat political and foreign relations struggle with the Taiwan authorities and the United States, and organized military exercises in the Taiwan Straits and surrounding seas for this purpose. At that time, the United States sent two aircraft carrier battle groups to Taiwan’s vicinity in order to put pressure on China. We were not intimidated and we continued to fire missiles and carry out military exercises. Afterwards, the US aircraft carrier battle groups simply sailed away. This struggle effectively deflated the arrogance of the secessionist forces advocating Taiwan independence and made most of our Taiwan compatriots more aware of its perniciousness. In order to win over the hearts of the Taiwan people and international public opinion, at the Fifteenth Congress we earnestly called for political negotiations across the Straits, after which we suggested that the two sides should engage in dialogue. In July of last year, we once again launched a major struggle against secession and Taiwan independence in response to the abominable “two states” statement<sup>28</sup> by the leader of the Taiwan authorities, once again demonstrating to the world our solemn position and firm resolve on safeguarding the unity of our motherland.

Doing our work concerning the Taiwan people well has always been an important goal of our Taiwan work. At a meeting on Taiwan economic work in 1994, the State Council laid out a series of measures for giving Taiwan investors a right of preemption if all other conditions are equal and appropriately relaxing restrictions in order to expand cross-Straits economic exchanges and cooperation. At a meeting on Taiwan work in 1995, the Central Committee put forward the guiding principles, tasks and goals to further improve work concerning the people of Taiwan. Through our efforts, personal visits, various types of exchanges and economic and trade cooperation across the Straits increased significantly, leading to the emergence of cross-Straits economic reciprocity and a



mutually beneficial situation. Cross-Straits postal and shipping links also improved to differing degrees, laying an important foundation for promoting peaceful reunification.

The main obstacle to resolving the Taiwan question is that some Americans view Taiwan as their so-called “unsinkable aircraft carrier” based on global strategic considerations. These people are therefore unwilling to see Taiwan reunified with the mainland and do all they can to obstruct reunification. This is the essence of their policy on Taiwan. Japan forcefully occupied Taiwan for 50 years, and right-wing Japanese forces have always had the ambition to re-encroach Taiwan. We held military exercises to combat the secessionist forces advocating Taiwan independence and to restrain foreign forces that wish to interfere. At the same time, we worked to improve and develop Sino-US relations to create more favorable conditions for us to resolve the Taiwan question. Thanks to our efforts and struggles, the United States had no choice but to repeatedly state its continued support for the one-China policy and to reaffirm its stance of not providing Taiwan with three types of support.<sup>29</sup> Of course, it will be difficult to change the basic nature of US policy toward Taiwan.

8. We maintained the Party’s absolute leadership over the army, proposed a military strategy for the new period, and comprehensively made the army more revolutionary, modern and standardized. We continued to follow Mao Zedong’s military thinking and Deng Xiaoping’s thinking on army building in the new period, and obtained significant results in making the army more revolutionary, modern and standardized.

The Party’s absolute leadership over the army is the eternal soul of the PLA. Chairman Mao stated, “Our principle is that the Party commands the gun, and the gun must never be allowed to command the Party.”<sup>30</sup> Comrade Deng Xiaoping also said, “The army must always place itself at the disposal of the CPC Central Committee and the Party. Only those who listen to the Party should be elected leaders of the army. The army must not do anything under its own banner.”<sup>31</sup> On the eve of the Fourteenth Congress, Comrade Deng Xiaoping wrote an important letter to the Political Bureau of the Central Committee in which he stressed that when selecting army leaders, the first consideration is whether or not candidates are politically fit, i.e. whether or not they are true Communists who listen to the Party.

On the fundamental issue of ensuring the absolute leadership of the Party over the army, I am extremely vigilant. For example, some comrades once raised the issue of so-called “Party-army education.” As soon as this

idea was proposed, I realized that this was putting the army and the Party on the same level and immediately pointed out that this would be a serious political mistake. I said that since the Party and the army were first established, Party education and army education have always been unified and indivisible. As such, we cannot discuss Party-army education, but must discuss Party education. By always firmly upholding the Party's absolute leadership over the army, we have ensured that every unit of the army has remained in tune with the Party ideologically and politically, has obeyed the orders of the Central Committee in everything it does, and has resisted the impact of erroneous political views from both inside and outside the country that the army should be "departified," depoliticized and nationalized. As long as the Party maintains a tight grip on its guns, the country will never descend into chaos and will be able to handle any kind of disturbance.

In terms of army building, we have always striven to make the army more revolutionary, modern and standardized in all respects in accordance with the general requirements that the army should be qualified politically and competent militarily and have a fine work style, strict discipline and adequate logistics support. The Central Military Commission requires all army units to put ideological and political development above all other improvement work. It requires that the entire army arm itself with Deng Xiaoping Theory, extensively and thoroughly carry out education under the new conditions on patriotic dedication, revolutionary outlook, respecting cadres and cherishing soldiers, arduous struggle, and revolutionary integrity in order to guide officers and enlisted personnel to form a correct worldview, outlook on life and sense of values and ensure that they are politically firm and ideologically and morally pure. The Central Military Commission formulated a military strategy of active defense for the new period, made a major adjustment in strategic guidance by shifting the basis of military preparedness to winning local wars fought under modern technological conditions, especially high-tech conditions, and clarified the goals and tasks of the army's military preparedness under the new conditions. The Central Military Commission also set forth the strategy of strengthening the army through science and technology, extensively and thoroughly carrying out training exercises for soldiers in science and technology, and increasing the army's combat effectiveness through the application of advances in science and technology. In addition, it emphasized the need to actively develop the idea of people's war in light of the new historical conditions. In accordance with our principles of doing some things while setting others aside

and catching up in some areas but not all, we concentrated on developing our own “assassin’s mace weapons” to strengthen the army’s material and technological foundation so it can win a high-tech war. The army also underwent organizational and staffing restructuring and reform, mainly to reduce the total number of personnel by half a million, and is now following a path with Chinese characteristics of having fewer but better troops and striving for low-cost, high-yield modernization. The policy decision to put an absolute stop to all commercial activities of the army and armed police force was important and far-reaching. It unburdened army building efforts, eliminated many hidden dangers, further strengthened the bond between the army and the government and between the army and the people, and safeguarded the army’s good image. The army successfully completed all its tasks in carrying out military exercises, organizing units to be stationed in Hong Kong and Macao for their defense, participating in the great battle against the floods in 1998, and preparing for the National Day military parade to celebrate the 50th anniversary of the founding of the People’s Republic. All army units are now actively involved in pushing forward all aspects of army building in accordance with the three-step development strategy<sup>32</sup> laid out by the Central Military Commission for modernizing national defense and the army.

9. We adhered to our independent foreign policy of peace, developed friendly, mutually beneficial cooperative relations with all countries, and created an excellent neighboring and international environment for the country’s modernization. We always adhered to our independent foreign policy of peace and resolutely implemented the strategic principle set forth by Comrade Deng Xiaoping of observing calmly, responding coolly, never claiming leadership, and making some contributions. In addition, we made a series of important policy decisions concerning our country’s foreign relations in light of new diplomatic tasks and constantly opened up new prospects for diplomatic work.

We adhered to Comrade Deng Xiaoping’s basic judgment on the international situation, emphasizing that peace and development are still the two themes of the times and that, overall, the international situation is easing and it will be possible to avoid another world war for a relatively long time to come. We energetically worked to create a protracted peaceful international environment and excellent neighboring environment for our country’s modernization. One basic characteristic of the international situation is that there are more opportunities than challenges and more

hope than difficulties. We told all Party comrades they must seize opportunities, strive to catch up, and accelerate development. At the same time, we required all comrades to be fully aware that the world is still far from peaceful, that hegemonism and power politics still exist and have new manifestations, that international hostile forces still seek our demise and that we must remain vigilant. We stated that, in general, a multipolar world is conducive to world peace, stability and prosperity; however, creating such a state will require a long development process, and we should actively promote it in a direction that is conducive to world peace and development. We also stated that economic globalization presents both advantages and disadvantages for China's development; therefore, we must unwaveringly implement the policy of opening to the outside world, energetically participate in international economic cooperation and competition, and make full use of all favorable conditions and opportunities, *while also remaining fully aware of the possible risks that may emerge on the road ahead*, continuing our independence and increasing our vigilance in order to genuinely safeguard China's economic security and more effectively develop and strengthen the country.

We protected the country's independence, sovereignty and dignity at all times. We do not force our social system and ideology on others and absolutely do not allow other countries to force their social system and ideology on us. In all international affairs, we took the fundamental interests of the Chinese people and those of the rest of the world as our starting point and determined our position and policies based on the nature of the situation. On issues that affect the interests or sovereignty of the country we never yield to external pressures. We have always stressed that the world is a rich and varied place, its diversity should be respected, and each country has the right to independently choose its own social system, development strategy and lifestyle based on its conditions. All countries, large or small, strong or weak, rich or poor, are equal members of the international community, and no country should seek hegemony or engage in power politics. We proposed the important principles of pursuing peace, opposing the use of force, mutual respect, sovereign equality, making one's own choices, seeking common ground while reserving differences, cooperating for mutual benefit and common development. We actively promoted the formation of a peaceful, stable, just and equitable new international political and economic order on the basis of the Five Principles of Peaceful Coexistence and the universally recognized norms of international relations. On the questions



of the Gulf War<sup>33</sup> and the crisis in Kosovo, we upheld justice, advocated resolution through peaceful means and opposed the use of force, thereby improving our international image as a country that safeguards world peace and stability.

In our work with Western countries, we must make breakthroughs in key issues while using conflicts among Western countries to our advantage. We should use the strength of our market to arouse the enthusiasm of the Western economic community to develop relations with China. We should steadfastly respond in kind to their two-pronged approach, combining struggle with cooperation and using struggle to promote cooperation. In 1992, not long after Bill Clinton was elected President of the United States, I stated that China and the United States should adhere to a principle of increasing trust, reducing friction, developing cooperation and avoiding mutual hostility.<sup>34</sup> We mounted a tit-for-tat struggle in response to the pressure the United States put on China using the pretences of human rights and democracy. At meetings of the UN Human Rights Council, we defeated anti-China motions from Western countries eight times, thereby effectively safeguarding our country's dignity. In particular, we engaged in a resolute struggle against the US government for allowing the leader of the Taiwan authorities to visit the United States to carry out activities aimed at creating "two Chinas." This struggle shook the American government and people and forced the United States to adjust its China policy. The heads of state of China and the United States successfully exchanged visits in 1997 and 1998, indicating that our relations with the United States and other Western countries were back on track.

During the past decade, we devoted a great deal of effort to developing a new type of great power relations, which avoid alliances and confrontation and do not target any third country. With the needs of the 21st century in mind, we established the basic framework for developing bilateral relations between China and the United States, Russia, France, Britain, Canada and Japan. We proposed and implemented our strategic thinking on stability along our borders; deepened our strategic cooperative partnership with Russia; signed agreements on strengthening military trust and reducing military forces in border areas with Russia, Kazakhstan, Kyrgyzstan and Tajikistan; and set up a mechanism for summit meetings of the heads of state of these five countries. We settled the border dispute with Kazakhstan and basically settled the border dispute with Russia. This has great significance for preserving stability and peace on China's northwestern

border and improving our strategic security situation. We continued to develop good-neighborly friendships with Vietnam, the Democratic People's Republic of Korea, Laos, the Republic of Korea, Thailand, Cambodia and Myanmar. We consolidated and developed relations with Pakistan and other South Asian countries and energetically sought to improve relations with India. We adhered to the principle of maintaining our claims to sovereignty, setting aside disputes and working for joint development to appropriately handle territorial water disputes and maintain basic stability in the South China Sea. We strengthened solidarity and cooperation with third world countries, closely consulted and coordinated with them on international affairs and worked with them to protect the legitimate rights and interests of developing countries. We played a major role in multilateral foreign relations arenas such as the United Nations, APEC, the Asia-Europe Meeting, the China-ASEAN informal summit, and informal meetings of East Asian leaders. All in all, we achieved considerable successes in our diplomatic work and struggles over the past decade. We have effectively safeguarded China's sovereignty and legitimate rights and interests, expanded its influence, and made important contributions to solving major problems facing all of humankind.

10. We clarified the goals for Party building in the new period and comprehensively moved forward our great new undertaking of Party building. The key to handling China's affairs well lies in the Party. Since the Fourth Plenary Session of the Thirteenth Central Committee, we have made a series of important decisions and plans concerning Party building based on the Party's central tasks and in light of the new conditions that we face.

In the late spring and early summer of 1989, when the Party and state faced a serious test in a major political struggle, generally speaking, Party members and organizations performed well. Nevertheless, some serious problems were also exposed. If these problems had not been promptly resolved and potential dangers within the Party eliminated, it would not have been possible for the Party and state to enjoy lasting political stability. On the flip side, the demise of the Soviet Union and the drastic changes in Eastern Europe also provided us with serious lessons. Our Party-building efforts at that time were concentrated on the following aspects. First, we concentrated on inspections and clean-up work to ensure the purity of the Party's ranks. Second, we resolutely engaged in a struggle against corruption and those involved in it and brought the Party closer to the masses. In July 1989, we made a decision to address several matters that concerned

the masses at that time. In March 1990, a decision was made at the Sixth Plenary Session of the Thirteenth Central Committee to strengthen ties between the Party and the masses. Third, we strengthened and improved the Party's leadership and got Party organizations at all levels to fully play their role as political nuclei. Fourth, we improved leading bodies at all levels in accordance with the principles of making the contingent of cadres more revolutionary, younger, better educated and more professionally competent, and placing emphasis on both moral integrity and professional ability. Fifth, we gave prominence to ideological and political work in Party building and clarified and rectified ideological and political viewpoints that were adversely affected by the disturbances.

Concerning the guiding principles for Party building, we stated that Party-building work in the new period must be closely centered on implementing the Party's basic line and carrying out its central tasks, and be directed to the overall goal of Party building. At the Fourth Plenary Session of the Fourteenth Central Committee we specifically discussed the issue of strengthening Party building and proposed general objectives and requirements for Party building in the new period as follows: We should make the Party a Marxist political party that is armed with the theory of building socialism with Chinese characteristics; serves the people wholeheartedly; is completely consolidated ideologically, politically, and organizationally; can withstand all types of risks; and is always at the forefront of the times.<sup>35</sup>

We implemented a series of major plans to comprehensively promote Party building. We steadfastly put ideological and theoretical work at the top of the agenda, strongly advocated the Marxist style of study and unwaveringly used Deng Xiaoping Theory to arm the entire Party. We constantly stressed the need for leading cadres to study, study, then study some more, and not only acquire a good grasp of theory, but also obtain knowledge in politics, modern economics, modern science and technology, law, culture and history, and constantly improve their knowledge and leadership abilities. We always grasped the key issue of building leading bodies and worked very hard to strengthen the corps of cadres. We stressed the need for leading cadres to be dignified, self-critical, self-cautioning and self-motivated, and to emphasize politics, maintain a correct political orientation, stand and viewpoint, and strictly adhere to the Party's code of conduct. We attached great importance to the work of training and selecting outstanding young cadres, and a large group of them have already assumed or are now working their ways toward leadership

positions. We continued to deepen reform of the cadre and personnel system and made important progress in the reform of the system for selecting, assessing, assigning, transferring and overseeing cadres. Through a decade of hard work, leading bodies at all levels have become younger and better educated and contain a better mix of professions. The overall quality of cadres and the capabilities of leadership bodies have both reached new highs. In accordance with Deng Xiaoping's thinking that problems in leadership and organizational systems are more fundamental, widespread and long-lasting, and that they have a greater effect on the overall interests of our country, we carried out institutional improvements, the main purpose of which was to adhere to and improve democratic centralism, thereby taking new steps toward institutionalizing and standardizing intra-Party activities. Focusing on Party building in rural areas and enterprises, we made significant progress in strengthening and improving primary Party organizations and enhancing their cohesiveness and capabilities. Beginning in 1995, we carried out focused rectification work over the course of three years to correct the problem of weakness, laxity and paralysis in primary rural Party organizations. We strengthened the role of Party organizations as the political nuclei in SOEs. We set forth clear requirements for other primary Party organizations, like those in colleges and universities, subdistricts, government organs and research institutes, and likewise for Party work in organizations in the non-public sector of the economy. We are now intensifying work in all of these areas. We demanded that all Party comrades rise to the tasks of running the government, carrying out reform and opening up, and developing a socialist market economy while simultaneously promoting reform and opening up and punishing corruption, and taking the resolution of issues of most concern to the masses as the starting point for a thorough battle against corruption. Moreover, we further clarified the guiding ideology, basic principles, distribution of work and leadership structure for the fight against corruption. As the result of a concerted effort by the entire Party from top to bottom, we constantly achieved results at each stage in the fight against corruption and maintained the momentum of healthy development. The fight against corruption inside the Party is now proceeding mainly on three fronts: clean governance and self-discipline among leading cadres, the prosecution of major cases, and the correction of unhealthy practices in departments and industries. We created an anti-corruption leadership structure and working mechanism consisting



of unified leadership by Party committees; joint supervision by the Party and the government; organization and coordination by commissions for discipline inspection, with each department being responsible for itself; and reliance on the masses' support and participation. Our approach to this work is to strategically create a master plan, tactically deploy it in stages, and win a significant victory through the accumulation of many small victories. We made it clear that it is essential to steadfastly address both the root causes and symptoms of corruption, with education as the foundation, the legal system as the guarantee and oversight as the key. We resolutely made major policy decisions, such as prohibiting the army, the armed police force, and procuratorial, judicial and public security organs from continuing to engage in commercial activities; requiring Party and government organs to decouple from all enterprises in operation; separating control of revenue and expenditures; requiring bidding for contracts; and setting up a government procurement system in order to prevent and contain corruption at the source. We investigated and dealt with serious criminal cases involving a number of high-level leaders. As the result of the concerted efforts of the entire Party from top to bottom and the support of the masses over the last decade, together with the four-pronged approach of strengthening education, intensifying oversight, improving systems and deepening reform, we obtained significant results in improving Party conduct, upholding incorruptibility and combating corruption.

In short, we have achieved a lot in our work over the last decade. These achievements could not have been made without the solid foundation laid by the older generation of proletarian revolutionaries such as Chairman Mao and Comrade Deng Xiaoping, the collective leadership of the Central Committee, and the hard work of the entire Party and the people of all our country's ethnic groups. These achievements were hard won, and the experience we gained is very valuable. Making good use of the lessons learned during the last decade is of great and far-reaching significance for the cross-century development of the cause led by the Party. While fully affirming our achievements, we should also be clear about the deficiencies and shortcomings in our work. For instance, efforts to improve primary Party organizations, ideological and political work, organizational work and work among the masses have been lax and weak in some localities and departments. The problem of placing too much emphasis on material progress and not enough on cultural and ethical progress has still not been fully corrected

in some localities and departments. There is a serious problem of negative phenomena and corruption continuing to exist in the Party and society. Solutions to some deep-rooted issues and problems in economic restructuring and development have not yet been found. A great many people are facing great difficulties in their work and life. Regardless of the reasons for and sources of these problems, as General Secretary, I should bear the primary responsibility for them. Where they are due to shortcomings in our work, we need to resolutely remedy them. Where they are due to inadequacies in our work, we need to work hard to make up for them. Where they are due to problems in our work that have not yet been resolved, we must gather all our strength and do everything we can to resolve them immediately.

All comrades on the Standing Committee have uncovered inadequacies in their work of the last decade. Overall, they attended to their studies in earnest. Nevertheless, in the breadth and depth of their studies, in integrating theory with practice, and in making a thorough analysis of their work, there were varying degrees of inadequacy which sometimes had an impact on their work. They paid close attention to, were extremely vigilant about and promptly dealt with situations that could affect the fundamental interests of the Party and state and the overall situation of reform, development and stability. The emergence of the Falungong problem taught us a profound lesson. We heard about Falungong several years ago, but we were not as vigilant as we should have been. We were late in seeing the problem and we should take warning from this. In their work, every member of the Standing Committee adhered to the Party's principle of democratic centralism, was willing to listen to all sides and pooled a wide range of opinions, but sometimes, in their haste to solve problems, they did not work hard enough to solicit comments and suggestions. In resolving deep-seated conflicts on the road ahead and dealing with serious difficulties in our work, they sometimes lacked a pioneering spirit and did not solicit opinions broadly enough. Some comrades on the Standing Committee felt that they sometimes exhibited impatience, were subjective and one-sided and used oversimplified and rigid work methods. Although their intention at the start was to do good work and improve productivity, these things were not conducive to pooling everyone's wisdom and giving full play to democracy. Comrades on the Standing Committee often traveled around the country conducting inspection tours to better understand local conditions, and this resulted in a better understanding of many situations; however, for a variety of reasons, their understanding of local situa-

tions and the sentiments, demands and desires of the masses was still not comprehensive enough, deep enough or specific enough. China is a very large and complex country, which makes it very difficult to get a clear and accurate understanding of every situation. When carrying out such inspection tours at the primary level, there are still the problems of not meeting the requirements to travel light with a small entourage and struggle arduously. We have all indicated that we will work diligently on these problems, earnestly correct them and strive to improve ourselves for the sake of the cause of the Party and the people.

As part of our participation in the “three stresses,” comrades on the Standing Committee reviewed and analyzed the experiences and lessons of the political disturbances of 1989.

In the late spring and early summer of 1989, China experienced serious political disturbances. With the unified support of Comrade Deng Xiaoping and other proletarian revolutionaries of the older generation, we took decisive measures to quell the disturbances, thus preserving the leadership position of the CPC, maintaining political and social stability in China, and creating the necessary conditions for sustained progress in reform, opening up and modernization. Comrade Deng Xiaoping made an incisive analysis of the causes of the political disturbances. He pointed out that these disturbances were bound to occur sooner or later due to the international climate and the climate in China. Internationally, hostile forces were following a strategy of trying to transform socialist countries through peaceful evolution toward capitalism. Domestically, bourgeois liberalization was spreading. In addition, the masses vehemently opposed corruption and supported the slogan “oppose corruption and put an end to official profiteering,” but did not see through the dangerous political intentions of hostile elements. As a result, some people joined them.

The political disturbances reached such a serious stage only because of problems within the Party. Zhao Ziyang, then General Secretary, made the mistake of splitting the Party and supporting the unrest. This is the main reason why the unrest escalated and became a riot. The easiest way to capture a fortress is from within. Hostile forces of all kinds have always pinned their hopes on the possibility that cracks would appear in our Party’s leadership and divide our leaders into different camps. They have ulterior motives for this. The solidarity and unity of the Party, especially within the Political Bureau of the Central Committee and its Standing Committee, are the decisive factors that prevent international hostile forces from West-

ernizing and dividing the country. We have always taken a distinctive and unambiguous stand on those political disturbances. On various occasions, both in China and abroad, we have consistently stated that if we had not handled the disturbances resolutely and correctly, then China would not be as stable and prosperous as it is today. The various forces hostile to China have been denied any opening because the Central Committee has always taken a firm and clear stand on this issue.

Comrades on the Standing Committee believe that as long as we always uphold the leadership of the CPC, implement the correct line, principles and policies, continuously develop the national economy and improve people's lives, we can avoid large-scale disturbances like those experienced in 1989. All Party comrades, especially high-ranking Party cadres, must always uphold the Party's communist ideals and socialist convictions, and intensify their efforts to complete all their work related to economic development, social stability and Party building. Such work provides the fundamental guarantee for preventing incidents such as the political disturbances of 1989 from occurring again. Nevertheless, we absolutely cannot let down our guard. The political conspiracy of international hostile forces to Westernize and divide China has not changed. As the result of our work over the last decade, the influence of bourgeois liberalization has been greatly reduced, even though it has not been eliminated and still has its supporters. To be frank, there are some people who are still having a "crisis of confidence" when it comes to the CPC. In the early period after liberation, the people of the country upheld the leadership of the CPC and believed in the socialist road. However, due to the subsequent occurrence of "Left" errors and the disaster caused by the Cultural Revolution, the masses had complaints and some people began to question communist ideals and the socialist road. A great number of conflicts have arisen among the people and in society in the course of deepening reform. If we fail to appropriately and promptly resolve them, bad people might use them to aggravate the situation, which could lead to new disturbances. High-level Party and state leaders and all Party comrades must never treat this issue lightly, and they must remain highly vigilant and further improve all of their work.

## **II. Several Major Issues That Need to Be Studied Further and Solved Quickly**

The new century is upon us. China's development is at a critical junct-



ture. As the central collective leadership of the ruling party, we must always carefully and fully analyze changes in the international and domestic situations, fully analyze and correctly understand the major issues of overall, strategic and far-reaching significance that are facing China's reform and development, and promptly formulate effective policies and measures that facilitate continuous progress in our cause.

In a number of forums we have held as part of the Standing Committee's participation in the "three stresses," many good comments and suggestions have been made. Comrades on the Standing Committee have carefully reviewed them and need to diligently study each of them. We will immediately implement those that can be implemented, and promptly study and discuss those that require more study and discussion. The key is to concentrate on major and important matters that have a bearing on the overall situation. If we fail to consider or insufficiently consider such matters and fail to deal with them or do so inadequately, it will affect the overall situation and result in lost opportunities, and although we work hard and tirelessly on our regular work, we will prove ourselves unworthy of the great trust the Party and people bestowed on us. Comrades on the Standing Committee expressed their views on some major issues related to the overall work of the Party and government during the "three stresses" campaign. Below, I would like to briefly talk about some of my thoughts on these issues and sum up the opinions of the comrades on the Standing Committee.

First, we need to work hard to improve the Party's ideology, organization and work style. Doing Party-building work well is the key to leading all the people of the country in overcoming all types of difficulties and risks on the road ahead and achieving our grand objectives. This is something both Chairman Mao and Comrade Deng Xiaoping consistently emphasized, and it is a basic lesson that the Party has learned from leading the people through the long course of revolution, construction and reform. There are still many areas where Party building falls short of what our new situation and tasks require. There are also many major problems within the Party in terms of ideology, organization and work style that are not compatible with and are even contrary to the interests of the Party and the people. We cannot take these problems lightly.

How can we ensure that our Party always maintains its nature as the vanguard of the working class and better represents the fundamental interests of the overwhelming majority of the people as we develop a socialist

market economy? This is a major theoretical question related to strengthening Party building under the new historical conditions as well as an important practical issue. Our Party building can make better progress only if we correctly answer this question.

The Party now has over 63 million members, and properly supervising such a large team is no easy task. If our supervision is lax and negligent, problems will surely arise, possibly even major ones. In June 1989, we noted that the strength and role of the CPC are not primarily dependent on the size of its membership but on its quality. The relationship between quantity and quality is a dialectical unity. Without quantity there is no quality. However, if the quantity is too large, then uniform standards cannot be maintained and quality will be adversely affected. The relationship between quantity and quality is also present in the membership of the Party. A very large membership is bound to make supervision more difficult. Total Party membership was 4.49 million in 1949, accounting for 0.83% of China's total population. By the end of 1998, Party membership had increased to more than 61 million, accounting for over 5% of the total population. Of course, a large number of new forces joining the Party is a good thing, but at the same time we must pay close attention to improving the education and supervision of Party members in order to continually raise their overall quality. Primary Party organizations are the cells of the Party. If the cells undergo pathological changes, then the Party body as a whole cannot be healthy, and this could even lead to complete collapse. Long ago, we noted the need to prevent the base from becoming unstable and threatening the stability of the whole Party. Our most urgent and important task is to fundamentally correct weakness and laxity in some primary Party organizations. The key to having a clear and comprehensive picture of the situation at the primary level and tailoring our guidance in line with local conditions is to establish sound systems and mechanisms to ensure the healthy development of primary Party organizations. If these organizations are allowed to remain ill-disciplined, weak, lax, and paralyzed or partially paralyzed for long, and if they fail to function as the political nuclei and bastions of the masses, what is to be gained by increasing the number of Party organizations and members? It would inevitably have an adverse effect on the Party's role, reputation and image among the masses. The strength of the Party is based on its quality; it cannot just look good and exist in name only. Even more importantly, the Party cannot allow members to be there just to make up the number. First of all, we must be strict about qualifica-

tions for joining the Party and strictly adhere to standards, maintain quality, improve the structure and be prudent when recruiting new Party members. We need to adhere to the principle of running the Party strictly. In addition to doing our education work well, we need to take measures to deal with Party members who truly do not meet the standards for Party membership. We cannot keep them in the Party. This is the only way to create a mechanism for ensuring the vitality of Party membership. Effectively supervising more than 63 million Party members is a new and serious problem facing Party building, one that we have never faced before. Party building must begin with the supervision and education of primary Party organizations and every Party member and cadre with regard to ideology, work style, organization, and discipline. We must work tirelessly in these areas.

Our Party is in an important period of large-scale replacement of old cadres with new ones, and we must seize the opportunity to train tens of thousands of young cadres in order to produce large numbers of young mid- and high-ranking leading cadres. In particular, we must work even harder to foster a group of statesmen who are loyal to Marxism, who adhere to the path of socialism with Chinese characteristics and who can run the Party and the country in a way that ensures that the socialist cause founded by the older generation of proletarian revolutionaries is handed down from generation to generation, that China's socialist modernization will achieve final success, and that the Party and the country enjoy lasting political stability. Comrade Deng Xiaoping was very concerned about this issue when he was still with us. He often talked about it and thought very deeply about it. History has now turned this task over to us. I have done a lot of thinking about this issue, and sometimes I cannot sleep soundly at night. It is immensely important to train and select a large number of people who have both moral integrity and professional competence to carry forward our cause. In nature there are unexpected storms, and in life there are unpredictable vicissitudes. The waves of the Yangtze River from behind drive on those before, and each new generation replaces the one before it. This is an objective law. To ensure that our socialist country never changes its nature, and that our Party and country always enjoy thriving development, we need to rely on institutions and the rule of law, but in the final analysis, we must rely on high-quality personnel who can pass all kinds of tests. Both institutions and the rule of law require people to formulate, implement, comply with and safeguard them; therefore, in this fundamental sense, people are the ultimate determining factor. Leaders at all levels,

especially members of the Standing Committee and the Political Bureau need to attach great importance to the work of fostering and selecting young cadres and place their hopes on young people.

The trend toward diversification in economic sectors, forms of organization, types of employment, interests and forms of income distribution in our society will continue in the future. Amid these new historical conditions, how to always ensure that all Party comrades safeguard and strengthen the Party's firm solidarity and high level of unity in accordance with the Party's objectives is an extremely important practical question that we are facing in the new period. One such specific issue is how well Party organizations and cadres at all levels correctly balance the interests of all with those of some while fully and completely implementing the line, principles and policies of the Central Committee. Another is how to strengthen the education and supervision and make full use of Party members among the floating population and of Party members and cadres employed in the non-public sector of the economy. Still another is how to make best use of laid-off workers from SOEs and Party members and organizations in enterprises that have gone bankrupt or gone out of business. The list goes on. All this requires further study so we can formulate a package of practicable policies and measures as soon as possible.

We not only need to tirelessly work to improve Party conduct, uphold incorruptibility and combat corruption, but we also need to continuously search for and set up truly effective oversight institutions and mechanisms for this work. In a number of large and major cases that have been uncovered in recent years and months involving leading cadres, the seriousness of the crimes and the huge amounts of money involved are astounding. These cadres were brought down by sugar-coated bullets in the form of money and sex, exchanging political favors for money and sex. They were so blinded by greed and obsessed with lust that they were extremely audacious and absolutely lawless! Institutionally, the greatest problem is that there are no genuinely effective oversight and supervision institutions, and the higher their rank, the harder it is to oversee and supervise them. We must do more to solve this thorny problem in terms of institutions and mechanisms. Leading cadres need to place strict requirements on themselves, resist corruption and never be tainted by its stain, and they also need to strictly educate and supervise their relatives and staff. In this regard, we need to continue to implement and constantly work to improve existing institutions while promptly establishing needed ones. This is an



urgent matter. Leading cadres at all levels must clearly realize that improving Party conduct and upholding incorruptibility have a direct bearing on the very survival of the Party, and they must never neglect this fact. At the same time, we should be aware that the existence of corruption is a long-term social and historical phenomenon present in many societies ancient and modern, Chinese and foreign. There is no way to wipe it out completely, but we must tirelessly combat and limit it as much as possible. There are several key aspects to this fight. One, law enforcement must be strict; oversight, particularly proactive oversight, needs to be strengthened; the points at which oversight is exercised need to be moved forward; and oversight concerning some problems needs to be changed from passive oversight after the fact to proactive efforts aimed at preventing problems. In addition, the enforcement of laws and discipline must be strict; cases must be investigated and prosecuted promptly, and guilty corruptionists must be punished severely; otherwise it will be impossible to curb corruption and difficult to convince the masses we are serious. Two, leading cadres, especially high-ranking ones, must lead by example. The power of leading by example is endless. We leading cadres on the Central Committee must first set an example for the whole Party. Three, we need to increase efforts to solve the problem at the root and constantly strengthen the ideological and political education of leading cadres and explore and create a set of effective measures to provide ideological and political education in light of our new conditions and new issues. In addition, we need to deepen reform, constantly eradicate the conditions that breed negative phenomena and corruption, and comprehensively deal with both the symptoms and roots of the problem. Everyone reports that the “three stresses” education campaign has been excellent. We need to conscientiously learn from this experience, consolidate and expand upon our results and use them in our regular Party-building work. In short, we should strive to improve the Party by making its organization tighter and its actions more concerted, along with making it more united, powerful, and dynamic.

Second, we need to promptly find solutions to major issues arising in economic restructuring and development. If we want to establish a relatively complete socialist market economy while maintaining sustained, rapid and sound national economic development between now and 2010, we must urgently address major strategic issues with overall and long-term significance for economic development.

China’s longstanding shortage of commodities has basically been re-

solved, which is a truly great accomplishment. Nevertheless, in the face of structural surpluses in the current stage existing side by side with considerable untapped potential in the domestic market, plus inadequate demand for many commodities coupled with an over-reliance on imports of certain products, especially key technical equipment, we must resolutely address serious problems such as the irrational economic structure; otherwise it will be very difficult for us to achieve new and greater development. After we enter the WTO, the challenges facing our economic development will be even greater; therefore, we must make a greater effort to do this work well. The fundamental way to resolve these problems is through development. In carrying out development, we must balance scale and structure, quantity and quality, and speed and results. We cannot continue to make the mistakes we have repeatedly made in the past, such as blindly pressing ahead, recklessly expanding production capacity and building redundant projects. Such unwise practices violate economic law, are divorced from objective reality, ignore the interests of the people, and must not be repeated.

Deepening research and striving to solve problems in our country's economic restructuring is already a top priority. If we do not promptly complete these tasks we will lose ground when faced with intense international competition in the future. Naturally, economic restructuring cannot be accomplished all at once. It is a process that requires overall planning and will take three to five years or more. Comrades on the Standing Committee believe that, on the basis of our own previous positive and negative experiences and the insights provided by other countries' economic restructuring mainly based on the alliances between strong enterprises, we should perhaps focus economic restructuring efforts in the following areas. One, we should adjust the irrational structure that has resulted from redundant projects in the past. Two, we should adjust the composition of industries and products that are outdated and too dispersed for economies of scale. Three, we should adjust the composition of industries and products to curtail excess production capacity for products that have no market. Four, we should use advanced and high technology to upgrade traditional industries and adjust and transform the economic structure of old industrial bases to gradually make them into industrial bases for new equipment using new and high technologies. Five, we should promote a rational distribution and the balanced development of regional economies. Six, we should seize every opportunity to accelerate the development of selected new- and high-technology industries. Seven, we should give high priority to developing

tertiary industry, and correctly balance technology- or capital-intensive industries with labor-intensive industries in order to constantly improve labor productivity and appropriately resolve the employment problem. In short, we need to orient the composition of our industries, products, technology, enterprises and employment in the direction of socialized mass production and specialization of production. In the process of restructuring, we need to pay particular attention to making good use of the basic role of the market in allocating resources and resist returning to the old methods and models of the planned economy. A great deal of past redundant development was generated by methods rooted in the planned economy, and many irrational, redundant development projects were undertaken because of the method of having leaders at multiple levels approve projects. If we continue to take this kind of unscientific approach to restructuring, not only will it be difficult to resolve existing structural problems, but it may also create new problems and ultimately lead to losing sight of the intended purpose of restructuring.

In the face of ever more intense global market competition, we must depend on advances and innovations in science and technology, improve our capacity for independent innovation and make breakthroughs in technological development in order to strengthen the capacity of the Chinese economy for sustained development, improve its ability to withstand all types of risks and ensure its long-term development. We need to strongly promote development of the national knowledge innovation system; select a number of areas that have great capacity for promoting economic and social development, safeguarding national security, and increasing our productive forces and overall national strength; and concentrate our efforts and coordinate our actions to tackle key problems and make major breakthroughs in these areas. We particularly need to increase innovation in basic and key new and high technologies; speed up the development and application of high-tech industries, especially strategically important emerging industries; and energetically foster new growth areas in the economy. At the same time, we need to accelerate the conversion of advances in science and technology into actual productive forces. There can be no modernization without strict scientific management. Scientific management encompasses not only the management of government affairs and economic, social and cultural programs, but also the management of all trades and professions as well as departments. The gap in modernization between China and developed countries is not necessarily reflected in specific development

projects, but in the level of management. We must place strengthening and improving management throughout society at the top of our agenda and genuinely set up institutions and mechanisms for strict scientific management in all areas.

We already have a system of multiple forms of income distribution with primacy given to distribution according to work, and the phenomenon of egalitarianism with “everyone eating from the same big pot” has been greatly reduced. However, there are still some outstanding issues in this area that need to be solved as soon as possible. Resentment among cadres and the masses over this problem has now become quite intense. The main existing problems are as follows: One, in some localities and departments, the distribution of the national income is now excessively tilted toward personal income. Two, although the salaries of personnel of Party and government bodies at all levels are prescribed by standard scales, in practice, some irregularities have emerged, sometimes even leading to chaos. Three, regulation on the incomes of employees of individually owned, private, and overseas-funded enterprises, and other high-income individuals is ineffective, resulting in large loopholes. Four, embezzling public assets and using tax evasion and power to produce huge amounts of illegal income have become serious in some localities, departments and industries. If these problems are not urgently addressed, they will become not only economic problems, but major political and social problems as well. If every department, locality and organization has its own unauthorized departmental coffers, this will lead to departmental and local protectionism, local policies trumping central government policies, ignored government decrees, and the breeding of corruption. Comrade Deng Xiaoping was always greatly concerned about the issue of income distribution. It was his idea to allow some regions and some people to prosper first so they could lead the rest to prosperity, eventually achieving prosperity for all regions and all people. China is now in the primary stage of socialism and will remain so for a long time to come. We must therefore adhere to and improve the basic economic system whereby public ownership is dominant and economic entities under diverse ownership forms develop side by side. This in turn makes it necessary to uphold and improve the system whereby distribution according to work is the main form of distribution and multiple forms of distribution coexist. On the one hand, we need to give high priority to efficiency with due consideration to fairness in order to help optimize resource allocation, promote economic development and preserve



social stability. On the other hand, we need to constantly improve the lives of workers, farmers, intellectuals and cadres as the economy develops in order to gradually achieve prosperity for all. Combining the distribution of income based on work as the main form of distribution with distribution based on production factors inevitably produces differences in the incomes of different members of society. Differences are always present, and society develops around contradictions. To resolve the problems in income distribution, we can no longer practice egalitarianism with “everyone eating from the same big pot.” The fundamental solution is to adapt to the requirements for developing a socialist market economy, introduce mechanisms for competition and gradually solve such problems by actively promoting development. In addition, we need to adopt corresponding policies and measures to safeguard legal income, regulate excessively high incomes, eliminate illegal income, prevent excessive disparity in income distribution and fully mobilize the enthusiasm of cadres and the masses.

We need to adopt truly effective policies and measures, fully leverage the strengths and advantages of each region, and promote balanced regional economic development. The coastal regions have the conditions to develop faster than other regions, and they should seize opportunities to continue accelerating their development. This will help to ensure and enhance the financial strength of the country. Continued growth in the country’s financial strength will make it possible to better support development in the central and western regions. In the process of accelerating their development, the coastal regions should also strongly support development in the central and western regions. When promoting balanced regional development, we must avoid returning to the old ways of the planned economy, and instead should make full use of the role of the socialist market economy.

As a major agricultural producer, China must always strengthen and consolidate agriculture as the foundation of the national economy. For a long time, we were plagued by agricultural shortages. Thanks to the hard work of the entire Party and the whole country on every level over a long period of time, we have solved this problem. This is a truly great achievement. However, all Party comrades must be very clear about one thing: Bumper harvests and an ample supply of grain do not mean that the agricultural base is strong, and we must guard against the tendency to overlook agriculture. An agricultural downturn could put all our economic work in a passive position. China has a population of over 1.2 billion; therefore,

we must never neglect grain production. The difficulty of marketing agricultural products and the sluggish growth in rural incomes due to changes in supply and demand are the biggest problems now facing agricultural and rural economic development. We need to continue to keep the Party's policy on the countryside stable, deepen rural reform, and focus on restructuring agriculture and the rural economy to improve all aspects of their quality and performance and increase farmers' incomes. Restructuring agriculture and the rural economy is currently the core task in agriculture and rural work. The general requirements, under the premise of not relaxing grain production, is to adjust the mix of agricultural products; actively develop diversified production, township and village enterprises and tertiary industries in rural areas; and closely link up scattered farm households with large markets. We need to vigorously develop high-yield, high-grade, high-efficiency agriculture; develop the processing and conversion of agricultural products; raise the quality of agricultural products; and support the industrialization of agricultural operations by following a strategy of invigorating agriculture through science and education and making good use of the role of market forces. There is still a great deal of potential in this area. In addition, we need to intensify the construction of agricultural and rural infrastructure, improve agricultural production conditions and the rural ecological environment, and steadily increase overall agricultural production capabilities. We need to promptly optimize the distribution of agricultural production among regions, rationally adjust regional structures and develop distinctive agricultural undertakings. In ecologically fragile areas, we need to return farmland to forests, grasslands and lakes in a planned and step-by-step manner to improve the ecological environment. In carrying out this work, we need to tailor solutions to local conditions and avoid imposing uniformity.

The central leadership has decided to step up SOE reform and development, implement the strategy of large-scale development of the western region, develop small cities and towns, ensure steady and sound financial operations, and improve the ecological environment. We need to pay close attention to the issue of water. Floods have always posed a grave danger to the Chinese nation, but water shortages are an increasing constraint on China's agricultural as well as economic and social development. We need to increase efforts to resolve severe water shortages in some regions. The overall requirements are to find new water sources and to conserve water consumption, with emphasis on conservation. We need to take a long-term

perspective, consider all factors, make comparisons and choices scientifically, make detailed plans, and promptly build major water conservancy projects that affect the national economy and the people's livelihood. Improving the ecological environment is a major undertaking that will enrich the Chinese nation and the descendants of the Chinese people for generations to come; therefore, we must always make it a high strategic priority.

Effectively improving the social security system is not only a pressing requirement for accelerating restructuring and deepening economic reform, but also an objective requirement for safeguarding social stability and maintaining the long-term political stability of the country. The key is to resolutely raise funds for social security through multiple channels using methods such as budget restructuring. In addition, we need to improve the social security system, reform the system for managing social security funds, and build a social security system with Chinese characteristics.

Faced with the ongoing trend of economic globalization, we need to actively participate in it while at the same time skillfully protecting ourselves and striving to turn disadvantages into advantages. It is particularly important that we keep critical areas of the economy and the intellectual property rights for certain key new and high technologies firmly under government control. We need to fully take into consideration the new opportunities and challenges our economy will confront after China enters the WTO and formulate policies and measures to maximize gains while minimizing losses. We need to give high priority to making enterprises more competitive, deal with each industry individually, develop effective measures to improve all areas ranging from product development and production technology to management, and diligently implement those measures. At the same time, we need to conscientiously work out measures and methods to safeguard the country's financial and economic security under the new, more open conditions. We need to complete these tasks so we are prepared for any contingency.

Third, we need to promptly carry out the Party's ideological and political work under the new situation. The exposure of the Falungong problem taught us a profound political lesson. We absolutely cannot underestimate the harm this evil cult has done to the Party, the country and the people. As I have said a number of times, if Marxist and proletarian ideology does not prevail in the field of ideology, then non-Marxist, non-proletarian, and even anti-Marxist ideology will. We cannot discriminate on the basis of ideology in carrying out foreign relations and will not try to export our

ideology to other countries. Nevertheless, at home, we must maintain and strengthen the guiding role of Marxism in the field of ideology. Our guiding ideology must not be diverse. Western countries have never allowed Marxism to occupy a dominant ideological position. On this major issue of principle, we must be very clear and not naïve. As we open the country to the outside world and develop a socialist market economy, the ideological and political struggle will be long and complex, and sometimes it will be severe. If we do not promptly and effectively complete this important work that has a direct bearing on the future and destiny of the Party and the country, we will be making an unforgivable historical mistake. In such a case, this red country, for which millions of martyrs spilled their blood and sacrificed their lives, could one day change its nature, and we could lose our lives without knowing how it happened.

We should immediately organize a force to comprehensively and systematically conduct research and analyze the current ideological and political situations. We should fully affirm our accomplishments and the lessons we have learned from experience and pay close attention to unsolved problems. First, we should identify tendentious problems, second, analyze the cause of these problems, and third, develop solutions to these problems and implement them. We should fully analyze and elucidate ideological and political problems in terms of the past and the present, in connection with the international and domestic situations, and from subjective and objective viewpoints. Problems should not be oversimplified; we should not take things out of context, and we should pay close attention to drawing lessons from our experience. Erroneous ideological and political viewpoints that do not comply with the reform and opening up policy or are contrary to the Four Cardinal Principles should be criticized and corrected as soon as they are discovered, and we must energetically carry out an ideological struggle against them and not let matters slide. Of course, criticism cannot be arbitrary. We need to lay out the facts and use good reasoning so people understand the nature of their errors in order to dispel their influence. It was on account of these considerations that I brought up the problems related to the rise of the Falungong and the crisis of confidence in the Party, and called for a thorough historical analysis of them in the context of the damage caused to the country by the Cultural Revolution as well as the changes that have taken place in our work and environment since the adoption of the reform and opening up policy. In summary, with regard to ideological and political problems, we need to adhere to the principles set



out by the Central Committee since the Fourteenth National Party Congress, stay clear-headed, observe calmly, get a clear grasp of trends, have a clear idea of the situation, correctly assess the situation and prudently handle problems. When addressing academic issues, we need to adhere to the principle of letting a hundred flowers bloom and a hundred schools of thought contend, discuss issues on an equal basis and learn from each other. For issues related to political principles and orientation, we must make our views clear and clearly differentiate between right and wrong. We must enforce strict discipline in the area of publicity and not give erroneous ideas a platform from which to spread.

Now, some Party members and cadres' beliefs about communist ideals and socialist convictions have become fuzzy and even shaky. Some leading cadres do not fully understand the importance of ideological and political work. They do not work hard enough and formalism and dogmatism are rife. Concerning major problems involving the line, principles and policies of the Party, there are still some discordant voices and some individuals have even openly advocated privatization and published erroneous articles in newspapers, periodicals and books expressing distorted versions of Party history and slandering Chairman Mao and the fine traditions of the Party. In addition, a great deal of gossip and political rumors have appeared in minor newspapers and periodicals as well as on the Internet. We should study these problems one by one, adopt measures, and strive to resolve them. We need to get a firm grasp of the correct orientation of public opinion and comprehensively, accurately, and thoroughly publicize the Party's line, principles and policies. We need to strengthen our supervision over the fields of publicity, ideology and culture, including supervision of newspapers and periodicals, especially minor publications, books, television and film, the Internet, and other media. All publicity and cultural work should adhere to the principle of promoting material as well as cultural and ethical progress, and improving the people's lives culturally and ethically. Publicity and education departments should organize and guide a large number of writers, artists and science promoters; gather together source material and draw nourishment from the frontline of socialist reform, opening up and modernization; and create high-quality intellectual, cultural and ideological works to meet the requirements for raising the intellectual, cultural and ideological level of the people. We need to effectively and thoroughly launch activities to promote cultural and ethical progress among the masses; carry out extensive publicity and education to spread a

scientific worldview and methodology in order to create a healthy social atmosphere, one that is characterized by a respect for science, an opposition to superstition and ignorance, and resistance to all kinds of vile and evil ideas; continuously raise the ideological and moral standards of the masses; and establish good cultural and ethical practices.

When strengthening and improving ideological and political work, we need to focus on the primary level. We need to carefully investigate and study trends in society as well as the new situations and changes in the way people think, and successfully carry out well-directed ideological education and guidance work. Shouting empty slogans, making superficial efforts and just skimming the surface will not produce results. The content of ideological and political work must be relevant to the masses, its starting point must be the issues that are of greatest concern to them and have the greatest impact on their immediate interests, and the work must speak to their hearts. We need to work hard to build a contingent of personnel who can share the same feelings with the masses, who can toil with them all day long, and who are good at ideological and political work at the primary level.

In developing a socialist market economy and building socialism with Chinese characteristics, we not only need to institute an appropriate socialist legal system, but we must also create a society-wide system of socialist ideology and ethics. Many people throughout China's history advocated the simultaneous use of ethics and the law, that is, a combination of ideological education and legal enforcement. Laws are rules imposed by others and morals are rules imposed on oneself. The level of governance of a society is closely related to the people's ideological and moral standards. Confucius said, "Guide the people by law, subdue them by punishment; they may shun crime, but will be void of shame. Guide them by example, subdue them by courtesy; they will learn shame, and come to be good."<sup>36</sup> Governing a country is a complex systems engineering project, and all factors must be taken into consideration in a multi-pronged approach. Western developed countries have a capitalist market economy and they each have their own legal system to regulate the market as well as a set of moral standards for a capitalist market. We are developing a socialist market economy; therefore, we must establish moral standards for a socialist market.

In short, we must only strengthen, and not weaken, our Party's ideological, political, publicity, organizational and mass work, particularly our work to improve primary Party organizations. We must work tirelessly to

do all this. In addition, we must research in depth the new features, methods and content that our ideological and political work should have in the new period and genuinely come up with new, systematic approaches. This is the only way we will be able to innovate and make progress.

Fourth, we need to do the Party's ethnic and religious work well. We must greatly strengthen this work given the current international and domestic situations. Looking at the current situation, the separatist activities of the Dalai Lama clique are a serious threat to the country's security and unity. Inside and outside China, ethnic separatists have been brazenly staging violent terrorist incidents in Xinjiang, and there is greater collusion among separatist forces calling for Taiwan independence, Tibet independence and the creation of an "East Turkistan"<sup>37</sup> which has stirred up trouble and unrest. All this requires that we greatly heighten our vigilance. We must firmly nip in the bud all activities attempting to split the motherland and disturb social stability in the name of ethnicity or religion. This is an important lesson we have learned in the course of safeguarding social stability. At the same time, we need to vigorously promote economic development and social progress in ethnic minority areas to lay a firm material foundation for safeguarding their stability and strengthening ethnic solidarity. We need to work harder to train young and middle-aged cadres from ethnic minorities who are armed with Marxism and who can maintain a correct outlook on ethnic issues and religion. Ethnic solidarity is an important guarantee for the development and prosperity of the country and the satisfaction of the people with their work and lives. Conversely, should one area be hit by separatist disturbances, it would bring a great disaster down upon the whole country and nation.

We need to guide all Party comrades to diligently study and fully understand the viewpoint of historical materialism, vigorously disseminate atheist ideology and steadfastly use the Marxist outlook on religion to educate people of all ethnic groups. We need to resolutely implement the Party's religious policy and do all our religious work in accordance with the law. We need to protect citizens' freedom of religious belief, adhere to the principle of allowing regions to run their religious affairs independently, and not allow interference from any foreign religious forces in accordance with the law. We need to adhere to the principle of separation of church and state. No religion has privileges that supersede the Constitution and laws of the country, and none can be allowed to interfere with the country's administrative, judicial or educational functions. We need to actively guide religions

to adapt to socialist society.

Fifth, we need to promptly formulate and institute a “go global” open strategy. We often say that China is a large country with abundant resources. But with such a large population, the country’s per capita resources are limited. We must vigorously open up international markets and utilize foreign resources to help stimulate and maintain the momentum of China’s economic development.

We should be fully aware that investing and building factories in other countries in a planned and step-by-step manner and establishing economic and technological cooperation with other countries, especially developing countries, is an important strategic measure that affects the overall development and future of the country in the same way the large-scale development of the western region does. “Going global” and “bringing in” are two complementary and indispensable aspects of the country’s basic policy of opening to the outside world. During the past 20 years we focused on the latter, bringing in foreign capital, technology, personnel and managerial expertise, which was entirely necessary. If we had not first brought these things into China, it would have been difficult to raise the level of our products, technology and management and it would have been impossible to go global. The situation today is different from that of 20 years ago. Our economic level has improved greatly; we should go global and we have the conditions to do so. Only by boldly and energetically going global can we rectify the inadequacies in our domestic resources and markets; export our technologies, equipment and products and create the conditions for importing newer technologies and developing emerging industries; gradually build our own multinational companies to facilitate better participation in global economic competition; and better promote economic development in developing countries and build up an international force to oppose hegemonism and power politics and safeguard world peace. On this issue, we not only need to take our current conditions as the starting point, but also need to bear in mind the long-term development and security of the country. Considered from any angle, strengthening cooperation with other countries is a major strategy, one that we should waste no time arranging and implementing.

Whether we are opening up international markets or making use of foreign resources, we must always implement the strategy of diversification. Opening up markets in Europe and the United States is difficult, partly because Western countries have adopted a number of measures to



protect their own markets, and partly because our technological level and the quality and competitiveness of our products are not very high. Nonetheless, we do have bases in those markets, and we must continue to raise the quality of our products and to open up markets in Europe and the United States. At the same time, we must continue to open up markets in developing countries in Asia, Africa and Latin America. The economic development level of these countries is fairly low, and China's technology and products are appropriate for them. Besides that, they have vast markets and plentiful resources. We should carefully organize our enterprises, especially large and medium-sized SOEs, to open up markets in those countries and develop trade and economic and technological cooperation with them. We must improve our supervision of activities for investing, building factories and developing trade overseas. We need to promptly formulate a set of laws and regulations as well as policies and measures for this purpose. We also need to effectively improve the supervision of individual investors and private companies investing and doing business overseas. We must strictly prevent fraudulent activities to avoid international disputes and damage to China's reputation.

The tendency of Western powers to use slogans like "human rights taking precedence over sovereignty" as a pretext for flagrantly interfering in the internal affairs of other countries is becoming increasingly pronounced. We need to improve cooperation and coordination in all relevant aspects of our diplomatic and foreign relations work, and wage a tit-for-tat and tactical struggle against this tendency. We should thoroughly develop prospective and predictive research on major international issues in order to improve our ability to respond to and deal with major international emergencies and safeguard our fundamental interests and national security.

Sixth, we need to promptly carry out preparatory work for the early resolution of the Taiwan question. The Hong Kong and Macao questions have now been resolved, leaving resolution of the Taiwan question squarely before us. We need to do more to study and understand the internal situation on the island of Taiwan so that we can promptly respond to any developments and take the initiative. "Peaceful reunification and one country, two systems" are the basic principle for resolving this question. In view of political and strategic considerations, we have stated that we should set a timetable for resolution of the Taiwan question because it cannot be protracted indefinitely. The "two states" statement promulgated by the leader of the Taiwan authorities is the inevitable result of his decade of

secessionist activities, and he will not repudiate it. The strategic attempts of some Americans to use the Taiwan question to pin down China are not likely to cease. We need to urge the United States to abide by the one-China policy and their commitment of not giving Taiwan the three types of support. We must be vigilant and prevent the United States from incorporating Taiwan into the Theater Missile Defense system and from providing more advanced weapons and equipment to Taiwan or assisting it to produce them itself. We must effectively intensify our work with the Taiwan people in order to win their hearts. This is of great significance to the final resolution of the Taiwan question.

At present it looks as though peaceful reunification will not be easy to accomplish. The secessionist forces advocating Taiwan independence are traveling farther and farther down the secessionist road. The Taiwan authorities have been purchasing and developing large quantities and many types of advanced weapons and equipment and sparing no expense to develop their armaments. They are doing this to indefinitely resist reunification in anticipation of a chance to achieve independence. Taiwan is holding a so-called presidential election and the United States is also holding a presidential election. These two events will add a certain amount of uncertainty to the Taiwan situation. We should now intensify efforts to study and thoroughly analyze the various problems that could arise and (their probable consequences so we can take preventive measures. We must be ready to respond to complex situations and effectively and urgently strengthen national defense. I say urgently because we need to have a sense of urgency, to race against time, and to work round the clock. The more fully prepared and stronger our national defense forces are, the less likely the secessionist forces advocating Taiwan independence and foreign interfering forces will be to take reckless action and the greater the likelihood of peaceful reunification. We must strive for victory without firing a single shot.

Seventh, we need to pay close attention to the work of maintaining social and political stability. Maintaining stability and the unity of the whole Party and the people of all the country's ethnic groups is a prerequisite for ensuring smooth progress in our endeavors. We will be able to reach our goals in a planned and step-by-step manner only if we have stability. Without stability, we will accomplish nothing and our past accomplishments will be erased. In this sense, stability is of overriding importance. This is a basic lesson we have learned from experience.

We should be keenly aware that there are still many difficulties and

problems in the country that, if not handled properly, could affect China's overall stability. All Party comrades, especially leaders at all levels, must be alert to danger in times of peace. We need to attach great importance to resolving all types of practical problems afflicting the masses and be as resolute as possible and work as hard as we can to effectively help the masses resolve their problems. As for problems among the people that have emerged under the new circumstances, we need to differentiate between different cases, work carefully and thoroughly, take effective measures and solve problems promptly before they become acute, and in particular, prevent mass emergencies from arising. We need to strictly guard against and severely crack down on all types of criminal activities, and resolutely combat violent and gang-related crime and organized criminal activities in order to protect people's lives and property. We need to organize a force to thoroughly study new characteristics and means employed by hostile forces in their activities in the new circumstances and gain a full understanding of the main manifestations and patterns in the class struggle that continues in certain areas. Lately there has been a new development: Hostile elements at home and abroad have been colluding on a scheme to organize a "legal political party" or carry out a political plot under some other guise to organize a party. Actually they are trying to set up an opposition party as a rival to the Communist Party in China and ultimately overturn the leadership of the Communist Party and the socialist system. We must be highly vigilant against this kind of political ambition and react at the first sign of trouble. We must resolutely crush such attempts and never let down our guard. If we allow them to carry out their plans, there will be no peace for the Party and the country.

### **III. Further Strengthening the Work of the Standing Committee**

Comrade Deng Xiaoping had a great number of important things to say about the work of the Standing Committee. On May 31, 1989, he stated, "The new leading bodies we are about to form should be farsighted and broadminded. This is the most fundamental requirement to be met by our third generation of leaders."<sup>38</sup> On June 16 of the same year, he stated, "As long as we have a good Political Bureau, and a good Standing Committee in particular, and as long as the committee is united and sets an example by working hard to build the country and by combating corruption, it can withstand all kinds of trouble."<sup>39</sup> The Party and the people put us in

office, so we must make sure that we successfully pass on the relay baton we received from the elder generation of revolutionaries. In order to complete this historic mission, we must strengthen and improve the work of our Standing Committee, Political Bureau and Secretariat.

First, we need to improve our ability to study and make decisions concerning major issues. Whether or not the policy decisions and arrangements the Standing Committee makes are correct, and whether they are thorough are extremely important for the Party, the country and the people. The work of the Party and the country is complex, and we must be good at grasping the major issues and solving the main problems. The Standing Committee is concerned with the overall situation and orientation, so we must concentrate on strategic issues, overall guidance and macro policy decisions. Big or small, we cannot attend to everything at once. Once you seize hold of the key link, everything falls into place. If we handle the major issues of overall importance well, we will be able to do our work better.

Looking at our past praxis, we see that if we want to do a good job in this area, we must always adhere to the basic theory, line and platform of the Party in the primary stage of socialism; correctly balance reform, development and stability; and put the interests of the people first. We need to continue to study harder. We must attach great importance to study so we can keep a clear head, remain politically firm, control the overall situation, deal with complicated situations, grasp trends and keep up with the times. In this way we can be sure of maintaining a proper orientation for the work of the Party and the country, firmly eliminate all types of interference, make correct decisions, and ensure that the masses support us more sincerely. Once correct policy decisions are made, they must be implemented without delay. Although we have stressed this problem for many years, the results are still unsatisfactory. The key is to create a set of effective institutions and mechanisms for implementing decisions.

We need to constantly improve our leadership and work methods and study and give more consideration to matters of overall importance to the Party and the country. He who does not plan for the future finds trouble at his doorstep. In the future we need to appropriately increase the number of meetings to discuss principles rather than specific matters. We should limit our discussion to the principles of theoretical, practical and strategic issues at home and abroad, and everyone will be expected to express their views, inspire each other, expand their thinking and deepen their understanding. From time to time, we can also invite leaders of lo-



calities and departments to attend special forums. Meetings held by the Central Committee must have substantive topics, and meetings that are not entirely necessary should be avoided at all costs. Comrades of localities and departments have a heavy workload, and we need to consciously keep their situation in mind. The departments under the Central Committee and the ministries and commissions of the State Council should have a general plan for the number of meetings they convene to meet local leading comrades. The central leadership should continually reduce the number of documents it issues, including the documents these departments, ministries and commissions issue to lower-level bodies and the reports they submit to higher authorities. We must resolutely change the unhealthy practice of endless documents and innumerable meetings so that everyone can concentrate their attention on, discuss and address important issues. This will go a long way toward preventing bureaucratism, formalism and routinism. This effort should begin with the central leadership leading the way. "The King of Chu preferred slender women, so all his concubines nearly starved themselves to death."<sup>40</sup> Another problem is that all television stations and newspapers report too much on our activities as the country's leaders, but the public does not want to hear so much about us. When making investigative trips out of town or visiting other countries we should travel light with a small entourage everywhere we can. This should start with comrades on the Standing Committee leading the way by formulating a procedure for simplifying things as much as possible, for example, by limiting the length of reports. Please look into this matter.

Second, we need to uphold democratic centralism and safeguard and strengthen the unity of the collective leadership of the Standing Committee. History and reality, both ancient and modern, Chinese and foreign, all show that if the top leaders of a country or a party become divided, there will inevitably be serious consequences or even disasters. Comrades in our position must cherish and safeguard the unity of our collective leadership and the Party in the same way we cherish our own eyes. As long as we have unity in our central collective leadership, in the whole Party and among the people of all ethnic groups, we need not fear any difficulty or peril. Naturally, when we speak of unity we are not talking about everyone being on unprincipled good terms; rather, we are talking about a unity based on implementing the Party's basic theory, line and platform.

Comrade Deng Xiaoping once stated, "[W]hen major questions arise concerning policies and principles, all organizations, including the State

Council and the National People's Congress, should have their leading Party cadres submit those questions to the Standing Committee of the Political Bureau for discussion. After decisions are made, they should be discussed and implemented by the organizations concerned."<sup>41</sup> Collective leadership, democratic centralism, discussions of matters before meetings and decision making at meetings are all specific manifestations of our adherence to the principle of democratic centralism that everyone should conscientiously adhere to. All comrades on the Standing Committee have specific areas they are in charge of, and they should boldly take responsibility and do what needs to be done in accordance with the guidelines of the Central Committee. Any important policy decisions or other work should be submitted to the Standing Committee as a whole for discussion, so we can pool everyone's wisdom and better coordinate everyone's work. This is necessary to safeguard unity in the Party and ensure strict political discipline. It is unavoidable for disagreements to occasionally arise over major issues, but this is nothing to worry about. If agreement cannot be reached at once, the matter can be deliberated further. We will always be able to reach agreement for the sake of the Party's cause and the pursuit of truth. For matters that must be handled immediately, the minority should give way to the majority and individuals should yield to the organization so we can make decisive decisions. As long as we all take the cause and principles of the Party as our starting point, we can certainly do our work better.

Comrade Deng Xiaoping said long ago, "Democracy has to be institutionalized and written into law, so as to make sure that institutions and laws do not change whenever the leadership changes, or whenever the leaders change their views or shift the focus of their attention."<sup>42</sup> It is of the utmost importance that we adhere to and improve a full range of institutions that can assure that the leadership of the Party stays effective and that socialism continues to thrive, and that we use various means, such as laws, regulations, policies, discipline and education, to ensure strict compliance with these institutions. This body of scientific institutions should mainly include the Party leadership system, and all the country's specific leadership systems under the leadership of the Party, as well as the legal system that ensures these systems can operate effectively. Laws are very important. They are the embodiment of the will of the ruling class. China's socialist legal system is the result and embodiment of the practical experience of the Party in leading the people in revolution, construction and reform and an important component of the country's socialist system. We have a vast

amount of experience, and all of our praxes are not, nor could they be, immediately reflected in legal terms. Rather, we have to gradually transform mature conclusions drawn from praxis into laws that reflect the common will and interests of the people. In order to exercise supervision over areas of economic and social life, it is sometimes necessary for the State Council to formulate regulations. After these regulations have been gradually improved during the course of implementation, corresponding laws should be enacted. The CPC leadership and the socialist system comprise the most fundamental national institution. All principles and policies, laws and regulations, and disciplinary rules should play their role on the basis of compliance with this fundamental institution. The most important of our historic responsibilities is to uphold and improve this fundamental institution, and to pass it down and ensure it is adhered to generation after generation. We can ensure that the entire Party and country unite as one in making progress only if all areas and departments of the Party and country conscientiously uphold and safeguard this institution at all times.

It was Comrade Deng Xiaoping's decision to make me the core of the third generation of the central collective leadership. He said, "A collective leadership must have a core; without a core, no leadership can be strong enough."<sup>43</sup> Comrade Deng Xiaoping's thinking was profound. Leading such a large party, ruling such a large country and building such a large army require a solid and unified core. This is a rule of history. I have always maintained that a leadership core is not self-styled. Rather, as a matter of praxis, it must be formed, tested and refined in the course of struggle. As I have said, in order to do good leadership work at the Central Committee, one must depend very closely on the experiences accumulated by all Party comrades and the masses during the course of struggle, and on the central collective leadership. I have always stressed that we need to correctly balance the role of individuals and the collective, and in doing our work, we need to depend on the wisdom and firm unity of everyone involved, collective leadership, and the efforts of all Party comrades working together.

Third, we need to always put the cause of the Party and the people first. We occupy positions of leadership over the entire Party, so we must have firm ideals and convictions, be loyal to the Party's cause, selflessly devote ourselves to study and work for the sake of the country and the people, and set an example for the rest of the Party. The following three matters are essential for accomplishing this.

- 1) When we are doing our work, considering an issue or express-

ing our opinions, we must always put the Party and the people's cause first. We can never consider personal gain or loss in our work. Countless martyrs gave their precious lives for the birth of New China. Compared with their willingness to sacrifice their lives, what kind of personal interests can we not give up? I often quote from "Climb the Ramparts of the Stone City" set to the tune of *Nian Nu Jiao* by the Yuan Dynasty poet Sadul, "Our days were filled with drinking and revelry, / And suddenly our lives were spent. / The Qinhuai River, a silent witness to millennia of human regrets / Is tonight bathed in bright moonlight." We are Communist Party members and high-ranking Party cadres; therefore, we should have an even better understanding of the objective laws of nature and society and unselfishly do everything for the public good. The Party and people will pass fair judgment on us.

2) The most important criterion in judging everything we do and say at any time and under any circumstances should be whether or not our words and deeds accord with the fundamental interests of the overwhelming majority of the people. This must become our fundamental principle in looking at and handling issues. As Chairman Mao once said, "[T]he masses are the real heroes, while we ourselves are often childish and ignorant, and without this understanding it is impossible to acquire even the most rudimentary knowledge."<sup>44</sup> We must become adept at learning from the masses and from praxis, and find the impetus to carry us forward and make the right decisions based on the great praxes of the masses. We must always bear in mind that the people are the driving force behind history and that the masses are the true heroes. Historical materialism has never denied the important role of leaders in the course of history. However, leaders can only play this role well if they closely rely on the people, faithfully reflect their will and aspirations, and consciously throw themselves into the great praxis of the people creating history. In all of our work and decision making, we must repeatedly consider whether or not what we do is in the interests of the masses, resolutely go forward when it is and resolutely desist when it is not. By this way, we can do a better job in our work and ensure that the cause of the Party and the people continues to flourish.

3) Our work should adhere to a comprehensive view of dialectical materialism and historical materialism. We face a complex and intricate international environment, and the reform and development tasks we shoulder are numerous and daunting. China is a very large country with uneven development and different conditions in every region. In our work and deci-



sion making we must therefore consider all factors and conditions, make overall plans, maintain control of the overall situation, tailor measures to suit local conditions, and strive to find the optimal and most feasible programs. We must always be modest and prudent and guard against conceit and rashness, and before introducing major principles and policies, we must thoroughly investigate and study the issues and listen to opinions from all sides, especially those of comrades working on the frontlines. We need to allow all localities and departments to express different opinions, and we need to listen to these different opinions. The truth is not always easy to hear, and bitter medicine often has the best effects. Naturally, criticism is harder to listen to than praise, but we must listen nevertheless. When others rightly point out our shortcomings and flaws, we should be grateful and do our best to correct ourselves. We should remind and encourage each other. Taking a scientific attitude toward our work and the handling of affairs, being receptive and honest, and seeking truth from facts is the way of doing things that is the most dependable, the most efficacious and the most likely to receive the support of the masses.

4) We need to forge ahead in the spirit of reform and innovation. After the adoption of the reform and opening up policy, Comrade Deng Xiaoping urged all Party comrades to emancipate their minds, seek truth from facts, and dare to experiment and break a new path so that China could closely follow the development trends of the times and stand tall among the nations, and to ensure that the tragedies we suffered in modern times are never repeated. On the road ahead, regardless of the achievements we have made or what kind of difficulties or perils we encounter, we must firmly unite with and lead the entire Party and all the people of the country in continuing to forge ahead.

The political report of the Fifteenth National Party Congress said, "To comprehensively advance our cause into the 21st century, we must seize and not lose opportunities, break new ground and not follow old conventions, *focus* on economic development, achieve new breakthroughs in economic restructuring, deepen political restructuring, and effectively enhance cultural and ethical progress. Each of these must support the others in order to achieve economic development and all-around social progress." All the comrades on the Standing Committee should redouble their efforts in line with these requirements.

Situations develop very quickly and there are many issues we need to study and resolve. All issues should be addressed through reform, and bet-

ter solutions should be found through innovation. We need to set a personal example by leading the whole Party in combating all unhealthy practices such as being formalistic, being ostentatious, doing things superficially, seeking underserved credit, being boastful, indulging in extravagance and waste, and wasting human and material resources. We must energetically encourage the healthy practices of speaking the truth, doing things practically and striving for real results throughout the Party and country.

#### **IV. What Comrades on the Standing Committee Learned and Gained from Their Participation in the “Three Stresses”**

Comrades on the Standing Committee learned and gained a lot from the “three stresses” education campaign.

First, we became more resolute in implementing the basic theory, line and platform of the Party. Through these efforts we now have a clearer understanding of the characteristics and laws of building socialism with Chinese characteristics. Everyone agreed that in our future work, no matter what kind of troubles occur or what kind of difficulties we encounter, we must firmly adhere to Deng Xiaoping Theory and the Party’s basic line, always keep in mind our overall goals and tasks, and work resolutely and tirelessly to achieve the goals we have set. At the same time, we need to rely closely on the entire Party and all the people of the country, enrich and creatively develop Deng Xiaoping Theory as we carry out reform and development, and continuously advance the cause of building socialism with Chinese characteristics.

Second, we increased our sense of urgency to do our leadership work well. By participating in the “three stresses,” we gained a more profound understanding of the historic responsibilities we shoulder. Since the beginning of China’s modern history, many people with lofty ideals have waged a heroic and moving struggle to achieve the great goal of rejuvenating the Chinese nation. Our Party led the people in establishing and developing New China and opened up bright prospects for the development of the Chinese nation through reform. The historic mission of our generation is to comprehensively uphold, develop and improve the socialist system on the foundation laid for us by Chairman Mao and Comrade Deng Xiaoping, continue to carry forward China’s socialist cause, and pass it on to the next generation on an even better foundation and at a new and even higher level. We surveyed the present international and domestic situations and fully

realized there are favorable conditions in many areas. At the same time, we calmly analyzed the many challenges and new situations and problems facing us. The situation is pressing, and we will face many new tests. To press forward with our cause, we must stay mentally prepared to deal with all types of complex situations. A boat sailing against the current must either forge ahead or fall behind. We are all deeply aware that we must be adept at seizing opportunities, dare to break new ground, and work with a heavy sense of responsibility and a strong sense of urgency.

Third, we further clarified key areas of Party and government leadership work where leaders need to step up their efforts. We further identified and considered overall and strategic issues related to the country's future reform, development and stability. This will greatly benefit our efforts to make our leadership work more principled, systematic, proactive and creative and help us maintain a good overall grasp of the Party and government's work. We have already given preliminary consideration to issues that have been raised, but we should continue to study them and propose practicable solutions. We should promptly formulate policies and measures to solve problems that can be solved quickly. Where conditions are not yet ripe for dealing with a problem that must be solved, we need to continue to be in close contact with social realities, carry out investigations and studies, get everyone involved and promptly find solutions. For matters with a bearing on the long-term development of the cause of the Party and the country, we should focus on long-term interests, the future, and global development trends and coordinate all forces to promptly study these things and come up with a strategic approach. In carrying out all reforms, we need to proceed actively but steadily, and fully take into consideration whether or not the necessary objective and subjective conditions are ripe for reforms to proceed. However, we cannot just sit back and wait for conditions to ripen. We need to energetically create the necessary conditions and be adept at finding new approaches to solve problems under the present conditions. Some problems have accumulated over a long period of time, making them truly difficult to solve, but we need to dare to meet the hardships ahead and resolutely solve them despite the complications. If we procrastinate, such problems will only worsen and become more difficult to solve. We comrades on the Standing Committee should first of all set an example in our leadership work. We should take the lead in studying day and night, doing research, making work arrangements, and conducting inspections and supervision in

accordance with the major policies and principles already set forth by the Central Committee. If leading cadres at all levels have this kind of attitude, we are sure to do our leadership work better.

Fourth, we further consolidated and enhanced our unity, and strengthened our confidence that we are all of one heart and one mind and everyone is pulling together to do good work. In our participation in the “three stresses,” we all showed a strong sense of responsibility toward the Party, the country, the people and ourselves, and examined ourselves strictly in accordance with the standards for Communist Party members and the requirements of the Party for high-ranking cadres. Each of us seriously and earnestly criticized the shortcomings in his or her work and that of others, explored and analyzed the reasons for shortcomings and problems, and contributed specific suggestions on how to continue to work hard. We have always said that unity depends on principles and not with remaining in someone’s favor. Only unity that is built on the common foundation of adhering to the Party’s basic theory, line and platform, and is premised on preserving Party spirit and upholding the fundamental interests of the people will be strong, solid and indestructible. In the future, we must continue to carry forward the Party’s fine tradition of criticism and self-criticism and foster the fine work atmosphere of supporting, learning from, exhorting and encouraging each other so that we can do our work better and set an example for the whole Party.

In April 1945, Chairman Mao stated in the political report of the Seventh National Party Congress, “Conscientious practice of self-criticism is still another hallmark distinguishing our Party from all other political parties. As we say, dust will accumulate if a room is not cleaned regularly, our faces will get dirty if they are not washed regularly. Our comrades’ minds and our Party’s work may also collect dust, and also need sweeping and washing. The proverb ‘Running water is never stale and a door-hinge is never worm-eaten’ means that constant motion prevents the inroads of germs and other organisms. To check up regularly on our work and in the process develop a democratic style of work, to fear neither criticism nor self-criticism, and to apply such good popular Chinese maxims as ‘Say all you know and say it without reserve,’ ‘Blame not the speaker but be warned by his words’ and ‘Correct mistakes if you have committed them and guard against them if you have not’ - this is the only effective way to prevent all kinds of political dust and germs from contaminating the minds of our comrades and the body of our Party.”<sup>45</sup> The Central Committee



decided to thoroughly carry out the “three stresses” education campaign among Party and government leading bodies and leading cadres above the county level throughout the country in order to solve prominent problems in Party spirit and conduct. This is a new and creative effort to strengthen Party building in the new historical period. Praxis indicates that the “three stresses” campaign has yielded significant results. We now need to consolidate and expand these results, work hard to ensure corrective and remedial measures are implemented, and continue to search for effective ways to preserve the advanced nature and purity of the Party under the new historical conditions, raise the level of the Party’s leadership and governance, and strengthen its ability to resist corruption and degeneration and defuse risks. This will have major and far-reaching significance for ensuring the cause of the Party and country thrives and develops.

We are confident that the Standing Committee as a collective leadership will become more united and unified, and stronger and more effective given its participation in the “three stresses.” We need to continue to closely rely on all comrades in the Party and the people of all our ethnic groups and work together with one heart and one soul to fulfill our mission.

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<sup>1</sup> Cf. “Share a Bitter Hatred of the Enemy and Unite Against Foreign Aggression,” note 1, p. 319, this volume.

<sup>2</sup> “Establish a New Security Concept Suited to the Needs of the Times,” *ibid.*, note 1, p. 310.

<sup>3</sup> “On Strengthening and Improving Study,” *ibid.*, note 13, p. 304.

<sup>4</sup> These 12 principles were set out in the Proposal of the CPC Central Committee for Formulating the Ten-Year Program and the Eighth Five-Year Plan for National Economic and Social Development adopted at the Seventh Plenary Session of the Thirteenth Central Committee on December 30, 1990.

1) We must uphold the people’s democratic dictatorship led by the working class and based on the worker-farmer alliance, constantly improve the system of people’s congresses and the system of multiparty cooperation and political consultation under the leadership of the CPC, keep consolidating and developing the broadest possible patriotic united front, and improve socialist democracy and the socialist legal system.

2) We must keep development of the productive forces as the fundamental task of socialism, devote ourselves wholeheartedly to modernization, and constantly improve the people’s material and cultural lives.

3) We must carry out reform to constantly improve China’s socialist economic and political systems and other regulatory systems, and mobilize the full initiative, enthusiasm and creativity of central and local governments, enterprises and working people of the country.

4) We must continue to open wider to the outside world in various ways such as developing economic and trade relations with other countries, utilizing foreign capital and introducing advanced foreign technology, establishing special economic zones and open economic areas, and adopting necessary special policies and flexible measures.

5) We must uphold the ownership structure under which socialist public ownership is dominant and diverse economic sectors coexist. We must let the private sector, which includes individually owned

enterprises, and other economic sectors serve as a beneficial supplement to the public sector while strengthening correct regulation and guidance for them.

6) We must vigorously develop the socialist planned commodity economy, combine planning with regulation by market forces, and promote sustained, stable and balanced development of the economy.

7) We must practice an income distribution system with distribution according to work as the principal mode of distribution supplemented by other modes, allow and support some people and some regions to prosper first through honest labor and legitimate business activities while also encouraging them to help other people and regions that are still not doing well so that all people and all regions gradually prosper.

8) We must continue to be guided by Marxism-Leninism and Mao Zedong Thought, draw upon and carry forward China's splendid cultural heritage, learn from and absorb all of the outstanding cultural achievements of the world, constantly improve the ideological and moral standards and the scientific and cultural levels of the entire nation, and promote socialist cultural and ethical progress.

9) We must establish and develop socialist ethnic relations based on equality, mutual assistance, unity, cooperation and common prosperity, uphold and improve the system of regional ethnic autonomy, and oppose ethnic discrimination, oppression and separatist activities.

10) We must promote the gradual realization of the great cause of national reunification by adhering to the concept and practice of "one country, two systems."

11) We must maintain an independent foreign policy of peace, develop friendly relations with all countries on the basis of the Five Principles of Peaceful Coexistence, oppose hegemonism and power politics, support the just struggle of oppressed nations and peoples, safeguard world peace and promote progress of the human race.

12) We must uphold the leadership of the Communist Party, constantly improve its leadership system, style and methods, and strengthen it politically, ideologically, theoretically and organizationally so that it will always remain the firm leadership core of the socialist cause.

<sup>5</sup> "The Great Mission for Chinese Communists Today," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 142-57.

<sup>6</sup> Cf. Jiang Zemin, "Arm the Entire Party with Comrade Deng Xiaoping's Theory of Building Socialism with Chinese Characteristics," *On Party Building*, Chin. ed., Central Party Literature Publishing House, Beijing, 2001, pp. 110-11.

<sup>7</sup> Cf. "Eulogy at Comrade Deng Xiaoping's Memorial Ceremony," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 611-24.

<sup>8</sup> Jiang Zemin, "Speech at a National Meeting on Propaganda and Ideological Work," *On Party Building*, Chin. ed., Central Party Literature Publishing House, Beijing, 2001, p. 126.

<sup>9</sup> "Promote Further Development of Township and Village Enterprises," note 1, p. 119, this volume.

<sup>10</sup> "The Great Mission for Chinese Communists Today," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, p. 144.

<sup>11</sup> "Concerning China's Establishment of a Socialist Market Economy," *ibid.*, pp. 188-94.

<sup>12</sup> Cf. "Special Economic Zones Need to Create New Advantages and Rise to a New Level," *ibid.*, pp. 363-71.

<sup>13</sup> The three principles are as follows: First, the General Agreement on Tariffs and Trade (GATT) is an international organization, and if China, the largest developing country, is not a member of it, it is not whole; second, if China joins, it must join in the capacity as a developing country; and third, if China becomes a member, its rights and duties must be balanced.

<sup>14</sup> "Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai," *Selected Works of Deng Xiaoping*, Eng. ed., FLP, Beijing, 1994, Vol. III, p. 365.

<sup>15</sup> "Do a Good Job Guiding, Preserving and Unleashing the Enthusiasm of Cadres and the Masses," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 185-87.

<sup>16</sup> "On Strengthening and Improving Study," note 8, p. 303, this volume.

<sup>17</sup> *Ibid.* note 9.

<sup>18</sup> "Correctly Handle Certain Major Relationships in the Socialist Modernization Drive," *Selected*

*Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 449-64.

<sup>19</sup> This is the principle that Jiang Zemin set forth at a meeting of the Central Committee's Leading Group for Financial and Economic Affairs on February 9, 1998, in response to the Asian financial crisis.

<sup>20</sup> "The Great Mission for Chinese Communists Today," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 142-57.

<sup>21</sup> *Ibid.*

<sup>22</sup> Jiang Zemin, "Speech at a National Meeting on Propaganda and Ideological Work," *On Party Building*, Chin, ed., Central Party Literature Publishing House, Beijing, 2001, p. 125.

<sup>23</sup> A reference to the revolutionary spirit which inspires people to work tirelessly, observe strict discipline, make sacrifices, act selflessly and put the interests of others first, and the spirit that gives people revolutionary optimism and the determination to overwhelm all enemies and surmount all difficulties in order to win victory. Cf. Deng Xiaoping, "Implement the Policy of Readjustment, Ensure Stability and Unity," *op. cit.*, Vol. II, p. 362.

<sup>24</sup> This spirit was set forth by Jiang Zemin on March 31, 1993: "In this new period in which we are modernizing, we need to strongly promote and foster a pioneering spirit of emancipating our minds, seeking truth from facts, actively exploring, boldly innovating, working hard, constantly advancing in defiance of difficulties, learning from abroad, constantly improving ourselves, being modest and prudent while avoiding arrogance and impetuosity, working together for the overall interests, being frugal and incorruptible, and unselfishly contributing to making our country stronger." See "Speech at the First Session of the Eighth National People's Congress," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, p. 292.

<sup>25</sup> This was done at the National United Front Work Conference on November 7, 1993.

<sup>26</sup> A reference to the armed fighting over religious differences between two factions of the Islamic Jahriyya order in Xiji County, Ningxia Hui Autonomous Region, between May 1992 and August 1993. At the instigation of a small number of persons, the two sides armed themselves illegally, confronted each other, engaged in incessant armed conflicts that escalated over time, resulting in the deaths of scores of people. This incident captured the full attention of the Central Committee, which unequivocally directed that the banner "Safeguard the People's Interests and the Sanctity of the Law" must be held high, and that resolute measures must be adopted to deal with the situation in accordance with the law. The Party Committee and government of the Ningxia Hui Autonomous Region adopted measures to quell the disturbances in accordance with the Central Committee's directive.

<sup>27</sup> "Continue to Promote the Reunification of the Motherland," *Selected Works of Jiang Zemin*, Eng. ed., FLP, Beijing, 2010, Vol. I, pp. 407-12.

<sup>28</sup> "The Present Situation and Economic Work," note 2, p. 440, this volume.

<sup>29</sup> "To Develop Sino-Japanese Relations We Must Properly Deal with Historical Issues and the Taiwan Question," note 2, p. 241, this volume.

<sup>30</sup> "Problems of War and Strategy," *Selected Works of Mao Tse-tung*, Eng. ed., FLP, Peking, 1975, Vol. II, p. 224.

<sup>31</sup> Deng Xiaoping, "With Stable Policies of Reform and Opening to the Outside World, China Can Have Great Hopes for the Future," *op. cit.*, Vol. III, p. 307.

<sup>32</sup> "Achieve Cross-Century Strategic Development Goals for Modernizing National Defense and the Army," pp. 82-90, this volume.

<sup>33</sup> "On Strengthening and Improving Study," note 4, p. 302, this volume.

<sup>34</sup> This policy was set forth on November 30, 1992, at a meeting with a delegation from the US House of Representatives during its visit to China.

<sup>35</sup> In his report to the Fifteenth National Congress of the CPC on September 12, 1997, Jiang Zemin stated that the general objectives for Party building in the new period were to make the Party a Marxist political party that is armed with Deng Xiaoping Theory; serves the people wholeheartedly; is completely consolidated ideologically, politically, and organizationally; can withstand all types of risks; is always at the forefront of the times; and leads the people of the country in building

socialism with Chinese characteristics. Cf. "Hold High the Great Banner of Deng Xiaoping Theory and Comprehensively Advance the Cause of Building Socialism with Chinese Characteristics into the 21st Century," p. 44, this volume.

<sup>36</sup> *The Analects of Confucius*, "Wei Zheng."

<sup>37</sup> For more on East Turkistan, see "Strengthen Solidarity Among All Ethnic Groups in Xinjiang and Resolutely Safeguard the Unity of the Motherland," note 4, p. 161, this volume.

<sup>38</sup> Deng Xiaoping, "We Must Form a Promising Collective Leadership That Will Carry Out Reform," *op. cit.*, Vol. III, p. 291.

<sup>39</sup> "Urgent Tasks of China's Third Generation of Collective Leadership," *ibid.*, p. 301.

<sup>40</sup> Chapter 24 of the *Book of the Later Han*, "Biography of Ma Yuan." The original text reads, "The King of Wu admired swordsmen, so many men in his state scarred themselves. The King of Chu preferred slender women, so many of his concubines nearly starved themselves to death."

<sup>41</sup> Deng Xiaoping, "With Stable Policies of Reform and Opening to the Outside World, China Can Have Great Hopes for the Future," *op. cit.*, Vol. III, pp. 308-09.

<sup>42</sup> "Emancipate the Mind, Seek Truth from Facts and Unite as One in Looking to the Future," *ibid.*, Vol. II, p. 156.

<sup>43</sup> "Urgent Tasks of China's Third Generation of Collective Leadership," *ibid.*, Vol. III, pp. 300-01.

<sup>44</sup> Mao Tse-tung, "Preface and Postscript to *Rural Surveys*" *op. cit.*, Vol. III, p. 12.

<sup>45</sup> "On Coalition Government," *ibid.*, pp. 266-67.



## CORRECTLY GUIDE THE HEALTHY GROWTH OF YOUNG PEOPLE<sup>\*</sup>

*February 1, 2000*

I recently reviewed two reports. One was about a student in his sophomore year at Jinhua No. 4 Secondary School in Zhejiang Province who killed his mother with a hammer because he was fed up with his poor test scores and the pressure from his parents. The other was about two students at Qiaotou Town Secondary School in Yongjia County, Wenzhou, Zhejiang Province, who hacked a classmate to death while trying to extort money from him. Today's *Guangming Daily* also reports that in Anyang, Henan Province, the father of a student brought a gang to school to beat up a class teacher because their son was neither assessed as being a student of merit nor elected captain of his school's Young Pioneers detachment. Reports like this, which have also appeared in the past, are shocking and have caused me to reflect deeply. Correctly guiding and helping our young students grow healthily, so that they can fully develop morally, intellectually, physically and aesthetically, is an important issue with a bearing on the direction of education development in China. We members of the Standing Committee and relevant leading comrades must consider this matter seriously and adopt effective measures to strengthen and improve education.

Since the founding of New China, the Party and government have attached great importance to and spent a great deal of energy on developing people's education. The country's education system has developed considerably and trained large numbers of outstanding personnel for socialist construction. Before liberation, our country had a population of more than 400 million, of whom 80% were illiterate and only a small number were educated. Now, the national population has already reached 1.25 billion, and there are 240 million students receiving a school education. This is an amazing achievement.

Education is a systems engineering project, and we need to continuously raise its quality and level. Not only do we need to fortify students' education in general knowledge, we also need to strengthen their ideological, political, moral, disciplinary, and legal education. Teachers are engineers of

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<sup>\*</sup> Speech at a meeting of the Standing Committee of the Political Bureau of the Central Committee.

the human soul. They need to do a good job not only in academic instruction, but also in cultivating students' characters. Teachers must serve as role models in all respects. Moreover, strengthening and improving education work is not only a task for schools and education departments; families and all sectors of society should also show concern and support for education. Only by strengthening overall supervision, taking a multi-faceted approach, and creating a social environment conducive to the sound physical and mental development of our young students, will we help younger generations grow up healthy and strong.

Nowadays, most families have only one child and enjoy good living conditions. It is natural for parents to have high hopes for their children and want them to receive a better education. Our schools, education departments and other departments of the Party and government must work to guide the high expectations parents have for their children, the interest teachers have for teaching their subjects and educating children, and students' enthusiasm for studying in a correct direction in order to comprehensively raise the quality of our youth. We must be very careful to avoid negative or adverse results arising from our failure to handle these problems appropriately. Nowadays, some students are overloaded with schoolwork, which puts them under great psychological pressure. This does not help them to grow healthily. Some schools and localities focus on academic knowledge and improving school facilities while neglecting students' ideological, moral, disciplinary and legal education, and extracurricular activities. Some students are susceptible to harmful influences from society, in some cases to the extent of committing crimes. These problems must be brought to the attention of Party committees, governments, and education departments at all levels. We need to work tirelessly to educate students, especially in ideology, morals, discipline and the law, in and out of class, and in and out of school.

It is correct for schools and families to require and encourage young people to study diligently. Without the rigors of studying and training it is difficult for young people to mature. However, correct guidance and teaching methods are required. There are stories from ancient China of people who engaged in painstaking forms of study, such as Su Qin stabbing his thigh with a needle, Sun Jing hanging himself from a ceiling beam by his own hair in order to stay awake, Kuang Heng making a hole in the wall so he could read by the light shining in from his neighbor's room, Sun Kang using the white glare from snow to study, Che Yin studying by the light of

fireflies, and Gu Huan burning rice husks in order to read at night. These examples are used mainly to encourage young people to study hard and get ahead. But if the methods used are incorrect or inappropriate, then the results can be counterproductive. In this respect there are many lessons to be learned. We cannot confine our young to reading books and sitting in classrooms all day long. Instead, we need to encourage them to take part in social praxes, broaden their horizons, and increase their social experiences. Schools are an important venue for cultivating talent, and education is a noble undertaking for public welfare. In China, schools of all kinds and at all levels must conscientiously implement the Party's principle on education, which is to adhere to the policy of education serving socialist modernization and being integrated with social praxes. In the new, complex environment of carrying out reform and opening up and developing a socialist market economy, it is vital that we adhere to this education principle.

Higher education is developing rapidly in China and student enrollment in institutions of higher learning increased significantly last year. Nevertheless, due to our large population, it is still unrealistic for everyone to go to college. Moreover, going to college is not the only way to acquire professional skills. People with all kinds of skills are needed in society. There are outstanding people in every walk of life. In feudal times, there were many sayings extolling scholarship: "the worth of other pursuits is small, and the study of books excels them all," "the happiest moments in one life are one's wedding night and when one passes the imperial examinations," and "studying hard will be rewarded with a golden mansion and a beautiful wife." These sayings contain the dregs of feudal thinking and reflect the economic and social backwardness of those times. People today should not think that way. In the 21st century, our country needs to develop knowledge and labor intensive industries. Economic and social development requires diverse talents. This is an objective requirement based on our national conditions and comprehensive economic and social development. Socialist reform, opening up and modernization provide a broad stage upon which our younger generation can mature. They will undoubtedly grow into useful talent as long as they have the aspiration to devote their youth to serving the country and the people, throw themselves wholeheartedly into the great cause of building the motherland, work hard to study and master practical knowledge and skills, and contribute their wisdom and skills to the motherland and the people. The education people receive at school is only a basic education, and although it is very important, it consti-

tutes only a part of the education one receives in life. We never stop learning. The maturation of human talent is in the end realized through social praxis and the constant effort to improve oneself. We need to spread this way of thinking throughout society.

The reason I say education is a systems engineering project, is that it is necessary for the whole of society to show concern and support for education. We particularly need to strengthen the education of our youth in the areas of patriotism, collectivism and socialist ideology, and help them to establish a correct worldview, outlook on life and sense of values. This is not just a task for education departments. Publicity and ideology departments, along with procuratorial, judicial, public security and other departments, as well as the whole Party and all of society need to contribute. Schools and students must foster a healthy atmosphere and suppress unhealthy trends. If students behave improperly, their ideological education should be strengthened. If they break the law, they must be strictly punished in accordance with the law. Evil must never be tolerated. In the near future, we need to concentrate on improving the unsatisfactory public security situation in and around schools. When unhealthy trends appear among students, their schools and relevant departments must clearly oppose such things while strengthening their work with students' parents. We need to regularly educate students about discipline and the legal system and improve their perceptions of them so that they understand the importance of abiding by them. We need to effectively ensure that students have a tranquil, harmonious and healthy learning environment. Our country is a socialist country under the leadership of the Communist Party; therefore, we should and must do these things.

I hope leading comrades of Party committees and governments at all levels will attach great importance to education and ideological work among our young students. We need to persist in upholding economic development as our central task, but at the same time, effectively promote socialist cultural and ethical progress; otherwise, in the end, it will be impossible to promote economic development. In short, success in education and ideological work among young students has a direct bearing on the success of our strategy of reinvigorating the country through science and education and the success of our country's socialist modernization. Everyone needs to understand problems from this perspective and work accordingly.



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