

## **Appendix 142 -- Report on the Work of the Government (2003)**

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Date: 19 March 2003

Premier Zhu Rongji delivered at the First Session of the 10th National People's Congress March 5, 2003:

Premier of the State Council Fellow Deputies,

This government took office in March 1998, and its term is about to expire. On behalf of the State Council, I now submit a report on the work of the government during the past five years to the First Session of the Tenth National People's Congress and put forward a number of suggestions on this year's work for your examination and approval and also for comments from members of the National Committee of the Chinese People's Political Consultative Conference.

The five years since the First Session of the Ninth National People's Congress have been an extraordinary period. Soon after this government took office, the Asian financial crisis struck, and world economic growth stagnated. Domestically, irrationalities in the industrial structure became critical, and large numbers of workers were laid off from state-owned enterprises. Catastrophic floods struck in 1998 and 1999. Under the leadership of the Communist Party of China, our people of all ethnic groups have forged ahead, worked still harder in solidarity, surmounted numerous difficulties, and made great achievements in reform, opening up and economic and social development that have won worldwide recognition. We have attained the strategic goals for the second stage of our modernization drive and begun our march towards the third stage goals.

During the past five years, the national economy maintained good growth momentum, and important advances were made in the strategic restructuring of the economy.

-- The economy maintained a high growth rate. China's GDP rose from 7.4 trillion yuan in 1997 to 10.2 trillion yuan in 2002, an average annual increase of 7.7 percent, when calculated in constant prices. Notable results were achieved in the readjustment of the industrial structure. The supply of grain and other major agricultural products took a historic shift from chronic shortages to an overall balance with surpluses during good years. High and new technology industries, such as the IT industry, expanded rapidly. The transformation of traditional industries was accelerated. Modern service industries developed rapidly. The quality and efficiency of economic growth improved constantly. National tax revenue grew by a large margin every year. Total fiscal revenue rose from 0.8651 trillion yuan in 1997 to 1.8914 trillion yuan in 2002, an average annual increase of 205.3 billion Yuan. China's foreign exchange reserves climbed from US\$139.9 billion to US\$286.4 billion. Investment in fixed assets over the five years totaled 17.2 trillion yuan. In particular, based on the issuance of 660 billion yuan of long-term construction treasury bonds, 3.28 trillion yuan of bank loans and funds from other sources were generated for investment, allowing us to accomplish many

large undertakings we had been wanting but unable to undertake for years for lack of resources. The productive forces reached a new high, and the country's economic strength and ability to withstand risks and compete internationally grew significantly.

-- Remarkable achievements were made in infrastructure development. By concentrating our resources, we completed a number of key infrastructure projects of nationwide significance. We built water conservancy projects on a scale larger than any other time since the founding of New China. The investment in these projects nationwide totaled 356.2 billion yuan for the five years, which was equal to the total investment in this field from 1950 through 1997 after adjusting for price changes. A number of key water conservancy projects were launched or completed. Work on reinforcing 35,000 km of river embankments was started. Over 3,500km of main dikes of the Yangtze River and nearly 1,000 km of dikes of the Yellow River have been reinforced, and their capacity to withstand floods has been greatly increased. The second phase of the Three Gorges water control project on the Yangtze River, which has attracted world attention, will soon be completed; water control facilities such as the one at Xiaolangdi on the Yellow River became operational, and construction on the South-North Water Diversion Project was begun.

Transport developed on an unprecedented scale, and a comprehensive modern transport system began to take shape. In these five years, China invested 1.2343 trillion yuan in highway building, which was equal to 170 percent of the figure for the period from 1950 through 1997 after adjusting for price changes. The total length of highways open to traffic increased from 1.23 million km in 1997 to 1.76 million km in 2002, of which expressways increased from 4,771 km to 25,200 km, lifting China from the 39th to the second place in the world. Railway length increased from 65,969 km to 71,500 km. Over the past five years, construction of 5,944 km of new railway lines, of which 4,603 km are double-track and 5,704 km are electrified, was completed. A total of 50 airports were either newly built or expanded. The annual cargo handling capacity of dock berths for 10,000 ton-class or larger ships increased by 144 million tons. Construction of postal and telecommunications facilities greatly expanded. The length of installed long-distance optical cables increased from 150,000 km in 1997 to 470,000 km in 2002, and the number of fixed- line and mobile phone subscribers increased from 83.54 million to 421 million, ranking China first in the world.

Construction in the energy sector was further intensified. The installed power-generating capacity increased from 254 million kw in 1997 to 353 million kw in 2002. Urban planning and public utility construction improved notably, greatly changing the appearance of many cities. The infrastructure improved remarkably, which significantly increased the capability for our future economic development.

-- The program for developing the western region made a good start. Over the past three years since the introduction of the western development strategy, the government has given a powerful push to the region's development by increasing investment, stepping up transfer payments and introducing preferential fiscal and taxation policies. Work was begun on 36 new key projects, which called for a total investment of over 600 billion yuan. Smooth progress was made on such major projects as the Qinghai-Tibet Railway, the diversion of natural gas and electricity from the western to the eastern regions, water control projects and trunk

highways. Work was accelerated to ensure that every county seat is served by asphalt roads, that every township has access to electricity, and that every village enjoys radio and television reception. Efforts were intensified to conserve and improve the ecological environment. Construction was accelerated on rural roads, small and medium-sized water conservancy projects, potable water facilities for people and livestock, as well as facilities in the fields of science, technology and education. Economic and technological cooperation between the eastern region and the western and central regions was increased.

-- Our capability for sustainable development was enhanced. The spending on environmental protection and ecological development in the five years reached 580 billion yuan, amounting to 170 percent of the figure from 1950 through 1997. Six forest ecological projects -- reforestation of formerly cultivated land, protecting natural forests and controlling the sources of dust storms affecting Beijing and Tianjin -- were carried out in full. During these five years, an additional 27.87 million hectares of land was covered with trees; 31.53 million hectares of hills were cordoned off for afforestation, and 3.82 million hectares of formerly cultivated land were returned to forests. Soil erosion on 266,000 square km of land and desertification on 5.7 million hectares of land were brought under control. The tendency towards worsening environmental pollution has, on the whole, been arrested; the total discharge of major pollutants has decreased steadily, and the quality of the environment in key cities and areas has been improving. New progress was made in the protection of natural resources. Great successes were achieved in geological prospecting. Notable progress was made in disaster prevention and reduction. With the natural population growth rate down to 6.45, China has entered a new period of low and stable birthrate.

In the past five years, the reform and opening up achieved many breakthroughs, and the basis of a socialist market economy was established.

-- The ownership structure was further readjusted and improved. The public sector of the economy grew stronger in the course of readjustment and reform, and efforts to diversify ways of realizing public ownership were successful. The state sector of the economy went through accelerated restructuring, and markedly enhanced its dominance and competitiveness. The objective of turning state-owned enterprises around within three years was basically attained. Most large and medium-sized key state-owned enterprises attained by and large the goal of establishing the modern corporate system, and a number of dynamic and competitive enterprises have come to the fore. Further progress was made in opening up and revitalizing small and medium-sized state-owned enterprises. Substantive progress was made in restructuring the management system of monopoly industries. The collective economy in urban and rural areas made new headway. The joint-stock company sector of the economy expanded continuously. Individually-owned businesses, private enterprises and other non-public sectors of the economy developed fairly fast and played an important role in stimulating economic growth, creating more jobs, invigorating the market and expanding exports.

-- The modern market system developed in a comprehensive way. The national economy has become more market-oriented, and the basic role of the market in allocating resources has become noticeably stronger. Price reforms in the area of public services, energy and transport were constantly deepened. The development of markets for capital, property rights, land, technology and labor was accelerated. Modern methods of distribution and marketing

continued to spread. Significant results were achieved in straightening up and improving the order of the market economy. Large-scale nationwide campaigns were carried out against smuggling, fraudulently obtaining tax and foreign currency benefits, and producing and selling counterfeit and shoddy goods. Special efforts were also made to target wrongdoings in cultural activities, tourism, the building industry, rural market fairs and production safety. A large number of economic crimes were dealt with in accordance with the law, and criminals found to have seriously undermined the market order were punished. As a result, the market environment and the consumption climate gradually improved.

-- Reforms of the banking, fiscal, taxation, investment and financing systems were deepened. A banking system compatible with a growing socialist market economy has begun to take shape. We gradually improved the way we exercise financial regulation, restructured the management system of the People's Bank of China (China's central bank), and established a unified national regulatory system for securities and insurance. Reform of the wholly state-owned commercial banks and policy banks proceeded steadily, and the structure of the small and medium-sized commercial banks was optimized. Significant progress was made in rectifying and standardizing non-banking financial institutions. Upholding the principles of law, regulation, self-discipline and standards, the securities industry has developed through progressive standardization. Reform of the insurance industry was deepened. Rural-based cooperative funds were screened and put out of business. Unauthorized nongovernmental financial services and other illegal activities were banned in accordance with the law. As financial regulation was gradually tightened, our ability to prevent or defuse financial risks has improved, and the proportion of non-performing assets of our banks decreased. A rudimentary public finance framework compatible with the socialist market economy came into being. On the basis of the tax-sharing reform, new reforms for sharing income tax revenue were implemented in our fiscal system. The system of preparing department-specific budgets was introduced at both central and provincial levels. Experiments on separating management of revenue and expenditures and reforming the unified treasury collection and payment system progressed steadily. Noticeable results were also achieved in the reform of the taxation system and the tax collection and management. Reform of the investment and financing system was gradually deepened, with new sources of investment and financing opened up and the ways of investment and financing diversified. Basic forms of the legal person responsibility system for projects, the tender system, the contract system and the project supervision system were set up. Good results were attained in the reform of the urban housing system.

-- The framework of a social security system was established by and large. The establishment of basic old-age pension and medical insurance systems in urban areas has made significant headway. Systems of basic living allowances for laid-off workers from state-owned enterprises, unemployment insurance, and subsistence allowances for the urban poor were established. The coverage of social security programs continued to expand. The number of urban residents participating in the basic old-age pension program, the basic medical insurance system and the unemployment insurance program increased significantly. Needy urban residents came gradually under the coverage of the subsistence allowances program, and we made sure that all eligible urban residents were by and large provided for. A national social security fund was established, and it has already accumulated 124.2 billion yuan of capital. Significant progress was made in reforming the basic medical insurance system for urban

workers, the health care system, and the drug production and distribution system. Pilot projects to introduce a new cooperative medical care system in rural areas were launched. Accelerated development of the social security system provides an effective guarantee for maintaining social stability, deepening reforms, making structural readjustments and furthering development.

-- Opening up was expanded in greater scope and depth. China's foreign trade has taken several big steps forward. The combined volume of imports and exports increased from US\$325.2 billion in 1997 to US\$620.8 billion in 2002, raising China from the tenth to the fifth place in the world. Our total exports increased from US\$182.8 billion to US\$325.6 billion. We have continued to optimize our export mix. Service trade has developed steadily, and the number of inbound tourist arrivals and our foreign exchange earnings from tourism increased considerably. We have markedly improved our ability to use foreign investment. The amount of foreign direct investment actually used over the past five years came to US\$226.1 billion, more than the total used in the 1979-1997 period. Significant increases in using foreign capital occurred in high and new-tech industries, infrastructure and service industries.

Owing to our "going global" strategy, outbound investment, construction contracts for overseas projects and labor cooperation programs kept growing. After 15 years of arduous efforts, China became a full member of the World Trade Organization (WTO) in December 2001, which was a new landmark in our opening up. We have won a good reputation for honoring our commitments and fulfilling our obligations while exercising our rights as a member of the WTO. This has promoted our cooperation with the outside world. In the past five years, our scientific and technological innovativeness improved noticeably, and education developed vigorously.

-- Significant headway was made in basic research and high-tech and applied technology studies. Significant progress was made in establishing China's innovation system. Remarkable achievements were scored in such fields as information technology, life science and aeronautical and space technologies. A detailed map of indica rice genome was completed, an experimental 10 mw high temperature gas-cooled reactor was built, a super-large parallel processing computer was developed, and the Shenzhou series of spacecraft was successfully tested. All these achievements show that China ranks among the advanced countries in the related fields. A number of key state laboratories were completed, several major scientific projects were carried out, and a number of national engineering research centers were built. The process of applying scientific and technological achievements to industrialized and commercial production was noticeably accelerated. More than 140,000 science and technology achievements underwent state registration in these five years, and 520,000 patents were granted. Gratifying results were achieved in the studies of philosophy and other social sciences. Protection of intellectual property rights improved.

-- Education developed rapidly. Areas where the nine-year compulsory education had basically become universal and where illiteracy among the young and middle-aged had been basically eliminated accounted for 65 percent of the Chinese population in 1997, and the figure rose to 91 percent in 2002. Senior secondary education was strengthened. Institutions of higher learning have enrolled more students every year since 1999, and the admission rate for

those taking the college entrance exams increased from 36 percent to 59 percent. In 2002, the student population in institutions of higher learning was 16 million, 2.3 times the 1997 figure. In these five years, 13 million junior and regular college students and 310,000 graduate students graduated. Important progress was made in outsourcing college services to independent service providers. A total of 48 million square meters of college dormitories were built or remodeled, more than the total built in the 1950-1997 period. Work on establishing vocational and adult education systems with a fairly complete structure and a full range of specialties was in the main completed. Great importance was attached to special and pre-school education. Privately-run schools developed rapidly. Competence-oriented education was given greater emphasis to ensure that students would develop in an all-round way, morally, intellectually, physically and aesthetically. Outstanding achievements were scored in the past five years in building socialist democracy and a socialist spiritual civilization.

-- Democracy has been improved steadily. Governments at all levels willingly subjected themselves to the supervision of the People's Congresses and their standing committees of the same level, stepped up their contacts with organizations under the Chinese People's Political Consultative Conference, and earnestly sought and heeded opinions of the democratic parties, the All-China Federation of Industry and Commerce, personages without party affiliations and people's organizations. Grass-roots democracy expanded as steps were taken to institutionalize self-government by villagers and urban residents and promote the practice of making public affairs in villages, managerial affairs in enterprises and government work increasingly transparent. Development of urban communities continued. Implementing the basic strategy of governing the country by law, we performed our official duties in strict compliance with law, and speeded up the government's efforts to promote the rule of law. In the past five years, the State Council made 50 legislative proposals and promulgated 150 administrative statutes. In response to the requirements of a socialist market economy and China's WTO membership, the State Council made a sweeping review of the 756 administrative statutes promulgated by the end of 2000, resulting in 71 of them having been nullified and 80 others declared no longer in effect. The agencies under the State Council went over 2,300 foreign-related regulations and related policies, abolishing 830 of them and revising 325 others. There was further progress in publicity campaigns to promote legal knowledge, resulting in greater public awareness of the law. Our ability to exercise social management on the basis of law continued to increase. We stepped up administrative scrutiny, auditing and economic supervision. All this was of great importance in furthering the conduct of government according to law, fighting corruption and building a clean government, and prosecuting major economic cases and irregularities. We have completed the work of surveying and delimiting land boundaries of sub-national administrative divisions. The work of surveying and delimiting maritime boundaries is now in full swing. The management of social organizations has been strengthened. We have resolutely banned evil cults. Numerous measures for comprehensively improving law and order in the country have been implemented. The public security situation in society has taken a turn for the better, giving the people a stronger sense of security.

-- Fresh achievements have been made in promoting spiritual civilization. We made more intensive efforts to study and publicize Deng Xiaoping Theory and the important thought of Three Represents. We continued to combine rule of law with rule by virtue. Activities aimed at developing socialist culture and ethics and promoting a new code of conduct among the

people swept across the country. More emphasis was placed on ideological and moral development. Scientific knowledge was further popularized and the spirit of science spread. Literature and art, the news media and publishing, and radio, film and television developed in an all-round way and continued to bring out fine works in large numbers. Significant progress was made in expanding the area of radio and television reception and raising the quality of their programming. Reforms and development in culture, health and sports were accelerated. More funds were put into building cultural facilities and various special items. We built, renovated and expanded libraries, museums, science centers, archives and cultural centers. Fresh progress was made in the preservation of cultural relics and in archives-related work. Our struggle against pornographic and illegal publications continuously deepened. Our cultural exchanges with the outside world have never been more lively. We have strengthened health services in urban and rural areas and the prevention and control of the major diseases has become more effective. We intensified the prevention of epidemics after natural disasters, and as a result, no major epidemics broke out after the extraordinary floods. We promulgated and implemented the Outline Program for Development of Chinese Women and Children. Young people are receiving better education and protection. We did more work concerning the aging population. Great progress was made in advancing the cause of disabled people.

Mass sports enlivened the whole country. Chinese athletes did well in competitive sports. In the past five years, they won 485 world champions and set 193 new world records in major international competitions. Beijing won the bid to host the 2008 Olympic Games, and Shanghai secured the right to host the 2010 World Exposition. These successes aroused the patriotic passion of our people of all ethnic groups and enhanced our pride and cohesion as a nation.

-- Our work concerning ethnic, religious and overseas Chinese affairs was improved. Socialist ethnic relationships based on equality, solidarity and mutual assistance were further developed. The system of regional autonomy of ethnic minorities was improved, and the equal rights of ethnic minorities and their right to self-rule in ethnic autonomous areas were safeguarded. Owing to increased state support for ethnic minority areas, their economic and social development was accelerated. Our policy of freedom of religious belief was further implemented, and religious affairs were managed in a more standardized and law-based manner. We continued to crystallize the policy regarding overseas Chinese affairs, and strengthened our work in this field. In the past five years, our people's lives improved notably and on the whole attained the level of being well-off.

-- The income of urban and rural residents grew continuously. The per capita disposable income of urban dwellers went up from 5,160 yuan in 1997 to 7,703 yuan in 2002, an average annual increase of 8.6 percent in real terms. The per capita net income of rural households increased from 2,090 yuan to 2,476 yuan, up by an annual average of 3.8 percent in real terms. The balance of savings deposits of urban and rural residents rose from 4.6 trillion yuan to 8.7 trillion yuan. The stocks, bonds and other financial assets owned by individuals also increased by a considerable amount. The number of rural poor decreased from 49.6 million to 28.2 million. In these five years, the economy grew relatively fast and prices remained fairly low, resulting in more tangible benefits for the people.

-- The level of consumption rose noticeably. Urban and rural markets have been thriving. The total volume of retail sales of consumer goods in the country increased from 2.73 trillion yuan in 1997 to 4.1 trillion yuan in 2002, up by an annual average of 10.5 percent in real terms. The per capita living space of urban dwellers increased from 17.8 square meters to nearly 22 square meters, and that for rural dwellers, from 22.5 square meters to 26.5 square meters. Such household appliances as TV sets, washing machines and refrigerators became more common, and an increasing number of families acquired computers and cars. The number of public facilities and the per capita green area have grown. Official public holidays have increased, and there has been a large increase in the number of people out on tours. Consumer spending on sports, fitness, culture and entertainment increased considerably. As conditions of medical care continued to improve, people's health has come to a higher level. The average life expectancy reached 71.8 years in 2002, close to that of a medium-level developed country.

We have succeeded in establishing on the whole a well-off standard of living in this country of nearly 1.3 billion people. This is a great victory for our socialist system, and a new milestone in the history of development of the Chinese nation.

National defense and army building have made new strides in these five years. Acting on the military strategies for the new era, the people's army has implemented the strategy of strengthening itself through science and technology. The revolutionization, modernization and standardization of the armed forces were carried forward, leading to a rise in our country's military capability and our army's defensive combat readiness. The task of reducing the armed forces by half a million troops was completed on schedule. Ideological and political work in the army has been carried out effectively. Reforms in the army's logistical support system continued to deepen. The army's level of modernization in weapons has improved significantly. The Chinese People's Liberation Army, the Chinese People's Armed Police, the army reserves and the people's militia have made great contributions to safeguarding the sovereignty and security of the country, supporting its economic development and providing rescue and relief for disasters and emergencies. More intensified research efforts have brought about new developments in defense-related science, technology and industry. Continuous progress was made in national defense mobilization. Efforts were intensified to encourage activities for mutual support between the army on the one hand and the government and people on the other, and this strengthened their solidarity. During the past five years, fresh progress was made in promoting the great cause of national reunification. Following the return of Hong Kong to the motherland, the Chinese Government resumed the exercise of sovereignty over Macao in December 1999. Adhering to the principle of "one country, two systems", we implemented the two basic laws of the Hong Kong Special Administrative Region and the Macao Special Administrative Region. The central government has given full support to the chief executives of the two regions and their governments in the discharge of their official duties under the basic laws.

Hong Kong and Macao have enjoyed social and economic stability. Upholding the basic principles of "peaceful reunification" and "one country, two systems" and the eight-point proposal by President Jiang Zemin on the settlement of the Taiwan question, we fought resolutely against pro-independence separatist forces in Taiwan, actively promoted cross-

Straits exchanges and contacts and pushed for "three direct links" between the two sides. We did a great deal of work for the peaceful reunification of our motherland. A new chapter was begun in diplomatic work during these five years. In the face of complex changes in the international situation, we have persisted in our independent foreign policy of peace, worked broadly in bilateral and multilateral diplomacy, and participated actively in international exchanges and cooperation. China's international standing has risen noticeably. The relations of friendship, good-neighborliness and cooperation between China and its neighbors have developed further. Our solidarity and cooperation with other developing countries have been continuously strengthened. Our relations with developed countries have improved and developed. The establishment of the Shanghai Cooperation Organization contributed to greater stability and economic cooperation in the region. The process of setting up the ASEAN-China free trade zone was initiated, and our cooperation with the ASEAN countries in many fields has grown closer. China has played a positive role in the United Nations and other international or regional organizations. We have firmly safeguarded our state sovereignty, territorial integrity and national dignity, defeated the outside forces' attempts to interfere in our internal affairs, and have won extensive support from the international community. China has actively participated and played a constructive role in international cooperation against terrorism.

Fellow Deputies,

In the past five years, we fulfilled the Ninth Five-Year Plan and made a good start on the Tenth Five-Year Plan. These years saw our people of all ethnic groups press ahead on the road to socialism with Chinese characteristics under the guidance of the spirit of the Fifteenth and Sixteenth Party Congresses. These years saw our country undergo great changes with each passing day, as its endeavors flourished and its people's lives improved significantly. These were years of social stability, ethnic solidarity and rising international influence for China. This government has contributed its share to the prosperity and well-being of the nation by performing its bounden duties in real earnest.

In doing the work of the government during the past five years, we unswervingly took Deng Xiaoping Theory as the guide for government work, conscientiously implemented the important thought of Three Represents and carried out the Party's basic line and basic program in their entirety by emancipating our minds and seeking truth from facts. We firmly kept economic development as our central task, vigorously pushed reform and opening up, properly balanced the relationships among reform, development and stability, and actively promoted the coordinated development of material and spiritual civilizations. In the course of rich and vibrant practice, we have accumulated a wealth of valuable experience.

The following are the main features of our work over the past five years and what we have learned from it.

1. Maintaining the right direction and intensity of macroeconomic regulation and implementing the proactive fiscal policy and the prudent monetary policy.

To develop the socialist market economy, we must strengthen and improve macroeconomic regulation. In exercising the regulation, we must focus on ensuring a sustained and rapid

growth of the economy, be alert to changes in the international and domestic economic situations, and improve our ability to predict and cope with them effectively. The most important measure we took in response to the grim international economic environment and the weak domestic effective demand in the past few years was to resolutely shift the focus of our macroeconomic regulation from the appropriately stringent fiscal and monetary policies aimed at checking inflation to the proactive fiscal policy and prudent monetary policy to expand domestic demand and curb deflation.

Moreover, we improved our policies and measures in good time and fine tuned our regulation to ensure good results.

Balancing accounts by always keeping expenditures within the bounds of revenue is an important principle we should follow in our economic work. The proactive fiscal policy we followed during the past few years and the issuance of long-term construction treasury bonds were special policies implemented under special circumstances. We have made it a rule not to allow a deficit in our regular budget and not to exceed the deficit level projected at the beginning of the year in our capital development budget. When bank savings are up considerably and the supply of materials is abundant, and when prices are down continuously and interest rates are low, issuing treasury bonds for economic development serves multiple purposes. It can put idle production capacity to use and stimulate economic growth, and it can lessen the banks' interest burden without incurring inflation. We funneled the capital raised from long-term construction treasury bonds primarily to infrastructure development, and incorporated this into the readjustment in industrial structure, technological renovation of enterprises, development of science, technology and education and improvement of the ecological environment. In doing so, we paid particular attention to the needs of the central and western regions. Management of the projects financed by treasury bonds was tightened to avoid redundancy and inappropriately high standards and to ensure better cost-effectiveness. While boosting investment demand, we also took care to foster and expand consumption demand, mainly by increasing the income of low and middle-income residents in both cities and the countryside. Since 1999, we have raised the basic salaries of government employees and retirees' pensions three times. We have also introduced the systems of year-end, one-time bonuses and hardship-post allowances for employees in remote and inhospitable areas. Benefits for retirees from state-owned enterprises were improved. Social security benefits for all types of beneficiaries were raised considerably. A variety of measures were taken to increase the income of farmers. The policy of encouraging consumption was implemented to ensure a combined effect on economic growth from both investment and consumption demand. Our success in macroeconomic regulation over the years was also attributable to the importance we attached to financial work and the continued prudent monetary policy, emphasizing necessary banking support to economic development without blind expansion of bank credit. While giving top priority to providing supplementary loans for treasury-bond projects, banks also provided working capital and loans in support of technological transformation by credit-worthy enterprises that are profitable and have a ready market for their products. In response to changes in the money market and the needs of economic development, we have lowered the interest rates on bank savings and loans five times since 1998 and introduced consumer credit for housing and student loans. At the end of 2002, the total balance of consumer loans stood at 1.07 trillion yuan. These measures played an

important role in increasing investment by enterprises and expanding consumer spending. The proactive fiscal policy and prudent monetary policy we adhered to were effective in facilitating rapid economic growth and cultivating and expanding sources of government revenue. At the same time, due to the constant improvement in the fiscal and taxation systems and better tax collection and management, the financial strength of the central government has increased significantly, resulting in more transfer payments to the local governments. While providing tax refund and structural subsidies, the central government increased its transfer payments to local authorities from 66.4 billion yuan in 1997 to 402.5 billion yuan in 2002, with the total reaching 1.2319 trillion yuan for the whole period. Of this sum, 177.7 billion yuan was used by the localities to fund guaranteed living allowances and unemployment insurance for laid-off workers from state-owned enterprises and subsistence allowances for needy urban residents. An additional 175.5 billion yuan was used for pay raises for government employees at the local level. These measures played an important role in increasing domestic demand, promoting coordinated development among different localities and maintaining social stability.

2. Unswervingly taking economic restructuring as paramount and working hard to improve the quality and efficiency of economic growth.

Development is the fundamental principle, and the key to resolving all problems China is facing. We must maintain a comparatively high growth rate in our national economy. There must be new approaches towards development, and fast development will be genuine and healthy only if it enjoys full market access and delivers good returns. In China's new economic landscape characterized by conclusive changes for the period, we must make strategic readjustment to our economic structure. We have taken care to focus the energy of all quarters on structural readjustment and improved quality and efficiency of economic growth and done our best to strike a balance between speed on the one hand and structure, quality and efficiency on the other. We have been steadfast in making comprehensive readjustments to the industrial structure and coordinating economic development between regions and between cities and the countryside. We grasped the key link of readjusting the industrial structure.

First, we strengthened infrastructure. This was an inevitable choice in readjusting the industrial structure when the processing industries had surplus capacity, for it has not only removed bottlenecks but also spurred growth in equipment manufacturing and other related industries. In developing infrastructure, we have followed the principles of unified planning, stress on key projects, rational project distribution and high quality. Stringent control was exercised to block new projects in processing industries and avoid redundancy in low-level development.

Second, we energetically developed high and new-tech industries, the IT industry in particular, and vigorously promoted IT application to our national economy and society. We have carried out more than 1,000 demonstration projects in this regard, enabling us to bring over a short time a number of major proprietary scientific and technological achievements to industrial production. The role of high and new-tech industrial zones and industrial parks was fully exploited. Vigorous efforts were made to develop service providers for industrial application of high and new technologies. Through deeper reform and opening up and greater investment,

our information industry has advanced by leaps and bounds.

Third, we worked actively to renovate and upgrade traditional industries. We supported massive technological renovation and structural readjustment in key industries, key enterprises and key product lines by allowing interest discounts on treasury bond loans and simplifying the clearance procedures for technological transformation projects. In these five years, technological transformation projects with a total investment of 2.66 trillion yuan were completed, 67 percent over the figure for the previous five years. Many large enterprises upgraded their technology and increased their competitiveness through self-reliance and strenuous efforts. At the same time, starting with the textile industry and gradually moving to the coal, metallurgical, building material, petrochemical, sugar refining and other industries, we used economic, legal and necessary administrative measures to close a large number of enterprises that produced shoddy goods, wasted resources, seriously polluted the environment or were unsafe for production. This eliminated large quantities of old equipment and many obsolete technologies and production processes, and reduced the excessive production capacity.

Fourth, we worked hard to develop service industries. Wider market access, a better business environment and the introduction of modern management and technologies have enabled our traditional service industries to develop further. At the same time, we took multiple measures to support and encourage faster development of modern service industries. Our country's prosperity depends on producing better goods. Herein also lies the fundamental answer to better economic efficiency and competitiveness. By adopting international standards, popularizing advanced know-how, improving authentication and certification and strengthening quality control, China is constantly improving the quality of its goods and services in all industries and trades.

3. Steadfastly giving priority to solving the problems facing agriculture, rural areas and farmers and consolidating the position of agriculture as the foundation of the national economy.

Problems facing agriculture, rural areas and farmers have a crucial bearing on the country's reform, opening up and modernization drive, and we should never overlook them or slacken our efforts to address them. The productive capacity of our agriculture has reached a new high in recent years, providing powerful support for our national economic development and social stability. Meanwhile, problems have arisen, including oversupply of agricultural products coupled with price drops and slow increases in farmers' income. Such a state of affairs, if allowed to stay unchanged, would seriously dampen farmers' enthusiasm to produce, undermine agriculture from its foundation, and may even threaten the overall health of the national economy. We gave top priority to agricultural development, rural economic health and increasing farmers' income in our economic work and devoted a great deal of attention to them.

First, we advanced structural readjustment in agriculture. Through policy support and improved information and technical services, the government guided farmers to grow crops and select crop varieties according to market demand, developed animal husbandry and aquatic farming and readjusted the location of agricultural producing areas. Energetic efforts

were made to extend "companies plus households", "production on orders" and other methods of industrialized agricultural production and help large numbers of farmers to enter the market. At the same time, we took advantage of the abundance of grain to return more farmland to forests. These efforts have stimulated the restructuring of agriculture and directly increased farmers' income. In readjusting the agricultural structure, the government took a flexible approach in light of local conditions, refrained from dictating orders and respected the wishes of farmers.

Second, we deepened the reform of the grain and cotton distribution systems. The fundamental orientation of this reform is to let market forces direct the buying and selling of grain and cotton. In taking specific reform measures, we have proceeded sure footedly, mindful of the realities and taking into account the farmers' interests and preservation of the agricultural productive forces. In 1997, we started buying at protective prices all surplus grain farmers were willing to sell. In 1998, we went further by introducing a three-point policy calling for buying all surplus grain from farmers at protective prices, selling at market prices by state-owned grain dealers, and closed movement of funds earmarked for grain purchases, as well as an accelerated reform of the state-owned grain enterprises. In 2001, we lifted the control on grain purchase and grain prices in the major grain purchasing areas while continuing to buy all surplus grain at protective prices from farmers in the major grain producing areas. The results were remarkable. The state has spent large sums of money to support the reform of the grain distribution system. Reform to subordinate the buying and selling of cotton to market forces was also deepened and some breakthroughs were made.

Third, we carried out experimental reforms of taxes and administrative charges in rural areas. We have adopted a series of policies and measures to address the problem of excessive burden on farmers. The experiment, which began in 2000 in Anhui and parts of other provinces and was extended by 2002 to 20 provinces, autonomous regions and municipalities directly under the central government, has resulted in an average of 30 percent reduction in the burden on farmers. The central budget will allocate 30.5 billion yuan to support this reform in 2003. Going hand-in-hand with this have been coordinated reforms of town and township administrative setups, rural education and the county-township financial system. Salaries of rural primary and secondary school teachers are now the exclusive responsibility of the county financial authorities. This has not only ensured that teachers are paid in full and on time, but also reduced the burden on farmers. The reform of taxes and administrative charges in rural areas constitutes yet another great change in China's countryside, following the introduction of the household production contract system since the late 1970s. It has played, and will continue to play, a crucial role in ensuring fewer burdens on and more income for farmers, promoting agricultural development and maintaining rural stability. The reform has won heartfelt support from farmers by the hundreds of millions.

Fourth, we increased investment in agriculture and the countryside. We took this as an important measure to address the problems facing China's agriculture, rural areas and farmers and to coordinate the development between cities and the countryside. In these five years, the central government allocated a total of 407.7 billion yuan to support rural production and various agricultural undertakings, a rise of 185.2 billion yuan compared with the previous five years. We devoted a portion of the treasury-bond funds to agriculture and rural infrastructure

development. Emphasis was placed on harnessing major rivers and lakes, upgrading rural electric power grids and constructing depots for national grain reserves. Support was also given to agricultural and small rural infrastructure projects. These measures have played an important role in improving the production and living conditions of the rural population.

Fifth, we intensified efforts to help the rural poor improve their lot through development. After our conscientiously implementing and basically fulfilling the Seven-Year Priority Poverty Alleviation Program, we have formulated and begun to implement a rural anti-poverty program for the first ten years of the 21st century. We increased spending on efforts to help the rural poor through development. In these past five years, the central government spent a total of 48 billion yuan on poverty alleviation and work-relief schemes, and provided 77 billion yuan in discount interest loans for poverty alleviation, both figures being significant increases from the previous time. Persistent efforts were made to coordinate poverty-alleviation programs of the country's eastern and western regions. Through years of exploration, we have found a road of poverty alleviation through development by proceeding from China's realities.

Sixth, we provided guidance to ensure a proper and orderly movement of rural labor. Surplus rural labor moving to non-agricultural industries and to cities and towns is an inevitable trend in industrialization and modernization. In implementing our urbanization strategy, we have made vigorous yet cautious efforts to develop small cities and towns. We encouraged farmers to take up temporary or permanent jobs in cities and protected their legitimate rights and interests by rectifying policy discrimination and unauthorized collection of dues from farmer-laborers. At the same time, we stepped up guidance and management of these matters. Given the new circumstances in the country, sweeping rural development driven by prosperity in cities and coordinated development of both urban and rural areas may provide an important way of resolving the problems facing our agriculture, rural areas and farmers. Facts have proved that the decisions and plans made by the Party Central Committee and the State Council concerning agriculture and rural work in the new phase of China's development are correct. This government has concentrated an immense amount of energy on solving the problems facing agriculture, rural areas and farmers, and the results are positive. Yet, solving these problems once and for all is a long-term and arduous task that calls for persevering endeavor.

4. Steadfastly carrying forward the reform of state-owned enterprises and effectively strengthening reemployment work and development of the social security system. The reform of state-owned enterprises is the key link in our overall economic restructuring. If we fail to press this reform forward, there will be no future for our state-owned enterprises. In the past five years, we fought a tenacious battle to deepen the reform of state-owned enterprises by adhering to the orientation of the socialist market economy, braving difficulties, overcoming tough obstacles and constantly intensifying our work.

First, we accelerated the development of the modern corporate system. In line with the principles of "clearly established property right ownership, well defined rights and responsibilities, separation of enterprises from government and scientific management", vigorous efforts were made to carry out reforms aimed at introducing the standard corporate

system and the joint-stock system and improving corporate governance. We deepened the reform of enterprises' internal systems for distribution and human resources and labor employment management and established incentive and disciplinary mechanisms. At the same time, we encouraged eligible large state-owned enterprises to get listed after the stockholding system was established. In the past five years, 442 additional state-owned or state-holding enterprises were listed in and outside China; they raised 743.6 billion yuan, including US\$35.2 billion raised abroad. Second, we established the mechanism of selection whereby superior enterprises will prosper and inferior ones is eliminated. With the strategic readjustment in the layout of the state-owned sector of the economy and the reorganization of state-owned enterprises, we encouraged large companies and enterprise groups with a competitive edge to grow bigger and stronger, so that they will become key pillars of China's national economy and main participants in international competition. At the same time, we formulated a series of policies and regulations on appropriate job placement for employees, financial compensation to employees when their labor contracts with enterprises are revoked, and the State Council-sanctioned cancellation of bad bank loans to enterprises. A number of exhausted mines and enterprises that had long been in the red with no hope of becoming profitable were able to close down or declare bankruptcy smoothly, suggesting that we had created a market withdrawal mechanism for inferior enterprises. Third, work was done to reduce the burden on enterprises and free them from historical baggage. The four financial asset management companies, set up as part of the reform to dispose of bad assets of the state-owned commercial banks, selected 580 eligible large and medium-sized state-owned enterprises for their debt-to-equity reform. The asset-liability ratio has dropped for those enterprises that have undergone this reform and most of them have become profitable. Effective measures were taken to resolve other problems, such as redundant workers and enterprises running social services. Fourth, we made vigorous efforts to encourage innovation in enterprise management. Strong efforts were made to promote enterprise IT application, improve management of costs, capital and product quality and raise the level of enterprises' modern management in an all-round way. Fifth, we intensified external supervision over enterprises. The State Council has appointed supervisory boards to 192 key state-owned enterprises and some state-owned financial organizations and instituted economic accountability auditing for leaders of all state-owned enterprises and state-owned financial organizations. These measures are important for improving management in enterprises and preventing loss of state assets.

One important reason for our major progress in the reform of state-owned enterprise is that we stuck to the policy of encouraging mergers, standardizing bankruptcy, laying off and reassigning redundant workers, streamlining for higher efficiency and implementing reemployment projects, and we worked hard to promote reemployment and improve the social security system. In recent years, the Party Central Committee and the State Council called two national working conferences on reemployment and formulated a succession of policies and measures. Reemployment service centers were set up to help laid-off workers make ends meet, pay social insurance for them and promote their reemployment. When enterprises went under, priority was given to properly arranging for their employees. Since 1998, state-owned enterprises have laid off more than 27 million workers. Over 90 percent of them have benefited from reemployment service centers, and more than 18 million have found new jobs through various channels. At the same time, steps were taken to improve the "three-stage guarantees" for laid-off workers. Governments at all levels have increased their capital

spending year after year on social security and reemployment. In 2002, the central government spent 59.4 billion yuan to support the "two guarantees" and subsistence allowances, 6.2 times that of 1998. The experiment on improving the urban social security system carried out in Liaoning Province since 2001 has been a success, and it has yielded valuable experience for gradual application nationwide.

Facts have proved that the policies and guidelines of the Party Central Committee and the State Council on reforming state-owned enterprises, promoting reemployment and strengthening the social security system are correct, complement one another and form an integral framework. We can reach the goals of the reform of state-owned enterprises only when we follow these policies and guidelines completely.

5. Steadfastly opening wider to the outside world and actively participating in international economic and technological cooperation and competition. As economic globalization is gathering momentum and international competition is becoming increasingly fierce, we can make better use of domestic and foreign markets and resources and accelerate our development only if we follow the tide of world development and open ourselves still wider to the outside world. Despite the grim international economic environment, we have created a new situation in our opening up by responding positively, striving to seek advantages and avoid disadvantages, and turning challenges into opportunities.

6.

While pursuing the policy of expanding domestic demand, we have never slackened our drive to increase exports. In the second half of 1998, China's exports registered a negative growth because of the Asian financial crisis. Still, we refused to devalue the RMB and took a series of resolute policies and measures to encourage exports. We followed the strategies of market diversification and winning customers through quality, energetically opened up new markets, improved our export mix and enhanced the quality and grade of our merchandise. We also deepened the reform of our foreign trade and economic cooperation system, diversified foreign trade entities, strengthened port management and streamlined customs clearance. Thanks to these effective measures, we have overcome many difficulties and increased our exports substantially. At the same time, we imported large quantities of equipment and technologies urgently needed and raw and processed materials in short supply. This has promoted our economic development and technological progress. Facts have proved that the policy decisions and measures we took to keep the RMB stable and do everything possible to increase exports are correct. We encouraged qualified enterprises, regardless of their forms of ownership, to go global, explore the international market, invest in enterprises abroad and increase exports of equipment, spare parts and accessories and labor services. Different ways of investment and cooperation were followed in light of the actual conditions of different countries. With respect to other developing countries, especially our neighboring countries, we provided them with economic and technological assistance, contracted for and invested in development projects, invested in business operations and provided interest free or low interest loans. This was highly significant in that it helped consolidate the traditional friendship between China and these countries and promoted mutual benefit and common development.

We took advantage of the new features of the international movement of capital to actively

use more funds from foreign sources. We focused on improving the quality of foreign capital use and integrated it with readjustment of domestic industrial structure, revamping and reorganizing of state-owned enterprises and development of the western region. Our efforts in the past few years to improve the investment climate, develop transport and communications facilities, improve the legal system, increase policy transparency and provide better services have all borne fruit, and this has made China more attractive to foreign capital.

7. Implementing the strategy of invigorating the country through science, technology and education, raising the nation's scientific and technological capability for innovation and improving the overall quality of the population.

Developing science, technology and education is a task of paramount importance for economic revitalization and the modernization of the country. Over the past few years, we have always made it an extremely important task to put the strategy of developing the country through science, technology and education into practice. This involves a series of measures pertaining to additional investment, deepened reform and better policies.

Spending on science, technology and education rose considerably in the past five years. The central government spent a total of 250 billion yuan on science and technology, more than double the figure for the previous five years. Spending on research and development nationwide increased from 50.9 billion yuan in 1997 to 116.1 billion yuan in 2002, an increase from 0.64 percent to 1.13 percent in terms of the GDP share. Investment from the central government on the state high-tech research and development plans, the state natural science fund and development of the national innovation system increased considerably. Conditions for scientific research were improved markedly, accelerating the country's scientific and technological innovation. Budgetary spending on education nationwide in 2002 was 336.6 billion yuan, 1.8 times that in 1997, an increase from 2.5 percent to 3.3 percent in terms of the GDP share. From 1998 onward, educational spending by the central government has increased by one percentage point each year as a proportion of its total expenditures, and that increase alone amounted to 48.9 billion yuan over the five years. In addition, the central government allocated huge sums of money to pay salaries in arrears to primary and secondary school teachers and to refurbish school buildings in poor conditions. At the same time, education assistance policies concerning scholarships, student loans, work-study programs, subsidies, and full or partial exemptions of tuition were introduced, in order to help students from poor families continue their schooling.

Reforms of the science, technology and education systems were deepened, and efforts were redoubled to promote their integration with economic and social development. Since 1999, we have carried out enterprise-oriented reforms in applied science research institutions operating under agencies of the State Council and those under provincial governments, as well as market-oriented reforms in eligible non-profit research institutions through various ways, thus introducing effective mechanisms for application and industrial production of research findings. Research institutions that have completed enterprise-oriented reforms are playing a vital role in our high and new-tech industry. Through these reforms, enterprises are gradually turning themselves into a mainstay of technological innovation, and state research institutes and research institutes in universities and localities have become stronger for science and

technology development. We initiated a major reform of the management system of colleges through joint administration, restructuring, cooperation and mergers. A new system of dual management by the central and provincial governments, with the provincial government playing the principal role, was established. This helped reverse the situation where central departments and local ones compartmentalized their work, leading to undersized schools with too narrow disciplines, and enabled us to put our educational resources to better use. The reform of the curriculum and the examination and evaluation system was carried forward. A new management system for compulsory education in rural areas, which places responsibility on the local governments under the leadership of the State Council, was established, with the county playing the principal role. This gave a strong impetus to the reform and development of rural education. The national evaluation and incentive system for science and technology was improved, complete with a policy to consider expertise and management as factors in the distribution of income and with awards for scientists, engineers, managers and administrators who have made outstanding contributions.

The appointment system was followed in all research institutions. Young college teachers were rewarded for excellent job performance. The government has raised the pay for teachers several times and improved their working and living conditions. We encourage top-notch talents with innovative ideas to come to the fore. These measures have been effective in stimulating the enthusiasm of scientists, engineers and teachers. In implementing the strategy of building up the strength of the country with talented people, we accorded priority to training, attracting and utilizing professionals. We have formulated and are implementing the Outline National Program for Talented People and the Ten-Year Plan for Developing Talented People in the Western Region. Greater efforts have been made to bring forth talented people in public service, enterprise management and technology research, and improve systems and procedures for training and placement of people with expertise, thus creating an environment conducive to bringing up talented people in large numbers and to fully utilizing their expertise. The reform to the personnel system was deepened, with the introduction of examinations in recruitment for public service, competition for positions, job rotation, personnel exchanges and training programs. The system for selecting experts to receive special government allowances was improved. The policy of "supporting study abroad, encouraging those who complete their studies to return home and coming and going freely" was implemented. Start-up industrial parks for students who returned from overseas were established with funding to support their research and business ventures. This has brought a large inflow of students who had studied in other countries. Over the past few years, we have adhered to the principle of "doing two types of work at the same time and attaching equal importance to both," worked hard to strengthen socialist spiritual civilization, continued to raise the ideological and ethical standards and scientific and cultural levels of the whole nation, provided great spiritual motivation and intellectual support to the modernization drive and promoted coordinated economic and social development.

8. Continuing to take the path of sustainable development and promoting a coordinated development of the economy, population, resources and the environment.

Family planning and protection of the environment and natural resources are basic state policies of China. Under no circumstances should we seek temporary economic development

at the expense of the environment and resources. We have always given priority to our sustainable development strategy. We substantially increased our investment in this field, identified the root causes of the problems and persisted in seeking both temporary and permanent solutions.

First, we redoubled our efforts to protect and improve the ecological environment. Following the 1998 catastrophic flooding, we reviewed the past experiences and implemented the basic measures of "closing off hills for tree planting, returning farmland to forests or lakes, leveling protective embankments to facilitate flood water discharge, providing work-relief, resettling displaced people in newly built towns, reinforcing the main dikes and dredging rivers." We launched projects to protect the natural forests in major forest areas and along the upper and middle reaches of the Yangtze River and the Yellow River. We systematically returned large tracts of cultivated land to forests and pastures in ecologically fragile areas. Such measures as returning farmland to forests, closing off hills for afforestation, providing grain relief to make up for crop losses and contracting reforestation projects to individuals were adopted. We drew on and spread the experience -- "the right to forest is the core, grain supply is the key, seeds and seedlings should be provided first, and cadres guarantee implementation." Rural households, subsidized with free grain, seeds and seedlings as well as cash for living expenses, were enthusiastic about returning farmland to forests and pastures. All this played an important role in improving the ecological environment and speeding up poverty alleviation in poor areas. In the Yangtze River valley, we implemented the policies of removing protective embankments to facilitate floodwater discharge, restoring reclaimed farmland to lakes and relocating the displaced people in newly built towns. As a result, 2,900 square kilometers of water surface were restored, increasing the river's floodwater storage capacity by 13 billion cubic meters. Specifically, 880 square kilometers were restored to the Poyang Lake and 600 square kilometers to the Dongting Lake. This represented a great shift from the centuries-long history of reclaiming farmland from lakes to restoring it to them on a large scale.

Second, we protected our resources more effectively and utilized them more rationally. Management of land, mineral, fresh water, sea, biological and other resources was improved. The overall plan for land use was formulated and implemented, and the land use management system was strictly enforced, effectively protecting farmland. We resolutely rectified and standardized the order in the management of mineral resources and put an end to unauthorized mining. Work began to make the management of sea areas more law-based. Since 1999, water resources in all major river valleys have been brought under unified management. Programs for comprehensive management of the Tarim and Heihe river valleys were launched. Emergency water diversion projects such as the diversion of water from the Yellow River to Tianjin were implemented, and water supply in cities was basically guaranteed. Third, we strengthened the prevention and control of environmental pollution. Efforts were concentrated on controlling pollution in key river valleys, regions, sea areas and cities. We intensified development of environmental infrastructure and brought more urban sewage and garbage under centralized treatment.

Environmental legislation and standards-making were improved, and efforts to enforce them were strengthened. Clean production was promoted, and authentication and certification of environmental management systems were carried out. We supported the development of the

environmental industry and the recycling economy. We stepped up protection of resources and the environment in nature reserves, scenic areas, historical sites and tourist attractions. Public awareness campaigns were carried out to increase the people's enthusiasm for environmental protection. Fourth, we strengthened family planning work. We persisted in controlling the size of the population and raising its quality. The current family planning policy has been kept stable, and the low birth rate has been maintained. We focused on our family planning work in the rural areas, especially in the central and western regions, and paid close attention to family planning management of the floating population. We established and improved the target responsibility system for population and family planning and implemented this basic state policy in real earnest.

9. Doing everything possible to maintain social stability and creating a favorable environment for reform and development.

We steadfastly upheld the principle of attaching overriding importance to stability, and took great care to handle the relationships among reform, development and stability. While making giant strides in reform and accelerating economic development, we have made vigorous efforts to safeguard social stability. First, we were able to balance the momentum of reform and the speed of development against the people's resilience. In conceiving and implementing a major reform, we will fully consider if the country's financial resources, the enterprises and the people are able to sustain its impact, weigh carefully its timing, tempo and intensity, and be ready to make timely adjustments as may be needed in response to new developments and problems in the course of implementation. For major reforms, we will first experiment with projects and gradually expand to other areas only after gaining useful experience. We must ensure stable and rapid economic growth and avoid large fluctuations. Second, we constantly kept in mind the vital interests of the people and worked hard to solve practical problems facing the needy in their work and daily life. While ensuring a good job on social security, reemployment and rural poverty alleviation, we made great efforts to solve such problems as wage arrears by enterprises and excessively heavy burden on farmers. Also, in tackling financial risks, the government spent a considerable amount of money ironing out troubles caused by old debts that were adversely affecting the interests of the masses. Third, we correctly handled the contradictions among the people arising from the new situation. Some unexpected incidents involving mass participation were handled appropriately. Efforts were made to resolve conflicts and disputes in the bud and at the lowest level. Fourth, we adopted comprehensive measures to maintain law and order. While cracking down on all kinds of criminal and economic offenses in accordance with the law, we focused our attention on such conspicuous problems as lack of law and order in some localities. Extensive efforts were made to improve public security at the grassroots level. We took the initiative to prevent and reduce crime. Production safety was strengthened, and the responsibility system for production safety was improved. Fifth, we made practical efforts to safeguard state security. We remained vigilant against and cracked down on all infiltration, subversion and sabotage by hostile forces at home and abroad according to law. We acted firmly against forces of ethnic separatism, violence, terrorism and religious extremism according to law. Sixth, the funding mechanism to ensure the wherewithal of procuratorial, judicial and public security organs has been improved, providing needed support for their work.

10. Continuing to transform government functions and endeavoring to build a clean, diligent, efficient and pragmatic government.

The establishment and improvement of the socialist market economy require separation of government from enterprises, transformation of government functions and changes in its working methods and work style. Over the past few years, the government has made great progress in strengthening itself. First, we carried out major reforms of government institutions, which included reorganizing comprehensive economic agencies into macroeconomic control authorities, reducing the number of industry-specific economic agencies and adjusting their functions, and strengthening law enforcement and regulatory authorities. In 1998, the State Council was downsized from 40 to 29 agencies, and a quarter of its internal departments and half of its workforce was reduced. In 2001, nine more state industrial administrations were abolished, and the roles played by market law enforcement and regulatory authorities were further elevated. Corresponding reforms were also carried out in the composition of local governments at all levels. The number of the country's administrative personnel was cut by a total of 1.15 million. This reform changed the long-standing framework of government institutions established during the planned economy. Difficult as it was, the reform progressed smoothly due to our appropriate measures and careful work. At the same time, major strides were made in promoting commercialization of logistic services for government departments and separating the government from enterprises. Party and government organs at both central and local levels have disassociated themselves from the economic entities they had run and the affiliated enterprises they had managed directly. Units of the PLA, the Armed Police and the procuratorial, judicial and public security organs no longer engage in business or run enterprises. The solution of these problems that had accumulated over the years and aroused strong resentment among the general public is of far-reaching significance.

In a socialist market economy, the government's responsibilities should mainly encompass economic regulation, market oversight, social governance and public service. The government must always attend to its affairs. However, it must not meddle in what is not its business. The government should appropriately exercise its functions in policy-making, implementation and oversight. The transformation of government functions requires that we reform the system of administrative examination and approval. We undertook a review of the items originally subject to examination and approval, and up to now, 1,195 such items have been nullified by the State Council and still more by the local governments at all levels. In performing government duties, it is necessary to abide by the law, safeguard its sanctity and protect the interests of the people. The agencies of the State Council and the local governments at all levels have constantly improved their government work in accordance with the law and took the lead in observing the law to the letter. Reform of the system of law enforcement by administrative authorities was conducted, and experiments on the centralized right to administer penalties was carried forward. Efforts were made to increase law enforcement oversight, improve administrative reconsideration of legislative decisions and transparency of government work, and support the general public and the media in their oversight of the work of the government. We paid close attention to the work related to letters and visits from the people. E-government continued to develop. Great efforts were made to increase the observance of the professional ethical standards of honesty and trustworthiness and to

establish a social credibility system. All this has played an important role in improving law enforcement effectiveness and the efficiency of our work.

This government has attached great importance to building a contingent of public servants with a fine work style. Since the very beginning of its term, this government has demanded that all government functionaries be clean, diligent, pragmatic and efficient. We stress the need for them to keep well in mind that as public servants, they should serve the people heart and soul, attend to their duties without any reservation and dare to speak the truth, set a high standard in work and not keep back for fear of giving offense, be clean and upright and stand firm against corruption, and study diligently and work assiduously. All this promoted the building of a clean government, raised the efficiency of governance and preserved close ties between the government and the people. We provided more education and training for public servants and leaders of state-owned enterprises and ran a series of workshops and training classes on special topics concerning the central task and key work of the Party and the state. We made unremitting efforts to combat corruption, rectify unhealthy tendencies in some departments and trades and punish according to law quite a few corrupt elements. We are fully aware that only by constantly improving themselves can the governments at all levels better adapt to the new situation of reform, opening up and modernization and can they win the genuine support from the people.

Fellow Deputies,

The achievements China has made in various fields over the past five years have not come by easily. We owe them to the correct leadership and decisions of the third generation of collective central leadership with Comrade Jiang Zemin at the core, to the unity and hard work of the people of all ethnic groups, and to the support and assistance from overseas Chinese and our international friends. Here, on behalf of the State Council, I would like to pay our highest tribute to all our workers, farmers, intellectuals and cadres; to officers and men of the People's Liberation Army, the Armed Police and the public security police. I would like to extend our heartfelt thanks to the people of all ethnic groups, all democratic parties, mass organizations and other people from all walks of life for their trust and support of the government. I would also like to express our sincere thanks to our compatriots in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Taiwan and the overseas Chinese communities who have cared about and supported the development and reunification of our motherland, and to all friends in other countries who have cared about and supported China's modernization drive.

We are clearly aware that there are still some outstanding difficulties and problems in China's economic and social life. They are, in the main, as follows: insufficient domestic effective demand and inability of the supply structure to respond to changes in market demand, slow growth in the income of farmers and some urban residents, rise in the unemployed and serious difficulties in some people's livelihood, continued inequities in the distribution of income, arduous tasks remaining in the reform of state-owned enterprises, the need to continue to rectify and standardize the order of the market economy, sporadic occurrence of major industrial accidents, poor public security in some places, degradation of the ecological environment in some areas, continued isolation from the people and perpetration of formalism, bureaucracy, falsification, extravagance and waste among some government officials, and

certain types of corruption remaining conspicuous. Some of these problems are the legacy of the past; others are hardly avoidable in the course of institutional transition and structural readjustment, and still others are caused by shortcomings and inadequacies in our work. More steps should be taken conscientiously to solve them.

ii. Suggestions for the Work of the Government in 2003  
The 16th National Congress of the Communist Party of China set the goal of building a well-off society in an all-round way in the first 20 years of this century, and pointed the way for opening a new stage in the cause of building socialism with Chinese characteristics. The year 2003 is the first year of our work to comprehensively implement the spirit of the 16th Party Congress, and success in the work of the government for this year will be of tremendous importance.

The general requirements for our work this year as set forth by the Central Committee of the Communist Party of China are: take Deng Xiaoping Theory and the important thought of Three Represents as our guide; earnestly carry forward the spirit of the 16th Party Congress; steadfastly give top priority to development in the Party's governance and rejuvenation of the country; vigorously respond to difficulties and challenges caused by changing domestic and international environments; continue to follow the policy of expanding domestic demand as well as the proactive fiscal policy and prudent monetary policy; further deepen the reform and open still wider to the outside world; accelerate the strategic readjustment of the economic structure; promote a sustained, rapid and sound development of the national economy and integrate speed with structure, quality and efficiency; correctly handle the relationships among reform, development and stability; effectively improve the development of democracy and the legal system and the promotion of spiritual civilization and Party building; and promote a coordinated development of socialist material civilization, political civilization and spiritual civilization. In keeping with these general requirements, and considering the upcoming election of a new government at the First Session of the 10th National People's Congress, and after careful deliberation, the State Council wishes to put forward the following suggestions for the work of the government in 2003:

1. Continue to Expand Domestic Demand and Achieve a Steady and Rapid Economic Growth

Maintaining the good momentum of economic growth is the basis for success in all fields of our work. Based on our overall analysis of the situation at home and abroad, we set the target for 2003 economic growth at around 7%. This growth rate is both necessary and achievable through hard work. It is imperative that we pay adequate attention to raising the quality and efficiency of economic growth by readjusting and optimizing the economic structure. We should adhere to the policy of expanding domestic demand, continue to implement the proactive fiscal policy and prudent monetary policy, and ensure a double-pull effect on economic growth from both consumption demand and investment demand.

First of all, we should strive to expand consumption demand. Given the current situation, this is more important than greater investment demand. We should continue to increase the income of urban and rural residents, especially those with low income, and work hard to raise the living standards of the population. We should do everything possible to increase farmers'

income and lighten their burden. We should effectively solve the problems the needy face in work and livelihood. Our original plan to raise the salaries of government employees as well as retirees' pensions in the second half of last year was postponed in order to first solve the problems of the urban poor and to harmonize relationships among the interests of all quarters. This measure, however, will take effect this year. We should continue to improve the consumption climate by improving relevant policies and expanding areas of consumer spending.

A relatively fast increase in investment should be maintained. Based on an overall consideration of various factors, we plan to issue 140 billion yuan of long-term construction treasury bonds in 2003. We should redirect the use of funds to be raised from treasury bonds as follows. Priority should be given to ongoing projects and projects which are near completion, and to a selected number of new projects which are wholly necessary. More support should be given to development of the western region, projects to improve production and living conditions in rural areas, technological transformation of enterprises, improvement of the ecological environment, and undertakings in science, education, culture and health care. We should broaden the channels for investment from society and for enterprise financing and direct investment funds from society to industries and development projects encouraged by the state. We should resolutely guard against redundant low-level development. In some localities, real estate investment is expanding too rapidly and too many luxury homes are being built. We must heighten our vigilance against risks and potential losses from blind development.

While continuing to watch out for and defuse financial risks, we should generate more financial resources to support economic development. Banks must give priority to extending matching loans to projects financed by treasury bonds, lend more money to enterprises that are profitable and trustworthy and have a ready market for their products, provide more credit to support agriculture, the rural economy, small and medium-sized enterprises and the service industry, and standardize and increase consumer credit. We should improve banking services, tighten financial regulation, and develop securities, insurance and money markets in accordance with established standards.

We should conscientiously handle fiscal and taxation work and vigorously increase revenue and cut expenditures. By strengthening tax collection and management according to law and cracking down on all forms of tax evasion and tax fraud, we will ensure that all taxes due are collected without exception. Financial departments at all levels should arrange their expenditures so that funding for key items is ensured. They must first pay wages and salaries on time and in full, continue to increase their social security contribution, increase spending on agriculture, compulsory education and health care in rural areas, and increase transfer payments to the country's central and western regions and areas in difficulties.

## 2. Promote All-round Development of Agriculture and the Rural Economy

We should continue to take developing agriculture and the rural economy and increasing farmers' income as the top priority of our economic work. Economic and social development in urban and rural areas must be coordinated, and work relating to agriculture, rural areas and farmers must be done well.

We should accelerate structural readjustment in agriculture and the rural economy. We should continue readjusting the distribution of agricultural areas. We should vigorously develop animal husbandry, aquatic farming and the processing of agricultural products. We should vigorously expand the industrial management of agriculture, better organize farmers' access to the market and raise the overall efficiency of agriculture. We should forcefully increase export of agricultural products. While returning more farmland to forests and grass, we should implement without delay the national plan for the conservation of grasslands. We should strengthen the system for quality and safety of agricultural products and the system of commercialized services for agriculture. We should continue implementing and improving the rural household land contract system, manage well the non-agricultural land and prohibit unauthorized use and expropriation of arable land. While continuing to deepen various reforms in rural areas, we should extend the experiment with rural taxes and administrative charges to all parts of the country on the basis of well summed up experience and improved policies. We should conscientiously implement all policies and measures designed to lighten the burden on farmers. We should protect farmers' interests better by deepening the reform of the grain and cotton distribution system.

We should invest more in the development of agriculture infrastructure and in agricultural science and technology. We should speed up the construction of facilities for water-saving irrigation and for supplying potable water for people and livestock, roads linking county seats and townships, facilities for rural energy supply, as well as educational, medical and health facilities in the countryside. More assistance should be given to major grain producing areas. A good job should be done in alleviating poverty through development. The collective economy should be helped grow stronger. Intra-county economic development should be promoted. The process of urbanization should be accelerated. We should develop well laid-out small towns on the basis of scientific planning. We should coordinate and guide the shifting of surplus rural labor to non-agricultural undertakings better, and protect the legitimate rights and interests of farmer-laborers holding temporary or permanent jobs in cities.

### 3. Aggressively Push Forward the Readjustment of the Industrial Structure and the Development of the Western Region

We should speed up the readjustment of the industrial structure according to the need for a new approach to industrialization. Vigorous efforts should be made to develop high and new-tech industries that can greatly spur our economic growth. We should energetically promote IT application and use IT to propel and accelerate industrialization. We should make extensive use of advanced adaptive technologies to transform traditional industries and invigorate our equipment manufacturing industry. We should do a good job in planning and readjusting the development of our steel, automobile and building materials industries to prevent blind expansion and disorderly competition. We should eliminate an even bigger slice of our production capacity that has become obsolete. We should vigorously develop modern services and tourism. We should attach great importance to the development of community-based services.

The development of our western region requires sound and persistent efforts. We should focus on key projects, stress practical results and lay a solid foundation. While continuing to

strengthen our protection of the ecological environment and infrastructure development, we should effectively restore cultivated land to forests, protect natural forests, and prevent further desertification. The program of restoring grazing areas to grasslands should continue, and relevant legal work should be intensified. We should work harder and more effectively on major projects to ensure the progress and quality of construction. Economic activities with local characteristics and competitive industries should be given greater support. We should accelerate the development of science, technology and education in the western region. Economic exchanges and cooperation among the eastern, central and western regions should be strengthened, so that they can complement one another and develop side by side. Measures should be tightened to prevent unwarranted transfer to the western region of discarded, obsolete industrial equipment and polluting enterprises. We should take effective measures to support the old industrial bases in Northeast China and other regions in their efforts to quicken readjustment and technological transformation, encourage cities or areas that are mainly dependent on resource exploitation to develop alternative industries, and help the old revolutionary base areas and areas inhabited by ethnic minorities to develop more quickly.

#### 4. Deepen Economic Restructuring and Open Still Wider to the Outside World

While adhering to and improving our basic economic system in which public ownership plays the dominant role and diverse forms of ownership develop by its side, we will unswervingly consolidate and develop the public sector of the economy, and unswervingly encourage, support and guide the development of the individual, private and other non-public sectors of the economy. We should continue to push reforms turning state-owned enterprises into standard joint-stock companies and improve the mechanisms of supervision over them in accordance with the requirements of establishing a modern corporate system. We should actively support eligible large enterprises to become listed on overseas stock markets. We should establish large, internationally competitive companies or enterprise groups that have distinctive main lines of business and possess their own intellectual property rights and name brands. We should do a better job of reorganizing military-industrial and other enterprises in difficulties and help them outfox their plight. We should carry forward the reform of the power, telecommunications and civil aviation industries. We should reform the state property management system from top to bottom in an orderly way. We should expand the area in which private capital has market access and create an environment of fair competition for all types of market players. We should support the development of small and medium-sized enterprises, especially technology and labor-intensive ones, regardless of their forms of ownership. We should steadily carry out reform of the financial system and continue reforms of the taxation, investment and financing systems. We should deepen reform of the system for income distribution and progressively rationalize it.

Rectifying and regulating the order of the market economy is a long-term and demanding task, but we must persevere. We should seek both temporary and permanent solutions to the problems, with emphasis on permanent solutions. We should continue to focus on special areas and key links and crack down on the making and selling of counterfeit and shoddy goods and other illegal and criminal activities in accordance with the law. We should improve the formulation of institutions and laws, strictly enforce the law and gradually bring market management under a system of laws and standards. We should promptly investigate and prosecute major cases of sabotage against the order of the market economy. We should speed

up the establishment of a social credibility system. We should pay close attention to ensuring production safety and strengthen supervision and management to effectively protect people's lives and property. We should accelerate the establishment of a new order in the socialist market economy through reform and rectification. We should open up further by integrating our "bringing in" and "going global" strategies. While continuing to do a good job during the grace period after our entry into the WTO, we should conscientiously exercise our rights and fulfill our commitments. We need stability in our policies and measures to promote exports. We should continue our market diversification strategy and expand trade in goods and services on the basis of fine quality. We should cultivate and support superior domestic brands and improve the international competitiveness of Chinese products. We should optimize our import mix and deepen the reform of the foreign trade system. We should continue to actively and effectively use foreign capital, emphasize bringing in advanced technologies, modern managerial expertise and specialists, and support multiple forms of cooperation between Chinese enterprises and transnational corporations. Vigorous efforts should be made to improve our investment environment and standardize procedures for attracting investment. Whatever their forms of ownership, Chinese enterprises that have comparative advantages should be encouraged to operate internationally through joint ventures, wholly-owned ventures or joint operations in order to increase the export of domestically produced goods, particularly capital goods. We should work still harder to promote bilateral, multilateral and regional economic cooperation.

#### 5. Further Improve the Work of Job Creation and Social Security

Governments at all levels should take it as a major duty to improve the employment environment and create more jobs. Adhering to the policy that calls for the worker to find a job on his own, the market to regulate employment and the government to promote job creation, we should do everything possible to expand employment and reemployment. In the course of reform of state-owned enterprises, we should combine the reduction of staff for higher efficiency with the promotion of reemployment. Policies and measures designed to encourage reemployment of laid-off workers must be conscientiously carried out. We should open more avenues for employment, develop labor-intensive industries and make full use of the role of the tertiary industry, small and medium-sized enterprises and the individual and private sectors of the economy in the area of job creation. The labor market should be standardized and developed. We should encourage people to look for jobs on their own or become self-employed and promote flexible and diverse types of employment. We should vigorously develop vocational training and employment services and improve our guidance and services to college and vocational school graduates in their search for jobs and career opportunities. We should continue improving the work of ensuring payment on time and in full of the living allowances for workers laid off from state-owned enterprises, the basic pensions for retirees and subsistence allowances for the urban poor. We should also do a good job of streamlining the "three-stage guarantees." Social security coverage should be expanded by upgrading basic old-age pensions and medical insurance for workers of enterprises in urban areas. We should steadily incorporate living allowances for laid-off workers from state-owned enterprises into the unemployment insurance. We should rationally determine the criteria for eligible recipients and the exact level of each recipient, so that all the eligible urban poor will receive the benefits to which they are entitled. The basic livelihood of workers of state-owned enterprises in difficulties and those which have already gone under must be ensured

appropriately. We should raise social security funds through a variety of channels and manage them properly. Existing assistance systems for low-income people should be improved and more should be established, and close attention should be paid to properly resolving problems encountered by the neediest urban households in housing, children's schooling, medical care and heating. Work should be done to ensure the success of pilot programs for a new type of rural cooperative medical system. We should expand other social benefit undertakings, such as social welfare, social relief, preferential job placement for ex-servicemen and mutual aid. The legitimate rights and interests of women and children must be effectively protected. We should also improve our work concerning senior citizens and give greater support to the cause of the disabled.

6. Conscientiously Implement the Strategy of National Rejuvenation Through Science, Technology and Education and the Strategy of Sustainable Development

We should continue to increase investment for developing science, technology and education. State plans for medium and long-term development of science and technology should be promptly formulated and implemented. We need to promote the development of a state innovation system. We should effectively strengthen our basic and high-tech research and enhance our capabilities for scientific and technological innovation and competition. We should lose no time in implementing the State Plan for High-Tech Research and Development and the State Plan for Development of Basic Research in Key Areas, as well as major projects for science and technology development. We should master core technologies and win proprietary intellectual property rights in key areas and some frontier fields of science and technology. We should strengthen the infrastructure for science and technology. We should continue to restructure the administration of science and technology activities, improve their service system, strengthen the protection of intellectual property rights, encourage inventions and creative work, and facilitate a faster transition from research achievements to actual productivity. Equal importance should be attached to social and natural sciences, and work should be done to promote the development of philosophy and other social sciences. We should deepen the reform of the educational system, encourage innovative approaches to education, and promote competence-oriented education in an all-round way. We should accelerate the development of all types of education at all levels and improve the quality of education. We should continue to improve the management system for rural compulsory education in which the county authorities play the principal role. We should continue doing a good job in providing student loans and establishing a national scholarship system. Vocational education and training should be strengthened. Privately-run schools should be standardized in accordance with the law, and their development should be supported. We should continue implementing the strategy of making China strong by giving full play to the role of talented people. We should train and attract more people with expertise in all fields, especially people of a high caliber and with expertise badly needed in China. To achieve this purpose, we must create the kind of conditions whereby they can fully develop their abilities and carve out successful careers for themselves. We should keep up our good work with regard to population and family planning and maintain a low birth rate. We should improve our planning for urban and rural development. We should effectively protect, rationally exploit and economize on natural resources. More programs should be implemented for developing marine resources. Protection and conservation of the ecological environment should be strengthened, and the environmental protection industry should be vigorously developed.

Pollution prevention and treatment should be intensified in key river valleys and key land and sea areas. We must do a better job of comprehensive environmental control in cities, and disaster prevention and reduction should be effectively carried out.

7. Strengthen the Building of Socialist Democracy, the Legal System and Spiritual Civilization

We should develop socialist democracy and build a socialist political civilization. Political power and democracy at the local level in urban and rural areas should be strengthened. We should combine rule of law with rule by virtue in running the country, improve the socialist legal system and the administrative laws and statutes, raise the level of law enforcement by administrative authorities and cultivate a law-abiding citizenry throughout the country. Firmly grasping the orientation of advanced culture, we should redouble our efforts to build up a socialist spiritual civilization. We should earnestly put the Program for Improving Civic Morality into practice, intensify education in patriotism, and foster and promote a national spirit. We should encourage popular participation in activities to raise the cultural and ethical standards of the general public. We should further develop cultural undertakings, such as literature, art, mass media, publishing, radio, film and television, and bring out a large number of quality works. We should deepen structural reform in the cultural field and actively develop cultural undertakings and cultural industries. We should improve the protection of our cultural relics and our cultural heritage and increase our cultural exchanges with other countries. We should disseminate scientific knowledge, combat superstition, and promote a civil and healthy lifestyle. We should tirelessly fight against pornographic and illegal publications.

Development and management of Internet websites should be strengthened. We should actively promote the reform and development of health and sports undertakings. Fitness campaigns for the general public should be vigorously promoted, and the level of competitive sports raised even further. We should conscientiously do a good job in preparing for the 2008 Olympic Games in Beijing and the 2010 World Exposition in Shanghai. We must spare no effort in maintaining social stability. The principle of severely cracking down on crimes must be adhered to, and we should combine punishment with prevention with emphasis on the latter, and to maintain law and order in a comprehensive way. We must severely deal with all crimes in accordance with the law and watch out for and punish criminal activities of cult organizations.

8. Earnestly Improve the Government Itself

Under the new circumstances of stronger momentum in reform, opening up and the modernization drive, it is of vital importance for the government to further improve itself, especially its work style.

We must deepen the reform of the administrative system. In keeping with separation of the government from enterprises and the principles of simplification, consistency and efficiency, we should continue to transform government functions, reorganize the government setup, clarify the functions of government departments, reduce administrative examination and approval, and improve government management so as to bring about an administrative system that has standardized behavior and operational harmony and is fair, transparent, clean and efficient. The State Council has completed the Plan for the Reform of the Institutions of the

State Council in accordance with the Proposal on Deepening Administrative and Institutional Restructuring examined and approved at the Second Plenary Session of the 16th Party Central Committee. The document will be submitted to this session for your consideration. We must follow the law and be strict in performing our official duties. We should improve the system of public service and build a contingent of high-standard public servants. We should speed up the development of e-government. We must keep up our anti-corruption fight, energetically rectify misconduct and unhealthy tendencies in various trades and government departments, and strictly deal with all breaches of law or discipline. We should strengthen institutional improvement, intensify administrative supervision and auditing, and fight corruption by addressing its root causes. We should do a good job with letters and visits from the people and intensify oversight by the media and the general public. In working earnestly to improve our work style, we must oppose formalism and bureaucracy, refrain from building "image projects" that waste both money and manpower in the pursuit of personal fame, correct such undesirable practices as falsifying reports, boasting and dictating orders to the people, and resist extravagance and waste. Government officials at all levels should go to the people in their neighborhoods and homes, listen to their views, care about their hardships and promptly attend to their grievances. Given the new situation, we should be all the more mindful of potential perils and prepare for the worst. It is incumbent upon all of us to remain modest, prudent and free from arrogance and rashness in our style of work, and to preserve the style of plain living and hard work.

Fellow Deputies,

Strengthening ethnic solidarity and maintaining national unity and social stability is the common aspiration of our people of all ethnic groups. We must fully implement the Party's policy on ethnic affairs and uphold and improve the system of regional ethnic autonomy. While training more cadres of ethnic minority backgrounds, we should continue our programs of action to bring prosperity to border areas, increase support to less populous ethnic groups and promote common prosperity and progress of all ethnic groups. We will resolutely oppose any activity aimed at splitting the motherland or undermining ethnic solidarity. We should fully implement the Party's policy on freedom of religious belief, manage religious affairs in accordance with the law, actively encourage the adaptation of religions to socialist society and adhere to the principle of independence and self-administration in religious affairs. We should conscientiously implement the Party's policy on overseas Chinese affairs and do a better job in this regard.

Strengthening national defense and the armed forces is a reliable guarantee for national security and the modernization drive. In keeping with the general requirements of being qualified politically, competent militarily, having a fine style of work, maintaining strict discipline and being assured of adequate logistic support, we must work hard to bring our work of building a more modern, regularized and revolutionary army to a new height. We must implement a military strategy of active defense in the new era and get better prepared for military struggle. We should balance well the need to build a strong defense with economic development. Greater importance should be given to defense-related scientific research and the development of weapons and equipment, so as to enhance our military's overall defense combat readiness under high-tech conditions. We must build stronger logistic capability and vigorously promote the readjustment, reform and development of our defense-related science,

technology and industry. Governments at all levels should give full support to the development of national defense and army building, and public awareness of defense should be further raised. We must continuously reinforce the army reserves for defense and effectively satisfy the requirements of national defense mobilization. We should consolidate the solidarity between the army on the one hand and the government and people on the other through more vigorous activities to promote their mutual support.

Maintaining the prosperity, stability and development in Hong Kong and Macao is an unshakable goal of ours. We should continue to implement the principle of "one country, two systems" and act in strict accordance with the basic laws of the Hong Kong and Macao special administrative regions. We should give our full support to the chief executives and governments of the two regions in their administration according to law. We will make greater efforts to encourage exchanges and cooperation between the hinterland and Hong Kong and Macao in economic, trade, educational, scientific, technological, and cultural and other fields. We must implement the basic principles of "peaceful reunification" and "one country, two systems" and the eight-point proposal for the settlement of the Taiwan question, strive for an early resumption of dialogue and negotiation between the two sides of the Taiwan Straits on the basis of the one-China principle, and strongly oppose any statements or actions aimed at creating "Taiwan independence", "two Chinas" or "one China, one Taiwan." We should further expand the scope of personnel visits across the Straits as well as exchanges and cooperation in the economic, cultural and other fields while vigorously promoting the opening of the "three direct links" between the two sides. We should increase our exchange of views with all political parties and prominent people of various circles in Taiwan on developing cross-straits relations and promoting peaceful reunification. We should continue to give support to the activities of overseas Chinese communities to oppose Taiwan independence and promote national reunification. We are convinced that with the unremitting efforts of all sons and daughters of the Chinese nation, the complete reunification of the motherland can be realized at an early date.

Peace and development remain the themes of the present era. World multipolarization and economic globalization are making headway amid twists and turns. Although we face an international environment in which opportunities continue to outweigh challenges, uncertainties have increased in the international situation. We will unswervingly pursue an independent foreign policy of peace. We will continue to consolidate and strengthen our solidarity and cooperation with the other developing countries and support them in their efforts to defend their legitimate rights and interests. We will continue to cultivate friendly ties with our neighbors, increase regional cooperation and bring our exchanges and cooperation with neighboring countries to a new high. We will continue to improve and develop our relations with developed countries and, on the basis of the Five Principles of Peaceful Coexistence, broaden the area of common interests and appropriately iron out differences. We will continue to take an active part in multilateral diplomacy and promote democracy in international relations and diversity in development models. We remain opposed to all forms of hegemonism and power politics and stand against terrorism in all its manifestations. The Chinese people are ready to join the people of all other countries in the lofty cause of promoting world peace and development.

Fellow Deputies,

The 16th National Party Congress has mapped out a grand blueprint and program of action for building a well- off society in China in an all-round way. Our great motherland already stands at a higher historic point of departure as it sets out on a more glorious long march. No difficulties or obstacles can stop the triumphant advance of the Chinese people. Looking into the future of our motherland, we see a vista of limitless promise. We firmly believe that, under the leadership of the Party Central Committee with Comrade Hu Jintao as its General Secretary, the people of all ethnic groups throughout the country, holding high the great banner of Deng Xiaoping Theory and thoroughly putting into practice the important thought of Three Represents, will dedicate their hearts and souls to the cause of building socialism with Chinese characteristics and achieve victory upon victory on the road of progress!

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