Report on the Work of the Government

By Premier Wen Jiabao on March 5, 2004


I. Review of the Past Year's Work
II. Principal Domestic Tasks for 2004
III. Government Self-improvement

Fellow Deputies,

This government has now been in office for a year. I now submit a report on its work on behalf of the State Council for your examination and approval and also for comments from members of the National Committee of the Chinese People's Political Consultative Conference.

I. Review of the Past Year's Work

Last year was a significant and unusual year in the course of China's development. It was a year in which we made remarkable achievements in reform and opening up and in the modernization drive. In the face of a complex and volatile international situation, the unexpected outbreak of the severe acute respiratory syndrome (SARS) and frequent natural disasters, governments at all levels and the people of all our ethnic groups put into practice the guiding principles of the Sixteenth National Congress of the Communist Party of China (CPC) under the leadership of the CPC and the guidance of Deng Xiaoping Theory and the important thought of Three Represents. We braved difficulties and hardships in an indomitable and innovative spirit and made important advances in building a moderately prosperous society in all respects.

- We won a great victory in the fight against SARS.
- The economy grew rapidly. China's GDP increased by 9.1 percent over the previous year and reached 11.67 trillion yuan. Per capita GDP passed the important benchmark of US$1,000, calculated at the current exchange rate.
- China's financial strength grew noticeably. Total government revenue was 2.17 trillion yuan, 278.7 billion yuan more than the previous year.
- Foreign trade expanded significantly. Total import and export volume was US$851.2 billion, 37.1 percent more than the previous year, raising China from fifth to fourth
place in the world.

- We created more jobs than planned. A total of 8.59 million urban residents became employed and 4.4 million laid-off workers were reemployed.
- People's incomes increased. Urban per capita disposable income grew by 9 percent in real terms, and rural per capita net income rose by 4.3 percent in real terms.
- China's first manned spaceflight was a complete success.

These achievements indicate that China's overall national strength has reached new heights. They have boosted the confidence and courage of all our people to continue forging ahead.

The work we did over the past year was mainly in the following six areas.

1. Taking resolute measures against SARS and concentrating our resources on the campaign against it

China suffered from a disastrous SARS outbreak last spring. The Party Central Committee and the State Council gave top priority to protecting people's health and lives and promptly investigated SARS and took steps to prevent and treat it. We enforced the Law of the People's Republic of China on the Prevention and Treatment of Communicable Diseases, formulated the Regulations on Public Health Emergency Response, and classified SARS as a communicable disease. We reported the facts of the SARS situation exactly as they were and mobilized the general public throughout the country to control the outbreak. The State Council and local governments established anti-SARS headquarters to coordinate human, material and financial resources and to make full use of primary-level organizations in both urban and rural areas, so as to ensure that prevention and treatment work was done quickly and orderly. We organized research on and made significant progress in diagnosing, treating and preventing SARS. We took such measures as providing free treatment for SARS patients among rural workers in urban areas to prevent the spread of SARS to rural areas.

During the difficult days of our anti-SARS campaign, leading cadres at all levels took to the frontlines, the people throughout the country united as one, all sectors of society pulled together, large numbers of medical workers faced danger fearlessly, and the Chinese nation withstood a severe test.

2. Exercising timely and appropriate control to promote stable and rapid economic development

We adhered to the policy of expanding domestic demand and continued to implement a proactive fiscal policy and a prudent monetary policy. We took measures to exercise macro-control over new developments as soon as they arose in the course of economic operation.
When the SARS outbreak hit, we worked unflaggingly to prevent and control it, while at the same time unswervingly promoting economic development. We concentrated on strengthening key areas, stimulating industrial production and ensuring unimpeded flow of goods and materials. In addition, we promptly adopted such supportive policies as reducing or exempting taxes and administrative charges on industries that were worst hit by SARS and granting soft loans to them. We also enacted measures for increasing employment and rural incomes. All this helped minimize the impact of the SARS outbreak on economic development.

We provided guidance and control for investment, mainly through a combination of economic and legal means. We further rectified and standardized the order of the land market and screened development zones of all types to stop disorderly and unauthorized acquisition of farmland. We increased the deposit-reserve ratio for financial institutions to an appropriate level to bring the excessively rapid growth of credit under control. In exercising control, we did an appropriate amount of fine-tuning and dealt with problems individually.

We expanded support for agriculture, rural areas and farmers and made plans in a timely fashion to ensure the continued enthusiasm of major grain producing areas and grain producers. We strengthened coordination of economic operation and took measures to increase supply and rationally guide the growth of demand, thus alleviating transport difficulties and shortages of coal, electricity, petroleum and important raw and processed materials.

We stepped up the strategic restructuring of the economy and put greater efforts into a number of key projects vital to economic growth and economic restructuring. In particular, we sped up the launching and construction of water control, energy and transport projects. The second phase of the key water control project at the Three Gorges on the Yangtze River was completed successfully and work on the third phase began.

The eastern section of the pipeline for transmitting natural gas from the west to the east was completed. Laying of track proceeded smoothly on the Qinghai-Tibet Railway trunk line.

Transmission of electricity from the west to the east was increased. Construction of the eastern and central routes of the south-to-north water diversion project began. Large-scale development of the western region continued. Implementation of the strategy to revitalize northeast China and other old industrial bases was begun.

3. Accelerating the development of social undertakings on the basis of an overall consideration of all issues

The spread of SARS exposed problems arising from disparities between economic and social development. We promptly made necessary adjustments to the government’s priorities.
and investment to stimulate the development of social undertakings. The central government spent 85.5 billion yuan in 2003 on education, health, science and technology, culture and sports, 12.4 percent more than the previous year. Treasury bonds worth 16.3 billion yuan were issued to support the development of social undertakings, an increase of nearly 200 percent.

We improved the national public health system, focusing on epidemic prevention and control and on rural areas. The National Plan for Developing an Information System for Public Health Monitoring and the National Plan for Developing a System for Medical Rescue and Treatment in Public Health Emergencies were formulated and implemented. A system was set up for early warning and response for public health emergencies. Public health infrastructure was improved, with the focus on networks spanning provincial, city (prefecture) and county levels for disease prevention and control. The central government worked with local governments to build more rural health and medical institutions. Pilot projects for a new cooperative medical care system and medical assistance system were initiated in rural areas.

The State Council issued the Decision on Further Strengthening Rural Education. Increased financial support was extended to rural education from the central budget and treasury bonds. Priority was given to subsidizing rural teachers' salaries in the central and western regions, renovating dangerous primary and secondary school buildings, carrying out pilot projects in modern distance education and aiding needy students. Many cities began to make schooling available for the children of migrant rural workers, and the governments of those cities took over primary administrative responsibility.

Great progress was made last year in basic research, strategically important hi-tech research, and industrial application of new and high technologies. The State Council began formulating a national medium- to long-range program for scientific and technological development. It organized many experts to participate in feasibility studies and a number of important research results have already been obtained.

Reform of the cultural system and the development of cultural undertakings were vigorously promoted. Efforts were intensified to rectify the cultural products and services market. Fresh achievements were made in amateur and competitive sports.

Population and family planning work was further strengthened. Fresh progress was made in the areas of land and resources administration, environmental protection, forestry development and ecological improvement.

4. Caring for people's well-being, creating more jobs and administering social security work well
We consider it highly important to protect the vital interests of the people and help them, especially the needy, in solving problems in their work and daily lives.

Governments at all levels conscientiously implemented a series of measures drawn up by the Party Central Committee and the State Council for increasing employment and reemployment and increased their efforts, capital spending and policy support in this regard. The central government allocated an additional 4.7 billion yuan of subsidies for job creation. We increased our employment guidance and services for last year's college graduates, who were the first to be enrolled under the college expansion plan of 1999. By the end of last year, 83 percent of last year's graduates from regular institutions of higher learning had found jobs, 600,000 more than the previous year.

To continue ensuring the "two guarantees" (guaranteeing that the living allowances for workers laid off from state-owned enterprises and that the pensions of retirees are paid on time and in full) and the "three-stage guarantee" for laid-off workers, the central government spent 70 billion yuan in 2003, 19.9 percent more than the previous year; of this sum, subsidies for subsistence allowances for the urban poor increased from 4.6 billion yuan in 2002 to 9.2 billion yuan in 2003. This allowed 22.35 million urban residents throughout the country to receive such benefits.

In 2003, the central government began making annual allocations of special funds to help local governments assist ex-servicemen who are working in enterprises to solve their financial difficulties. Benefits were again raised for disabled revolutionary servicemen and other people who are entitled to special care by the government.

We further intensified efforts to alleviate rural poverty through development and we invested more to improve working and living conditions in underdeveloped areas. We made all-out efforts to fight disasters and ensure adequate disaster relief.

Central budget funds totaling 8.03 billion yuan were spent on relief for people affected by floods, droughts, earthquakes or other disasters, up 63.9 percent over the previous year, and 2.79 billion yuan was invested in post-disaster reconstruction. As a result, proper living arrangements were made for people in disaster-affected areas, production resumed and reconstruction proceeded in an orderly way. Governments at all levels took the problem of wage arrears for migrant rural workers very seriously, worked harder to resolve it and achieved initial results.

5. Pressing forward with institutional innovation and making significant progress in reform and opening up

Institutional restructuring of the State Council was accomplished smoothly on the basis of the plan approved at the First Session of the Tenth National People's Congress and
the adjusted and newly set up bodies are now operating normally.

Significant progress was made in establishing a macro-control mechanism, restructuring the management of state assets and establishing a mechanism for oversight and management of the banking sector.

We unified the mechanisms for administering domestic and foreign trade and improved monitoring systems for food and workplace safety. Institutional restructuring of provincial governments has been basically completed. The reform of the administrative examination and approval system was deepened.

Fresh progress was made in transforming state-owned enterprises into stock companies. Reforms of the electricity, telecommunications and civil aviation industries were accelerated. The economic returns of state-owned industrial enterprises and enterprises whose controlling stake was owned by the state increased substantially; they generated a total of 378.4 billion yuan in profits, 45.2 percent more than the previous year.

The reforms of the banking, securities and insurance industries progressed steadily. We formulated and implemented a pilot plan to transform state-owned commercial banks into stock entities. The system for examining and verifying the issuance of securities was reformed. Remarkable progress was made in transforming state-owned insurance companies into stock companies.

After several years of deliberation, we began a pilot project for reforming rural credit cooperatives in eight provinces and municipalities directly under the central government. The experimental reform of rural taxes and administrative charges was extended to cover the whole country.

Policies and measures for promoting the development of the non-public sectors of the economy were further implemented.

We deepened the rectification and standardization of the market order and cracked down on manufacturing and marketing of counterfeit and substandard goods, smuggling and other illegal and criminal activities. This improved the market climate and helped protect the legitimate rights and interests of both consumers and producers.

We worked conscientiously to fulfill the commitments we made for accession to the World Trade Organization (WTO). We continued to lower tariff rates and opened the service sector wider to the outside world. We further relaxed control over who could engage in foreign trade.

We formulated and put into effect a plan for reforming the mechanism for export tax rebates; this will gradually bring about a rational settlement of the longstanding problem of overdue export tax rebates.
We intensified our work dealing with anti-dumping investigations made against China and settling trade disputes. The import and export mix was further improved. China utilized US$53.5 billion in foreign direct investment in 2003. State foreign exchange reserves reached US$403.3 billion at the end of the year, US$116.8 billion more than at the beginning. The exchange rate for the Renminbi remained stable.

Last year, we signed the Closer Economic Partnership Arrangement with both Hong Kong and Macao, thereby strengthening economic ties between the mainland and the two regions.

6. Improving the legal system and maintaining social stability

We put great effort into improving government legislation. The State Council submitted five bills in 2003, including a draft law on oversight and management of the banking sector and a draft amendment to the Foreign Trade Law, and enacted 28 administrative regulations, including the Provisional Regulations Concerning the Oversight and Management of State-owned Assets in Enterprises.

To solve problems in our handling of indigent migrants, we formulated and implemented the Measures for Assisting Vagrants and Beggars with No Means of Support in Cities together with supporting measures. The implementation of the Legal Assistance Regulations helped solve the difficulties people in financial straits faced in filing lawsuits.

We increased our efforts to maintain law and order by taking comprehensive measures, focusing on high-crime areas. We further improved public order by cracking down more severely on violent and other serious crimes. We steadfastly enforced laws in the interests of the people and maintained strict police discipline, and we concentrated on the problems of detention beyond the legally prescribed time limits and illegal use of coercive measures to protect the lawful rights and interests of citizens. We improved the overall quality of procurators and judicial and public security officers and made full use of the important role of public security organs and armed police units in safeguarding social stability.

In accordance with the Party Central Committee's instructions, governments at all levels last year encouraged a groundswell of study and practice of the important thought of Three Represents and the guiding principles of the Sixteenth National Congress of the CPC. Socialist political civilization and spiritual civilization were strengthened. New achievements were made in building a clean government and fighting corruption and in our work concerning ethnic, religious and overseas Chinese affairs. New steps were taken to modernize national defense and the armed forces. Our diplomatic work entered a new phase.

None of these notable achievements of the past year came
easily. We attribute them to the Party Central Committee's broad vision and correct leadership and to the concerted efforts of the people of all ethnic groups. On behalf of the State Council, I would like to express our sincere gratitude to all our workers, farmers, intellectuals and cadres; to all those who work for the cause of socialism; and to the members 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, to all democratic parties and mass organizations and to people from all walks of life for their trust in and support for the work of the government. I would also like to express our sincere thanks to all our compatriots in the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan as well as overseas Chinese who care about and support the development and reunification of our motherland, and to all our friends in other countries who care about and support China's modernization drive.

In reviewing our work of the past year, we are clearly aware that many difficulties and problems remain on our way ahead, that there are still quite a few shortcomings in the government's work, that there remain areas our people are not satisfied with, and that it will take a long time to fundamentally eradicate longstanding and deep-seated problems.

Rural incomes have grown too slowly; the task of increasing employment and improving social security is arduous; development in different regions of the country is not balanced; the income gap is too wide among some members of society; and pressure on resources and the environment is mounting.

As economic growth has accelerated, a number of new problems have emerged. These include, among others, the excessively broad scale of investment, the serious problem of haphazard investment and low-level, redundant construction in some industries and regions, the strain between supply and demand in energy, transport and some raw and processed materials, the marked decrease in grain production, and the widespread illegal appropriation of farmland.

The development of social undertakings lags behind, and people have strong complaints about the cost and availability of schooling and medical treatment. Many low-income residents in both town and country lead relatively difficult lives. Serious crimes have occurred in some places. Frequent serious accidents that inflict heavy loss of life and property have taught us a sobering lesson.

We are also clearly aware that some government officials have a subjective, formalistic and bureaucratic style of work, and they are wasteful, extravagant and fraudulent, and sometimes even corrupt. It will be an arduous task for the government to rectify itself and fight corruption.
We must not evade these difficulties and problems but instead face them squarely; we must work hard to resolve them and not let them grow. The government will shoulder heavy responsibilities for years to come. We must remain sober-minded, become more aware of potential problems and enhance our sense of historical responsibility. We must make up our minds to forge ahead in spite of difficulties and to work in a pioneering and creative spirit and in a down-to-earth manner. We must take on new tests with a fresh mental outlook and a new style of work, and we absolutely must not fail to live up to the expectations of the people.

II. Principal Domestic Tasks for 2004

The year 2004 is a crucial year for China's reform and development. The main ideas and principal tasks for the work of the government are: to take Deng Xiaoping Theory and the important thought of Three Represents as our guide; to comprehensively put into practice the guidelines of the Party's Sixteenth National Congress and the Third Plenary Session of its Sixteenth Central Committee; to make the most of the present important strategic opportunities while they last; to make development our top priority and adhere to the scientific viewpoint of development; to pay more attention to exercising macro-control, balancing the interests of all parties, putting people first, and promoting reform and innovation in accordance with the "five balanced aspects" (balancing urban and rural development, balancing development among regions, balancing economic and social development, balancing development of man and nature, and balancing domestic development and opening wider to the outside world); to concentrate on resolving prominent conflicts in economic and social development and acute problems concerning the vital interests of the people and properly balancing reform, development and stability; to promote all-round, balanced and sustainable development of the economy and society; and to coordinate the progress of socialist material, political and spiritual civilizations.

1. Strengthening and improving macro-control and maintaining stable and rapid economic growth

The basic focus of this year's economic work is to safeguard, guide and utilize the enthusiasm of all sides for accelerating development in order to achieve stable and rapid economic growth without drastic fluctuations. In setting a target for this year's economic growth of around 7 percent, the central government has taken into consideration both the need for continuity in macro-control and the relationship between the pace of economic growth and the conditions for its attainment, including supply and demand in energy, important raw and processed materials, and transport capacity, also taking into account the need to alleviate the pressure on resources and the environment.

This target also encourages all sides to focus on deepening reform, adjusting the economic structure and improving the
quality and efficiency of economic growth and to devote more financial and material resources to promoting social
development and strengthening weak links.

To ensure effective macro-control, we need to maintain consistency and stability in our macroeconomic policies while adjusting the intensity and focus of policy implementation at the proper time and to an appropriate degree in response to developments and changes in the economic situation. By "at the proper time," we mean seizing the opportune moment for introducing control measures by observing small clues that may indicate what is coming in order to forestall any possible trouble. By "to an appropriate degree," we mean that macro-control should neither be too loose nor too tight and that we must not apply the brakes too hard or apply control measures too rigidly.

We must adhere to the policy of expanding domestic demand and continue to implement a proactive fiscal policy and a prudent monetary policy.

The issuance of construction treasury bonds is an interim policy adopted during a period of insufficient demand. Their scale should be reduced gradually as the increase in nongovernmental investment accelerates. We plan to issue 110 billion yuan in construction treasury bonds this year, 30 billion yuan less than last year.

As the issuance of treasury bonds is to be reduced year by year, it will be necessary to appropriately increase the investment from the central budget for regular construction annually in order to develop a regular government investment mechanism and stabilize the sources of funding. To begin with, we plan an increase of 5 billion yuan this year. The general idea is to appropriately increase investment from the central budget for regular construction each year for several years while systematically decreasing the issuance of treasury bonds, and at the same time ensuring that the size of the deficit remains at the current level.

We will adjust the way funds from construction treasury bonds are used, concentrating them on promoting economic restructuring and ensuring all-round social development. This year, funds from the sale of treasury bonds will be directed toward rural areas, social undertakings, the western region, northeast China and other old industrial bases, ecological improvement, environmental protection, and ongoing bond-financed projects.

We need to manage and use treasury bonds well and ensure the quality of the projects they finance and the efficient use of investment capital. We must continue to do our fiscal and taxation work well by working hard to increase revenue and reduce expenditure, collecting taxes in strict accordance with the law and guaranteeing funding for key items.

We should make full use of the role of monetary policy, appropriately control the size of credit and optimize the credit
structure to support economic growth while fending off inflation and financial risks. We will work to basically balance international payments and keep the exchange rate for the Renminbi basically stable at a proper and balanced level.

One important task for macro-control this year is to appropriately control the scale of investment in fixed assets and firmly halt haphazard investment and low-level, redundant construction in some industries and regions.

Guided by market forces, we will use a comprehensive range of measures, mainly economic and legal means supplemented by any necessary administrative measures, to strengthen guidance and control.

First, industrial policies and planning should be improved and the information release system for industries should be improved to correctly guide nongovernmental investment.

Second, we must quickly formulate and revise standards for admittance into industries and enforce market admittance strictly. Projects that do not meet standards for environmental protection, safety, energy consumption, level of technology or quality and have not yet been started should be blocked and those already under construction should resolve such problems, while those already completed should be upgraded within a specified time.

Third, land-use management must be improved in accordance with the law. No land should be approved for projects that fail to meet the requirements of the state's industrial policies and standards for admittance into industries. We should continue clearing up problems relating to development zones and rectifying and standardizing the land market.

Fourth, auditing and oversight of credit transactions must be strengthened. Financial institutions should not make any loans to new projects or rebuilding and expansion projects that do not meet the requirements for market access.

Fifth, the taxation system must be tightened and the practice of introducing unauthorized tax privileges must be stopped and rectified. On the basis of these measures we will strive to optimize the investment structure, keep the overall investment volume at a reasonable level and improve returns on investment.

In order to take a new road to industrialization, we must base the national economy and society on IT and upgrade the industrial structure. We will energetically promote the development of new and high technology industries capable of spurring economic growth and with proprietary intellectual property rights. We will accelerate the revival of the equipment manufacturing industry. We will energetically develop modern distribution, tourism, intermediary services and other aspects of tertiary industry, and gradually raise their proportion in the national economy.
To ensure stable and rapid economic development, we must alleviate the current disparities between supply and demand in energy, important raw and processed materials and transport capacity.

On the one hand, we must increase the production of coal, electricity and processed oil while at the same time strengthen the regulation of economic activity to balance supply and demand in coal, electricity, oil, transport capacity and important raw and processed materials while meeting the needs of the people, important industries and key enterprises. We must speed up the development of large coal mines, important power generating facilities and power grids, the exploration and exploitation of petroleum and other important resources, and the construction of major transport trunk lines and hubs.

On the other hand, we must increase production and practice economy, with the emphasis on economizing. This is not only urgently needed to alleviate the current disparities between supply and demand, but is also a long-term strategy to alleviate the pressure on resources and the environment. The way the economy grows must change, and all industries must eliminate waste, reduce consumption of energy and raw and processed materials, and use resources more efficiently, to develop production and consumption patterns that conserve resources and build a conservation-minded society.

Balancing investment and consumption is an important aspect of this year's work for macro-control. Consumption occupies too small a proportion of China's GDP. This is not conducive to ensuring a stable increase in domestic demand, sustaining rapid economic growth and establishing a beneficial economic cycle.

We must work hard to increase the incomes of both urban and rural residents and raise their purchasing power. Regulation of income distribution will be intensified to enable low- and middle-income people to consume more. Consumption on credit must be expanded, consumption policies must be optimized and the consumption climate must be improved. To adapt to changes in consumption patterns, we need to expand the consumption of services and improve the production and supply structure.

The reform measures we take should enhance consumer confidence, so as to create positive consumer expectations and increase immediate consumption. We should gradually reduce the rate of investment in relation to the rate of consumption.

2. Consolidating and strengthening the position of agriculture as the foundation of the national economy and increasing rural incomes and agricultural production

Solving problems facing agriculture, rural areas and farmers is a top priority in all our work. Once again, China's agriculture is in a crucial period of its development. This year
we must take more direct and effective policies and measures to strengthen, support and protect agriculture and increase rural incomes in line with the need to balance urban and rural development.

First, the overall grain production capability must be maintained and increased. The strictest possible system for protecting farmland will be implemented and control over the use of farmland will be strengthened in accordance with the law. We will resolutely put an end to illegal acquisition and use of farmland and rectify unauthorized changes in the use of primary farmland. Reform of the system for land expropriation and requisition will be accelerated, and the expropriation and requisition procedures and mechanisms for compensation will be improved to ensure that the compensation for expropriated or requisitioned land is appropriate. The acreage sown in grain crops will be expanded, and the yield per unit area increased. Support will be focused on increasing production in major grain producing areas. Projects to industrialize production of high-quality grains will be undertaken. We will make primary farmland capable of producing stable, high yields.

Second, we will promote strategic restructuring of agriculture and the rural economy. Great efforts will be made to develop high-quality, high-yield, cost-effective, eco-friendly and safe agriculture, to improve the quality of agricultural products and enhance their competitiveness. We will carry forward the development of industrial belts for producing competitive agricultural products and promote the industrialization of agriculture. We will energetically develop animal husbandry and prevent and control the spread of the highly pathogenic bird flu and other animal epidemics. We will encourage the development of industries that process agricultural products and other non-agricultural industries in rural areas and expand intra-county economies. We will steadily carry out the process of urbanization. We will improve the employment environment for rural workers in cities, provide them with more and better training and create more jobs for them in various ways.

Third, we will press ahead with the reform of rural taxes and administrative charges. All taxes on special agricultural products will be repealed except for tobacco, thus reducing the financial burden on farmers by 4.8 billion yuan annually. Beginning this year, the agricultural tax rate will be reduced by more than 1 percentage point per year on average, and agricultural taxes will be rescinded in five years. The agricultural tax burden on farmers will be reduced by 7 billion yuan this year. The central government will appropriate 39.6 billion yuan this year from its budget for transfer payments to support the reform of rural taxes and administrative charges. We will accelerate reforms of county and township government institutions.

Fourth, we will deepen the reform of the grain distribution system. All controls over grain purchase and sales markets will be lifted. The reform of state-owned grain enterprises will
be accelerated. Control and regulation of grain markets will be strengthened, and subsidies will be given directly to grain producers. The state will appropriate 10 billion yuan this year from its grain risk fund to directly subsidize these producers in order to stimulate their enthusiasm for grain production. The prices of the means of agricultural production will be better monitored and controlled to protect farmers’ interests.

Fifth, we will increase investment in agriculture and rural areas. Governments at all levels must invest more in agriculture, rural areas and farmers. This year, the central government will appropriate over 30 billion yuan for this purpose, at least 20 percent more than last year. Treasury bond funds should be invested mainly in the construction of six categories of small projects for rural areas (water-efficient irrigation, potable water supplies, roads, methane production facilities, hydroelectric plants and pasture enclosure) and in construction of water control projects, in order to improve the living and production conditions of farmers. We will continue to aid the rural poor through development by increasing funding for poverty alleviation in various ways and giving people work in place of relief subsidies. Rural financial services will be improved. To assist rural residents expand production, rural credit cooperatives will extend more micro-credit loans to individual families and groups in rural areas.

Sixth, progress in agro-science will be accelerated. We will tackle agro-science problems with greater intensity and increase our ability to make advances in agro-science and hold them in reserve and find applications for them. We will strengthen the system for spreading the application of science and technology in rural areas. We will energetically promote wider application of advanced applied technology that can help increase production and improve productivity. We will expand both the size and scope of subsidies for developing seeds of high-quality crop varieties.

3. Coordinating economic development in different regions and promoting the development of the western region and the revitalization of northeast China and other old industrial bases

Promoting the coordinated development of all regions is of strategic importance to China's modernization drive. We need to steadfastly push forward with the development of the western region, revitalize northeast China and other old industrial bases, promote the development of the central region and encourage faster development in the eastern region so that the eastern, central and western regions can better interact, complement and support each other, and develop together.

We will continue to implement the strategy of developing the western region. On the basis of a conscientious review of our experience, we will improve our policies and carry out relevant measures to ensure positive and orderly progress. We will work in a down-to-earth manner to ensure successful implementation of such key ecological conservation projects
as returning farmland to forests and animal breeding grounds to pastures, protecting natural forests, bringing sources of sandstorms under effective control and preventing karst areas from becoming stony deserts. We will strengthen infrastructure development efforts, emphasizing major projects of key importance to the overall economy to increase the potential for economic development. At the same time, we will continue to pay adequate attention to the construction of smaller projects that will improve the living and production conditions of farmers and herdsmen. Social undertakings will be promoted, with priority given to compulsory education, public health and primary-level cultural undertakings. We will encourage the development of economies with local characteristics and competitive industries and promote the development of key regions.

We will conscientiously implement the strategy for revitalizing northeast China and other old industrial bases, working to get off to a good start this year. We must carry out all the policies and measures of the central authorities, emphasizing innovation in institutions and mechanisms and opening wider both domestically and internationally. We need to accelerate economic restructuring and technological progress, especially for key industries and enterprises, transform the resource-based economies of certain cities, and solve the problem of sinking land and cave-ins above exhausted mines in coalmining areas. We must uphold the principles of self-reliance and hard work and let cadres and the general public give full expression to their initiative and creativeness.

Accelerating the development of the central region is an important aspect of our endeavor to ensure well-balanced development of regional economies. The state is encouraging the central region to exploit its geographical and economic advantages to quicken the pace of its reform, opening up and development, modernize its agriculture, and build key areas for commercial grain production, strengthen its infrastructure development, expand its competitive manufacturing and new and high technology industries, and raise its levels of industrialization and urbanization.

Accelerating development of the eastern region will strengthen the country financially, materially, scientifically and technologically, thereby providing more support for the development of the central and western regions. The eastern region should continue making the most of its advantages, speed up efforts to upgrade its industrial structure and make its economy more oriented to the global market; areas where conditions are most favorable should take the lead in becoming basically modern. The eastern, central and western regions should increase cooperation in various ways and gradually achieve common prosperity through balanced development. The government will continue to take measures to help old revolutionary base areas develop more quickly.

4. Continuing to implement the strategy of invigorating China through science and education and staying on the road of sustainable development
In the course of development, we will steadfastly give priority to education and devote more energy and financial resources to accelerating its development. We will adopt a fresh round of measures to implement the Action Plan for Reinvigorating Education, with the focus on compulsory education, particularly in rural areas.

This year we will begin to implement the plan to make nine-year compulsory education basically available throughout the western region and basically eliminate illiteracy among the adults there by 2007. The central government will spend 10 billion yuan on this work.

The system for managing compulsory education in rural areas must be improved by shifting the main responsibility to county governments and increasing transfer payments from central, provincial and city (prefectural) governments for compulsory education in poverty-stricken counties. The central government will contribute 6 billion yuan to carrying out the second phase of the plan for renovating dangerous primary and secondary school buildings in rural areas.

Both central and local governments will increase their investment to develop modern distance education in rural primary and secondary schools. We will work to optimize the education structure, take energetic and steady steps to develop higher education, and put more effort into developing vocational education and continuing education.

Schools of all kinds and at all levels should fully implement the Party's education policy, emphasize competence-oriented education, deepen the reform of education and improve its quality. We will standardize and develop non-government funded education. Unauthorized collection of fees by educational institutions must be resolutely stopped to reduce the financial burden on students’ families.

This year, we will continue to concentrate on formulating a medium- and long-range state plan for developing science and technology in order to define the strategy, objectives, tasks and policies in this field for the coming 15 years. Institutional reform and innovation in the field of science and technology should be continued. We will accelerate the establishment of a national innovation system and construction of the science and technology infrastructure, and effectively strengthen basic research.

We will carry out a number of projects of major importance for overall economic and social development, promote the integration of science and technology with industry and encourage the application of new and high technologies in industrial production. We consider social and natural sciences equally important and will make full use of the important role of philosophy and social sciences in economic and social development.

We should conscientiously implement the strategy of
reinvigorating China through human resource development. Training, recruiting and properly using talented people in all fields should provide substantial personnel and intellectual support for the modernization drive.

We will vigorously implement the strategy of sustainable development and successfully carry out all work related to population, natural resources and the environment in line with the need to balance development of man and nature.

We will keep the birthrate low and improve the health of newborns. We will improve the infrastructure and service system for family planning at the primary level and strengthen the management of family planning among the floating population. Work related to senior citizens should be carefully conducted.

We will implement the national plans for ecological and environmental protection and conservation conscientiously and implement a strategy for developing forestry focused on ecological conservation. We will intensify law enforcement to strengthen ecological and environmental control and monitoring. We will strictly control the discharge of major pollutants and work hard to eliminate environmental pollution that seriously threatens people's health and safety.

We will energetically promote the recycling industry and clean production. We will protect our land and resources in accordance with the law and utilize them rationally. We will pay close attention to the development and protection of marine resources. We will better conserve our water resources and use them more economically. We will do a good job of disaster prevention and reduction.

5. Accelerating the development of health, culture and sports and promoting spiritual civilization

We have three priorities in the area of health this year. The first is to strengthen the public health system. We will try to establish within three years a fully functioning system for disease prevention and control and for emergency medical aid that covers both urban and rural areas in order to increase our ability to deal with serious epidemic diseases and other public health emergencies. We need to maintain a high degree of vigilance and take firm and effective measures to control SARS, AIDS, schistosomiasis and other serious communicable diseases.

The second priority is to improve medical and sanitation conditions in rural areas and carry out pilot projects on a new type of rural cooperative medical care system. We need to focus our medical and health efforts on rural areas, upgrade the medical and sanitation infrastructure and train more medical and sanitation personnel there to gradually alleviate the shortage of medical services and medicines there. We will press ahead steadily with the pilot projects for a new type of system for rural cooperative medical care and health services based on the actual conditions in different regions. Our
objective is to establish a rural medical care system organized and guided by the government, based on mutual assistance of the participants, and with voluntary participation of local people and diverse sources of funding from individuals, collectives and the government, one which takes treatment of serious diseases as its main responsibility and ensures that the rural population benefits from it.

The third priority is to vigorously promote the trial reform of the urban medical care and health service system. We will continue to reform the basic medical insurance system for urban working people, the medical care and health service system and the pharmaceutical production and distribution system. Medical institutions should be managed according to their type in order to ensure rational distribution and efficient utilization of the available health care resources. Community-based health care should be developed and medical and health services should be improved. At the same time, an extensive patriotic sanitation campaign should be carried out in both urban and rural areas.

The people's intellectual and cultural needs are constantly increasing along with the economic development and social progress in China, so we must attach greater importance to cultural development. It is necessary to energetically develop an advanced socialist culture.

We will vigorously promote national spirit centered on patriotism and intensify the ideological and moral education of young people in particular. We must encourage the general public to participate in activities designed to promote spiritual civilization.

We will strengthen basic-level cultural development in rural areas, urban communities and enterprises. We will spread scientific knowledge and promote a scientific spirit, a scientific and healthy lifestyle and good manners. We must further develop literature, art, the press, publishing, radio, film and television. We will follow a strategy of product excellence to provide more healthful, inspiring cultural works that people can enjoy.

We will press ahead with formulating an overall plan for cultural restructuring and a program for cultural development. We should promote the reform of the system and innovation of the mechanisms of the cultural industry, give more support to non-profit cultural undertakings and improve our policy for the cultural industry to give a greater role to the market and ensure the simultaneous development of cultural undertakings and the cultural industry. We should do more to protect our cultural relics and archives as well as our natural and cultural heritage.

We will continue to strengthen the development and management of the market for cultural products and the Internet, fight unremittingly against pornographic and illegal publications and actively conduct cultural exchanges with other countries. We will carry out extensive mass fitness
programs and strive to raise the standards of our competitive sports. We will continue to work hard to prepare for the 2008 Olympic Games in Beijing and the 2010 World Exposition in Shanghai.

6. Seizing the opportune moment and deepening economic restructuring

We will systematically carry forward reforms this year, focusing on certain areas in accordance with the decision adopted at the Third Plenary Session of the Sixteenth CPC Central Committee and strive to make fresh progress in some important areas.

We will deepen the reforms of the state asset management system and state-owned enterprises. We need to promptly improve legislation pertaining to oversight and management of state assets and methods for its implementation, conduct research to establish a budgetary system for state capital management and a performance evaluation mechanism for enterprises, and make sure that the responsibilities for state asset management are truly met.

We should energetically work to transform state-owned enterprises into standard stock companies, optimize the structure of property ownership, improve corporate governance and encourage enterprises to change how they operate. We will vigorously develop a mixed ownership economy and gradually make the shareholding system the principal form of public ownership.

We will press ahead with the reform and reorganization of the telecommunications, electricity and civil aviation industries, make steady progress in the reform of the postal service and railway transport, and encourage the commercialization of urban public utilities. A number of large, competitive companies or conglomerates that own proprietary intellectual property rights and name brands should emerge through reform and development. We will continue to reform collectively owned enterprises and develop diverse forms of the collective economy.

We will vigorously promote the development of the non-public sector of the economy and actively guide it. Governments at all levels must promptly eliminate or revise regulations and policies that restrict the development of this sector and implement measures that relax market access. We will conduct further studies and formulate specific methods to encourage non-public enterprises to participate in the reorganization of state-owned enterprises and expand into infrastructure development, public utilities and other industries and domains.

We will take measures to ensure that non-public enterprises receive the same treatment as other enterprises in investment, financing, taxation, land use and foreign trade. We will protect their legitimate rights and interests and improve government service to and oversight over them, so
as to support and encourage qualified non-public enterprises in their efforts to grow stronger and larger. We will speed up the establishment of a modern system of ownership.

We will carry forward the reform of the financial system. We need to accelerate the reform of the wholly state-owned commercial banks, focusing on a pilot project to transform the Bank of China and China Construction Bank into stock enterprises. Other commercial and policy banks must also deepen their reform. We will press ahead with the trial reform of rural credit cooperatives and, on the basis of a review of that experience, gradually expand the reform to a wider area.

We will continue to reform and open up the capital market and develop it steadily. We will allow the amount of bonds issued by enterprises to increase and the proportion of direct financing by enterprises to rise gradually. We will continue reforming the insurance industry and expand the insurance market. We need to improve the regulatory systems for banking, securities and insurance, coordinate these systems better, and tighten financial control to ensure sound operation of the financial sector.

We will carry forward the reform of the fiscal and taxation systems. We will focus on gradually shifting from a "production VAT" to a "consumption VAT" by reclassifying equipment investment as VAT-deductible to facilitate the technological upgrading of enterprises and enhance their capability for self-development. These reform measures will be tried out first in some industries in northeast China this year. Supporting measures must be formulated quickly so that we can carry out the plan for reforming the export tax rebate system in earnest.

We will carry forward the reform of the investment system. Our main objectives are to reform the system of government oversight of enterprise investment and allow enterprises greater independence in making investment decisions in line with the principle that "the investor makes the investment decisions, reaps the profits and bears the risks." Another objective is to rationally define the government's investment functions, improve the management of government investment and establish an accountability mechanism for government investment. Finally, we want to establish a macro-control mechanism for investment and improve control methods and measures.

These efforts will result in a new investment system under which investment is guided by the market, enterprises make their own investment decisions, banks examine credit worthiness independently, various forms of financing coexist, intermediary services are standardized and macro-control is efficient.

We need to quickly establish a system to ensure credibility in society. We need to make intensive efforts to put in place a system for collecting information on the credibility of enterprises and individuals, a system for overseeing the credit
market, and a mechanism for penalizing those who lose their credibility.

We should intensify our efforts to rectify and standardize the market order, giving priority to cleaning up markets that have a direct bearing on people's health and lives such as those for food and medicine. Producing and marketing counterfeit and shoddy goods, pyramid schemes and commercial fraud must be severely punished.

Intellectual property rights must be protected more effectively and piracy and patent infringement must be punished in accordance with the law. We must severely crack down on tax evasion, tax fraud, money laundering, smuggling and other illegal and criminal activities.

7. Adapting to the new situation and opening still wider to the outside world

We must coordinate domestic development with opening up, fully exploit domestic and foreign markets and resources, and expand development into new areas. We will do all our work pertaining to opening up energetically and improve our ability to participate in international cooperation and competition.

We will strive to keep foreign trade growing at an appropriate rate. We should continue to follow the strategy of market diversification, emphasize the export of technology, compete on quality, optimize our export mix, and promote the transformation and upgrading of the processing trade. We should improve coordination among foreign trade entities, strive to overcome trade barriers and minimize trade friction to create a fair trade environment for our enterprises. The foreign-related economic system must be further reformed.

We will carry out the policy of allowing enterprises under all types of ownership to independently engage in importing and exporting. We should import more badly needed raw and processed materials, key technologies and important equipment and diversify our sources of important imports.

More rational and appropriate use of foreign capital is necessary to raise the performance of foreign investment. We will continue to enforce policies and measures that encourage foreign investment and further improve our investment environment.

We should speed up the implementation of the strategy of "going global" and better coordinate and guide Chinese investment abroad. Enterprises under all forms of ownership are encouraged to invest in overseas operations in various forms and expand their international market shares.

We should energetically carry out bilateral, multilateral and regional economic cooperation. We will continue to conscientiously fulfill all our commitments for China's accession to the WTO.
8. Intensifying job creation and social security work to further improve people’s lives

Doing everything possible to create more jobs is one of the major responsibilities of the government. Our targets for 2004 are to create 9 million jobs for urban residents and get 5 million laid-off workers reemployed. We will continue to follow an energetic employment policy, focusing on effectively implementing the policies of fiscal and credit support and tax cuts and exemptions. The central government will allocate 8.3 billion yuan in this year’s budget to subsidize reemployment, 3.6 billion yuan more than last year.

We will expand the avenues for employment and emphasize the development of labor-intensive industries, small and medium-sized enterprises and the non-public sector of the economy, promote flexible and diverse types of employment and encourage people to find jobs on their own or become self-employed. We need to develop a fully functioning reemployment assistance mechanism, giving people with difficulties in finding jobs on their own hiring preference in non-profit undertakings funded by the government.

We will support efforts of large and medium-sized state-owned enterprises to separate their secondary lines of business from their core business, turn their secondary lines into independent companies, and reassign their redundant personnel to these new companies.

We will focus our support on reemployment of laid-off workers in old industrial bases, cities and industrial and mining areas whose locally available natural resources have been exhausted, and the defense industry and the coal and logging industries. We will improve our system of employment services to provide better job training and guidance and assist people to find job opportunities. This year is another peak year for college graduates entering the job market and ex-servicemen being transferred to civilian jobs, so we need to work hard to provide them with effective employment guidance and services.

We need to build a social security network suited to China’s conditions and the level of our economic development. This is an important yet demanding task.

We will continue to ensure the "two guarantees" and better integrate the "three-stage guarantee." We will steadily integrate the subsistence allowances for these workers into the unemployment insurance system. The existing system of basic old-age pensions for workers will be improved by combining contributions from enterprises and institutions with personal accounts. We will expand the coverage of social security in accordance with the law. We will intensify efforts to collect social security contributions from all types of participating enterprises.

Governments at all levels must put greater effort into law enforcement and inspection in this regard. We will do a better
job in providing subsistence allowances for needy urban residents and establish standards and criteria for eligibility.

We will continue to raise social security funds through a variety of channels and manage them properly. On the basis of a review of our efforts to improve the urban social security system in Liaoning Province, we will extend them to Heilongjiang and Jilin provinces. The central government will allocate 77.9 billion yuan this year in subsidies for the "two guarantees" and subsistence allowances for needy urban residents, up 11.3 percent over last year. Local governments will also spend more in this area.

We will take better care of urban and rural residents with special difficulties. We will continue to improve the system of social relief and assistance and help those families that cannot afford medical treatment, tuition for their children, housing or heating in winter. We will improve the "five guarantee" relief program for childless and infirm people in rural areas and ensure funding for it. We will reduce and exempt taxes in disaster-affected rural areas and provide relief to the affected people who have difficulties in their production and daily lives. We will show our concern for the disabled and support programs that benefit them.

We must promptly solve problems arising from the demolition of urban residential buildings and the expropriation of farmland. When demolishing urban buildings and relocating their occupants, we must ensure that overall urban development plans and short-term construction plans are strictly followed, that the area to be demolished is defined reasonably, and that the examination and approval procedures are properly applied.

Furthermore, we must improve the policy for compensating and relocating displaced inhabitants, and intensify oversight and inspection. When expropriating farmland, we must strictly limit the area expropriated and follow the plan and proper procedures in accordance with the law. We must promptly give affected farmers reasonable compensation to ensure that their legitimate rights and interests are protected.

Measures must be taken to ensure that rural workers in cities are paid on time and in full. We must pay very close attention to solving the problem of their wages being docked or not paid on time.

The State Council has decided to basically solve the problems of default on construction costs and wage arrears for migrant rural workers in the construction industry within three years. Clearing up such back payments should begin with government-invested projects, but different types of enterprises should also be urged to pay off their arrears as soon as possible.

Enterprises and managers that refuse to pay back wages to migrant rural workers must be held accountable in accordance with the law. We need to develop a mechanism to
ensure the timely payment of migrant rural workers' wages, thereby eliminating the root cause of wage arrears. All enterprises must pay wages on time and strictly obey the minimum wage regulations.

We must ensure that all state organs and institutions pay salaries and retirees' pensions on time and in full. New arrears will not be allowed anywhere. Accounts for paying salaries must be placed under stringent oversight, and budgetary funds should be used to pay wages and salaries first.

9. Strengthening democracy and the legal system and safeguarding national security and social stability

Concrete and prudent efforts will be made to promote political restructuring, develop socialist democracy and improve the socialist legal system. We will further expand democracy at the lowest levels of government, improve self-governance by villagers and urban residents, and respect the democratic rights of the government authorities and people at the lowest levels of government. We will uphold and improve the system of workers' conferences and other systems of democratic management practiced in government institutions and enterprises and protect the legitimate rights and interests of workers.

We will continue to carefully carry out work related to ethnic minorities, religious groups and overseas Chinese. We must fully implement the Party's ethnic policy and consolidate and develop socialist ethnic relations based on equality, solidarity and mutual assistance.

In order to promote common prosperity and progress for all our ethnic groups, we will increase support for economic and social development in ethnic minority areas and intensify training of ethnic minorities in all fields of work.

We will fully implement the Party's policy on freedom of religious belief, handle religious affairs in accordance with the law, help religious organizations adhere to the principle of independence and self-governance, and actively guide religions to adapt to socialist society.

We will improve our work concerning overseas Chinese, their relatives in China and returned overseas Chinese, and fully utilize their unique role in promoting the reunification of the motherland and the rejuvenation of the Chinese nation.

The legislative work of the government will be strengthened. We will place greater emphasis on legislation concerning social management and public service. Priority should be given to legislation for dealing with emergencies, protecting farmers' rights and interests, safeguarding employment and social security and developing social undertakings.

We will work hard to improve the quality of government legislation. We must solicit opinions from all sectors of society
when drafting important laws and administrative regulations that affect the vital interests of the people. We will work to improve legal and notary services and carefully carry out legal assistance work.

The legitimate rights and interests of women, minors and the handicapped shall be protected as prescribed by law. We will increase publicity and education concerning the law in order to create a good social environment in which the people study the law, understand the legal system and abide by the law.

The government is duty-bound to ensure peace and security for the people. We will further implement all measures to improve all facets of public security and press ahead with efforts to build a crime prevention and control system. We will severely crack down on crimes committed by Mafia-like gangs, violent crimes, frequent property-related crimes, and drug-related crimes. We will increase our efforts to deal with serious crimes and areas with serious security problems.

The funding mechanism for procuratorial, judicial and public security organs will be improved in order to ensure their smooth operation. We take terrorism seriously and will intensify our battle against it.

We will expand and deepen our battle against cults. To ensure public order and social stability, it is imperative that we correctly handle internal contradictions among the people as they crop up under changing circumstances, improve the mechanism for forestalling and resolving conflicts and disputes, and properly handle letters and complaints from the people.

Our strong sense of responsibility for the state and the people compels us to effectively improve our work with regard to safety. We must strengthen oversight and administration to ensure production safety, carry out more special programs to address safety problems, implement preventive safety measures, and improve the system of responsibility for production safety. We will tenaciously investigate all kinds of accidents and prosecute those responsible for them in accordance with the law to uphold the sanctity of the law and disciplinary regulations.

Stepping up efforts to modernize our national defense and armed forces is an important guarantee for safeguarding national security and building a moderately prosperous society in all respects. We will strengthen the building of our armed forces in keeping with the general requirements of "being qualified politically and competent militarily and having an excellent style of work, strict discipline and adequate logistic support."

We will energetically carry forward military reforms with Chinese characteristics and work hard to take efforts to modernize our national defense and armed forces to a higher stage of development. As part of our strategy of using science and technology to build strong armed forces, we will focus on
developing new and high technology weaponry and equipment, foster a new type of highly competent military personnel, and promote modernization of our armed forces with IT application as the main content and mechanization as the basis in order to enhance our overall defense capability under hi-tech conditions.

We will adhere to the principle of running the army in accordance with the law and increase its standardization. We will continue to balance efforts to strengthen national defense and economic development and raise the overall effectiveness of efforts to strengthen defense. We will adhere to the principle of combining civilian and military production and letting military production reside in civilian production and vigorously promote the reform, adjustment and development of defense-related science, technology and industry to enhance our capability for independent innovation.

We will work painstakingly to adjust and realign our military strength to ensure that the armed forces are reduced by 200,000 troops and that related tasks are completed by 2005. We will intensify our efforts to build and reform our military logistics apparatus and enhance our logistic support capability. We will make the People's Armed Police more proficient and more capable of responding to emergencies.

Education in national defense among the people will be intensified to raise their awareness of its importance. We will vigorously support the strengthening of national defense and the armed forces and we will build up the reserve forces and the militia to develop a fully functioning national defense mobilization system that is highly effective and can respond rapidly. We will intensify activities to promote mutual support between the military and civilian sectors and their cultural and ethical programs to forge solidarity between the military and the government and between the military and civilians.

III. Government Self-improvement

The government bears heavy and demanding responsibilities in the effort to build a moderately prosperous society in all respects. Governments and leading cadres at all levels need to adapt to new situations and tasks and continually raise their administrative and management ability. In conformity with the principle of government for the people and in order to build a law-based government, we placed special emphasis over the past year on the three basic principles of scientific and democratic policy-making, law-based administration and better administrative oversight. These principles were implemented conscientiously. This year, we will focus on the following aspects of our work.

First, we will further transform government functions. Governments at all levels must fulfill all of their responsibilities. While working to better regulate the economy and oversee the market, the government must pay more attention to social administration and public service work. In particular, we need to speed up the establishment of
emergency response mechanisms and improve the government's ability to deal with public crises.

We must accelerate the separation of government functions from enterprise operations, turn over responsibility for more activities the government should not be engaged in to enterprises, nongovernmental organizations and intermediary agencies, and give greater scope to the basic role of the market in resource allocation.

At the same time, we need to strengthen regulation and oversight of intermediary agencies. The government must perform all its functions well, and adapt methods and style of management to changing circumstances to improve the results of its administration and work.

Second, we will adhere to scientific and democratic policy-making. We need to improve the policy-making process by integrating public participation, expert evaluation and government decision-making to ensure that our policies are scientific and correct. We need to speed up the formation and improvement of systems for making collective decisions on major issues, for soliciting opinions from experts, for keeping the public informed and holding public hearings, and for accountability in policy-making.

All major policies must be decided collectively on the basis of in-depth research, widely solicited opinions, and full evaluation by experts. These procedures must be closely followed as one of the long-term basic systems for government work.

Third, we will perform all our duties in accordance with the law. Governments at all levels must exercise their power and perform their duties within the scope of their authority defined by law and in accordance with legal procedures.

All government employees must learn to deal with economic and social issues by legal means. The system of administrative law enforcement needs to be reformed so that the administrative right to grant licenses and impose penalties will be relatively concentrated.

Experiments should be conducted on integrated law enforcement to solve problems of duplicate law enforcement and arbitrary imposition of fines. We need to increase oversight of administrative law enforcement to make it stricter, fairer and more courteous.

We should institute an accountability system for law enforcement and a mechanism for investigating and prosecuting law enforcement improprieties, and improve and strictly implement a system of administrative compensation that holds those who exercise power accountable, places them under supervision and compensates those whose rights have been compromised.

The Administrative Permission Law of the People's Republic of
China will come into force officially on July 1, 2004. This is an important law for regulating government acts, and governments at all levels must strictly abide by it.

Fourth, we will consciously accept the oversight of the general public. All power of the government is bestowed by the people, so the government must be accountable to the people, act in their interests and accept their oversight. Only the people's oversight can prevent the government from being lax in its duties.

Governments at all levels should consciously accept the oversight of the people's congresses and their standing committees at the corresponding levels and the democratic oversight of the committees of the People's Political Consultative Conference, and conscientiously listen to the opinions of the democratic parties, federations of industry and commerce, persons without party affiliations and mass organizations.

At the same time, they should accept the oversight of the mass media and the general public. They must take seriously the people's oversight of government organs and employees through reconsideration of administrative decisions, administrative lawsuits and other legal channels.

We should strengthen internal supervision by supporting supervision departments and audit offices in the conduct of their independent oversight in accordance with the law. To keep the people informed so they can oversee government work, we will introduce a system of public information concerning government work and increase the transparency of government work.

Fifth, we will improve the government's style of work and improve the overall quality of public servants. An important aspect of efforts to improve the government's style of work is for government employees to adopt a realistic and pragmatic approach, a scientific outlook on development and a correct attitude toward their own performance.

Governments at all levels need to bear in mind China's current national conditions when acting and making decisions.

We must always be realistic and act in accordance with objective laws. We need to work in an enterprising manner while working within our capabilities and stop the practice of blindly competing to outdo each other. We must persist in doing down-to-earth work, seek practical results, conserve manpower and refrain from building "vanity projects" that waste both money and manpower.

We must determine the true state of affairs and tell the truth; we should not falsify reports or exaggerate achievements. We must make overall plans that balance the interest s of different sectors and stay rooted in the present while having a long-term perspective, instead of blindly seeking quick success and instant bene fits. We must continue to improve
our work style, reduce the number of meetings and documents, and put more time and energy into going down to the primary level to do investigations and research. Everything we do must stand the tests of actual practice, people's acceptance and history.

The quality of public servants determines how well the government is managed and how efficient it is. It is imperative to build a contingent of public servants who are politically reliable, professionally competent and clean and honest and have a good work style.

They should emancipate their minds, seek truth from facts and keep pace with the times. They should bear in mind that public servants work for the interests of the people, maintain close ties with the people, and serve them wholeheartedly. They should abide by the Constitution and the law and have the ability to administer the government in accordance with the law. They should be dedicated, hard working and eager to learn. They should observe disciplinary regulations and professional ethics. They should be honest, clean, upright, impartial and devoted.

Governments at all levels should be strict in enforcing disciplinary regulations and be fair in meting out rewards and punishments. Training public servants and evaluating their work is very important, and we must intensify our work in this area.

We will work harder to build a clean government and fight more vigorously against corruption. We will develop a mechanism that combines education, institutional measures and oversight to prevent and punish corruption. We will resolutely deal with all breaches of the law or disciplinary regulations and punish those guilty of corruption. We are determined to rectify unhealthy conduct that affects the interests of the people. All government employees, particularly leading officials at all levels, must remain modest and prudent, guard against an arrogant and rash work style, and continue to live plainly and work hard.

Fellow Deputies,

It is our unshakable goal to maintain the long-term stability and prosperity of Hong Kong and Macao. We will continue to uphold the principle of "one country, two systems," according to which "Hong Kong people administer Hong Kong" and "Macao people administer Macao" with a high degree of autonomy, and we will act in strict accordance with the basic laws of the Hong Kong and Macao special administrative regions. We will give our full support to the chief executives and governments of the two regions in their administration in accordance with the law. We will unite as broadly as possible people from all walks of life in Hong Kong and Macao and effectively implement the Closer Economic Partnership Arrangement between the mainland and Hong Kong and the mainland and Macao. We have full confidence in the future of Hong Kong and Macao.
We will adhere to the basic principle of "peaceful reunification and one country, two systems" and, during this current stage, to the eight-point proposal for developing relations across the Taiwan Straits and promoting the peaceful reunification of the motherland. We will vigorously expand visits of individuals across the Straits and economic and cultural exchanges and energetically promote establishment of the "three direct links" between the two sides. We will protect the legitimate rights and interests of our Taiwan compatriots on the mainland in accordance with the law and continue to pursue the resumption of dialogue and negotiations between the two sides on the basis of the one-China principle.

With the utmost sincerity, we will do everything possible to bring about the peaceful reunification of the motherland. We stand firmly opposed to any form of separatist activities aimed at "Taiwan independence" and will never allow anyone to split Taiwan from China by any means. We are convinced that with the unremitting efforts of all the sons and daughters of the Chinese nation, including our Taiwan compatriots, we will realize our common aspiration, the complete reunification of the motherland, as soon as possible.

Fellow Deputies,

The international situation is continuing to undergo complex and profound changes. Peace and development remain the themes of our times. World multipolarization and economic globalization are making tortuous progress. Seeking peace and development and promoting cooperation and progress have become an irreversible historical trend. However, the tendency toward unilateralism is reemerging, local conflicts continue, international terrorist activity is rampant, the North-South gap is widening, and traditional and non-traditional security issues are intertwined. All these problems pose serious challenges to the people of all nations.

During this past year we followed an independent foreign policy of peace. We seized opportunities, responded to challenges, took the initiative, and made noticeable achievements in foreign affairs. We have won more understanding, trust, respect and support from the international community, and we enjoy higher status and greater influence in the international arena than ever before.

This year we will continue to hold high the banner of peace, development and cooperation, unswervingly pursue an independent foreign policy of peace, adhere to the Five Principles of Peaceful Coexistence, increase friendly exchanges and cooperation with other countries, and strive to further improve international and neighboring environments.

We will continue to promote world multipolarization, advocate democracy in international relations and diversity in development models, and encourage the progress of economic globalization in a direction that benefits the common prosperity of all nations. We will adhere to a new
concept of security based on mutual trust, mutual benefit, equality and cooperation, and we will oppose hegemonism, power politics, and terrorism in all its manifestations. We will continue to work for a new international political and economic order that is fair and equitable.

We will deepen our friendly cooperation with developing countries, explore new avenues and forms of cooperation, and support the efforts of developing countries to become stronger through unity.

We will continue our policy of friendship and partnership with our neighboring countries, deepen good-neighborly and friendly cooperation with all our neighbors and safeguard regional peace and stability. We will constantly strengthen our relations with developed countries, strive to seek out and expand areas of common interest, gradually settle existing differences through dialogue and consultation on an equal footing, and facilitate the steady development of our relations with developed countries.

We will actively engage in multilateral diplomacy and play a constructive role in the United Nations and other international and regional organizations.

The Chinese government and people will, as always, support the cause of justice for the whole human race and work tirelessly with the people of all other nations to safeguard world peace and promote common development.

Fellow Deputies,

The government is faced with arduous tasks this year, and we are keenly aware of the heavy yet lofty responsibilities we bear. The trust and support that the whole nation gives to the government is for us an inexhaustible source of strength and confidence. We firmly believe that, under the leadership of the Party Central Committee with Comrade Hu Jintao as General Secretary, by holding high the great banners of Deng Xiaoping Theory and the important thought of Three Represents, and by relying closely on the people of all our ethnic groups, we will surely overcome all difficulties and obstacles and make continuous progress in reform and opening up and in the socialist modernization drive!

(Xinhua News Agency March 16, 2004)