

Decision of the CPC Central Committee on Some Issues Concerning the Establishment of a Socialist Market Economic Structure¹

(Adopted at the Third Plenary Session of the 14th Central Committee of the Communist Party of China on 14 November, 1993)

In order to fulfil the task of reforming the economic structure put forward at the 14th National Congress of the Chinese Communist Party and to accelerate reform, opening to the outside world and the socialist modernisation drive, the Third Plenary Session of the 14th Central Committee of the Communist Party of China has discussed some major issues concerning the establishment of a socialist market economic structure, and has adopted the following decision.

Contents

- I. The New Situation and New Tasks In China's Efforts to Reform Its Economic Structure
- II. Transforming the Operating Mechanism of State-Owned Enterprises and Establishing a Modern Enterprise System
- III. Cultivating and Developing the Market Structure
- IV. Transforming Government Functions, and Establishing a Sound Structure of Macro-economic Regulation
- V. Establishing a Fair and Rational Process for Individual Income Distribution and Social Security
- VI. Deepening Rural Economic Structural Reform
- VII. Deepening the Structural Reform of Foreign Economic Relations, Opening Wider to the Outside World
- VIII. Furthering the Structural Reform of Science, Technology and Education

¹ 'Structure' is the shorthand translation of *tizhi* (体制), and at times *tixi* (体系). It designates a structural component or building block of an overall system, or *zhidu* (制度), for example, a socialist system (*shehuizhuyi zhidu*) [Tr.].

- IX. Strengthening the Legal System

- X. Strengthening and Improving the Party's Leadership, and Striving for the Initial Establishment of a Socialist Market Economic Structure by the End of this Century

I. The new situation and new tasks In China's efforts to reform its economic structure

(1) Great changes have occurred in China's economic structure through reforms over the past 10 or so years, guided by the theory of building socialism with Chinese characteristics put forward by Comrade Deng Xiaoping. A situation with the publicly owned economic sector constituting the mainstay while various other economic sectors develop simultaneously has taken initial shape. Economic restructuring in rural areas continues to develop in depth; state-owned enterprises are shifting to new management mechanisms; the role of the market in the allocation of resources is rapidly expanding; economic and technological exchanges and cooperation with other countries are widely conducted; and the structure of a planned economy is making a gradual transition to include a socialist market economic structure. Reform has emancipated and developed the social productive forces, and promoted to a new height the country's economic construction, the people's living standards and overall national strength. China's overall socialist system has shown great vitality in a situation marked by abrupt changes in the international arena. The reform and opening to the outside world which have been adopted by the Party and people on the basis of a conscientious summing up of historical experiences constitute a strategic policy decision that conforms with the law of social and economic development and is the necessary path for China to achieve modernisation.

Marked by Comrade Deng Xiaoping's important speeches in early 1992 and the 14th National Congress of the Chinese Communist Party, China's reform, opening to the outside world and the drive for socialist modernisation have developed to a new stage. The 14th National Congress explicitly laid down the task of establishing a socialist market economic structure, which is an important component of the theory of building socialism with Chinese characteristics and is of profound and far-reaching significance for China's modernisation drive. To establish a new economic structure by the end of this century is a great historic task of the whole Party and people of all nationalities in China during the new period.

(2) The socialist market economic structure is linked with the basic system of socialism. The establishment of this structure aims at enabling the market to play a basic role in

resource allocations under macro-economic control by the state. To turn this goal into reality, it is necessary to uphold the principle of taking the publicly owned sector as the mainstay, while striving for a simultaneous development of all economic sectors, to further transform the management mechanism of state-owned enterprises, and to establish a modern enterprise network which meets the requirements of the market economy and in which the property rights as well as the rights and responsibilities of enterprises are clearly defined, government administration and enterprise management are separated and scientific management is established. It is necessary to establish a nationwide integrated and open market structure to closely combine the urban market with the rural market and link the domestic market with the international market, so as to optimise the allocation of resources. It is necessary to transform the government's functions in economic management and establish a sound macro-economic control structure which chiefly relies on indirect means so as to ensure the healthy operation of the national economy. It is necessary to establish an income distribution process which takes the principle of "to each according to his work" as its mainstay, gives priority to efficiency while taking fairness into account so as to encourage some localities and people to become prosperous first while adhering to the road to common prosperity. It is also necessary to establish a multi-layered social security network and provide both urban and rural people with a degree of security commensurate to China's reality so as to promote economic development and social stability. All these major links comprise an organic entity, interrelated and mutually conditioning, together forming the basic framework of the socialist market economic structure. It is necessary to establish a legal system in line with and corresponding to these major links, and to adopt down-to-earth measures to push the overall reform forward actively step by step and promote the development of the social productive forces.

(3) The establishment of a socialist market economic structure is a pioneering undertaking unprecedented in history; it requires tackling many extremely complicated problems. In the past 15 years, we have blazed a fruitful trail in reform and accumulated rich experiences. Practice has proved that so long as we unswervingly adhere to comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and the basic line of the Party at the primary stage of socialism, we can withstand all kinds of tests and successfully achieve the great goals of reform, opening to the outside world and modernisation.

In the process of establishing the socialist market economic structure, we must, under the guidance of the Party's basic theory and line, decide on the various steps of reform and

judge their success or failure by always adhering to the basic criterion of whether they help develop the productive forces of socialist society, enhance the overall strength of the socialist state and improve the people's living standards. Attention should be paid to the following points:

- Emancipating the mind and seeking truth from facts. It is necessary to change the traditional concepts of a planned economy and advocate active exploration and bold experiment. Therefore, it is necessary, on the one hand, to inherit our fine traditions and, on the other, to break away from outmoded conventions. Proceeding from the realities of China, we must learn from the experiences of all countries, including the developed capitalist countries, that reflect the general laws of social production and a market economy. It is necessary to be on the alert against Right tendencies, but mainly to guard against "Left" tendencies.
- With economic construction as the central link, reform and opening to the outside world, economic development and social stability promote one another and form a single entity. Development is an essential criterion. Only by seizing favourable opportunities, conducting reform in depth, expanding the opening to the outside world and accelerating the pace of development, can we consolidate China's political stability and unity. Only by upholding the Four Cardinal Principles, grasping with both hands [material progress and spiritual civilisation], and maintaining social and political stability can we effectively guarantee the smooth progress of reform and opening to the outside world and the development of China's economy. In making active efforts to develop the economy and implementing reform and opening to the outside world, we should take care to be steady and discreet and steer clear of massive losses and social upheavals.
- We must respect the pioneering spirit of the masses and attach importance to their personal interests. It is necessary to sum up promptly the experience the masses create in practice, show respect for the wishes of the people and properly guide and protect their initiative so as to give it full play. In the process of deepening the reform and developing the economy, it is necessary to handle properly the relationship between accumulation and consumption, between overall and partial situations and between long-term and short-term interests, and to effect continuous improvement in people's living standards, so as to establish a broad and deep popular basis for our reform.
- We will combine overall progress with key breakthroughs. It is a correct policy decision conforming to China's realities to start the reform from the countryside and gradually

extend it to the cities, to combine urban reform with rural reform, keep micro-economic reform in step with macro-economic reform, and ensure that the enlivening of the domestic economy and the opening to the outside world are closely related to and promote each other. Major reform measures may be formulated in light of different circumstances and carried out in conjunction with other relevant aspects of the economic structure. Some measures should be tried out first in selected localities or areas and then extended after experience has been gained. It is necessary both to pay attention to the gradual progress of the reform as a whole and to miss no opportunity of making breakthroughs in key areas that spur the overall reform.

II. Transforming the operating mechanisms of state-owned enterprises and establishing a modern enterprise system

(4) The modern enterprise system with public ownership as the mainstay is the basis of the socialist market economic structure. Over the past decade or so, measures have been taken to expand the autonomy of state-owned enterprises in their operations and reform their mode of operation, thus enhancing their vitality and laying a preliminary foundation for their entry into the market. To continue deepening the reform of enterprises, we must solve deep-seated problems, focus on innovating the enterprise system, further liberate and develop the productive forces, and give full play to the superiority of the socialist system.

The establishment of modern enterprise system is an inevitable requirement for the development of socialised large-scale production and market economy, and is the direction of the reform of China's state-owned enterprises. Its basic characteristics are as follows. First, clarification of property rights. The ownership of state-owned assets in an enterprise belongs to the state, and the enterprise owns all the property rights of legal entities formed by the investment of investors including the state, and becomes a legal entity enjoying civil rights and bearing civil liabilities. Second, an enterprise, with all its legal entity property, shall operate independently according to law, be responsible for its own profits and losses, pay taxes according to regulations, and assume the responsibility of maintaining and increasing the value of its assets to its investors. Third, the investor enjoys the owner's equity according to the amount of capital invested in the enterprise, namely, the rights of asset benefit, major decision-making and selection of managers. When an enterprise goes bankrupt, the investor shall bear limited liability for the debts of the enterprise only in the amount of capital invested in the enterprise. Fourth, enterprises organise their production and operation in accordance with market demand for the

purpose of improving labour productivity and economic benefits, and the government does not directly interfere in their production and operation activities. Enterprises in market competition follow the principal of survival of the fittest, and in light of long-term losses and eventual insolvency, they should be bankrupt in accordance with the law. Fifth, we will establish a scientific enterprise leadership network and organisational management process, regulate the relationship between owners, operators and workers, and form a business mechanism combining incentives and constraints. All enterprises should work in this direction.

(5) To establish a modern enterprise system is an arduous and complex task, which must be advanced step by step by accumulating experience and creating conditions. At present, we must continue to implement the Law on Industrial Enterprises owned by the whole people and the Regulations on the Transformation of Operation Mechanism of Industrial Enterprises owned by the whole people, and fully implement the rights and responsibilities of enterprises. We will strengthen supervision and management of the assets of state-owned enterprises to maintain and increase their value. We will accelerate the transformation of operating mechanisms and restructuring of state-owned enterprises. We will resolutely stop indiscriminate collection of funds, apportionment and collection of fees from enterprises. We will reduce the social burdens on enterprises. Step by step, property is to be clarified and verified, property rights are to be defined, creditor's rights and debts are to be clarified, assets are to be assessed, and the amount of property occupied by enterprises as legal entities is to be verified. We will create conditions in all respects for the steady transformation of state-owned enterprises into modern enterprise systems.

(6) Large and medium-sized state-owned enterprises are the pillars of the national economy. The implementation of the modern enterprise system is of great significance for improving the level of operation, management and competitiveness, and giving improved play to their leading role. Modern enterprises can have various forms of organisation according to their property composition. The implementation of a corporate structure in state-owned enterprises is a beneficial exploration to establish a modern enterprise system. A standardised company can effectively separate the ownership of the investor from the property right of the enterprise as a legal entity, which is conducive to the separation of government and enterprise and the transformation of the operating mechanism, so that the enterprise can get rid of its dependence on administrative organs and the state can remove its unlimited liability from the enterprise. This approach also helps in raising funds and spreading risks. There can be different types of companies. The

qualified large and medium-sized state-owned enterprises may be reorganised into wholly-owned companies if they have a single investor, or into limited liability companies or joint stock limited companies if they have multiple investors. Listed joint stock limited companies can only be a minority and must be subject to strict examination and approval. The appropriate share of state-owned equity in a company can be handled according to different industries and the degree of equity dispersion. Companies and military-industrial enterprises that produce certain special products should be solely owned by the state, and the state should control and absorb non-state-owned funds to invest in key enterprises and basic industries in order to expand the leading role and scope of influence of the state-owned economy. It is not simply a matter of changing names or simply raising money. It is a matter of focusing on conversion mechanisms. We must carry out pilot programs step by step, and we must not resort to formalism. We should prevent the transformation of unqualified enterprises into companies. The existing company should be rectified according to the requirements of the specification.

In accordance with the requirements of the modern enterprise system, the existing national industry head office should be gradually restructured into a holding company. We will develop a number of large cross-regional and cross-industry enterprise groups with public ownership as the mainstay and property rights as the main link, and give full play to their important role in promoting structural adjustment, improving economies of scale, accelerating the development of new technologies and products, and enhancing their international competitiveness.

In general, some small state-owned enterprises may be contracted out or leased out; some may be restructured into a joint-stock cooperative structures; or they may be sold to collectives or individuals. The proceeds from the sale of businesses and equity are to be redirected by the state to industries in need.

(7) We will reform and improve the structures of enterprise leadership and organisational management. We will adhere to and improve the factory director (manager) responsibility process to ensure that the factory directors (managers) exercise their functions and powers according to law. An enterprise that implements a corporate structure shall establish its internal organisational structure in accordance with relevant laws and regulations. Party organisations in enterprises should play the role of a political core to ensure the supervision of the implementation of party and state policies. We will rely wholeheartedly on the working class. The trade union and the workers' congress shall organise the workers to participate in the democratic management of the enterprise and

safeguard the legitimate rights and interests of the workers. It is necessary to strengthen the construction of the workforce and cultivate a team of entrepreneurs. We will establish a mechanism in which rights and responsibilities are clearly defined, with solidarity and cooperation, and mutual restraint within enterprises, so as to mobilise the initiative of all sectors. In accordance with the requirements of the market economy structure, enterprises should improve and strictly manage their internal operations, tighten labour discipline, strengthen technological development, quality management, marketing, finance and information work, and improve their decision-making levels, enterprise quality and economic benefits. We will strengthen the construction of an enterprise culture, cultivate excellent professional ethics, establish the spirit of dedication, love of the factory, abiding by the law, keeping faith, and a pioneering spirit of innovation.

(8) We will strengthen the management of state-owned assets in enterprises. State-owned assets shall be uniformly owned by the state, supervised by the government at different levels and managed independently by enterprises. In accordance with the principle of separating the social and economic management functions of the government from the functions of the owners of state-owned assets, we should actively explore reasonable forms and approaches for the management and operation of state-owned assets. We will strengthen institutions for the administration of state-owned assets under the central government and the governments at the levels of provinces, autonomous regions and municipalities directly under the Central Government. At present, the mismanagement and serious loss of state-owned assets needs the utmost attention. Departments concerned shall assume supervisory duties over the state-owned assets of the enterprises under their respective supervision, and may, if necessary, dispatch boards of supervisors to exercise supervision over the maintenance and appreciation of the state-owned assets of the enterprises. It is strictly prohibited to discount state-owned assets, sell them at a low price, or even give them to individuals free of charge. We need to improve processes, close loopholes in all areas, and ensure that state-owned assets and their rights and interests are not infringed upon.

(9) We will adhere to the policy of taking public ownership as the mainstay and the common development of various economic components. While actively promoting the development of the state-owned economy and the collective economy, we shall encourage the economic development of the self-employed, the private sector, and the foreign-invested enterprises, and strengthen their administration in accordance with the law. With the flow and reorganisation of property rights, more and more economic units of mixed property ownership will form a new property ownership structure. Nationally,

public ownership should play a dominant role in the national economy, and some localities and some industries may differ. The dominant position of public ownership is mainly reflected in the dominance of state and collective-owned assets in the totality of social assets, the controlling role of the state-owned economy in the lifeline of the national economy, and its leading role in economic development. The public sector of the economy, especially the state-owned economy, should actively participate in market competition and grow stronger and develop in the process. The state should create conditions for all forms of ownership to participate in market competition on an equal footing and treat all enterprises as equals. Existing town collective enterprises should also straighten out the property rights relationship, and can be reorganised into joint-stock cooperative enterprises or partnership enterprises according to different situations. A limited liability company may also be formed if conditions permit. A small number of large-scale and high-efficiency companies can also be formed into joint stock limited companies or enterprise groups.

III. Cultivating and developing the market structure

(10) To give full play to the basic role of market mechanisms in resource allocation, we must cultivate and develop the market structure. At present, we need to focus on developing the market for factors of production, standardise market behaviour, break regional and sectoral divisions and blockades, combat unfair competition, create an environment of equal competition, and form a unified, open, competitive and orderly market.

(11) We will advance price reform and establish a mechanism whereby prices are mainly determined by the market. At present, most commodity prices have been liberalised, but the dual-track structure for the prices of a few means of production still exists, the marketisation of the prices of factors of production is still relatively low, and the price formation and adjustment mechanism is still not sound. The main tasks of deepening price reform are as follows: on the premise of keeping the overall price level relatively stable, we should liberalise the prices of competitive goods and services and adjust the prices of a small number of government-set goods and services; the dual-track structure for the price of means of production shall be abolished as soon as possible; we shall accelerate the process of price marketisation of essential factors of production; we will establish and improve a reserve process for a small number of important commodities that affect the national economy and the people's livelihood, and stabilise market prices.

(12) We will reform the existing commodity circulation structure and further develop commodity markets. We will establish wholesale markets for bulk agricultural products, industrial consumer goods, and means of production in the places of production, sales, or distribution centres of important commodities. We will strictly standardise a small number of trials for commodity futures markets. State-owned circulation enterprises should change their operation mechanisms, actively participate in market competition, improve economic efficiency, and play a leading role in the improvement and development of the wholesale market. According to the needs of commodity circulation, we shall construct a fully functional commodity market network that combines large, medium, and small, with the coexistence of various economic forms and modes of operation, in order to promote the modernisation of circulation.

(13) At present, the focus of cultivating the market structure is to develop the financial market, labour market, real estate market, technology market and information market.

We will develop and improve the financial market dominated by bank financing. The capital market should actively yet prudently develop bond and stock financing. We will establish a credit rating process for bond issuers and promote the healthy development of the bond market. We will standardise the issuance and listing of stocks, and gradually expand the scale. Money markets should develop standard inter-bank lending and bill discounting, and central banks should trade treasury bonds. We will resolutely prevent and redress illegal fundraising, borrowing, and other financing activities.

We will reform the labour system and gradually form a labour market. China's abundant labour force provides advantages for economic development, but there is also the pressure of employment. We should take the development, utilisation and rational allocation of human resources as the starting point for the development of the labour market. We will open up more avenues for employment to attract more urban labour. We will encourage and guide the gradual transfer of surplus rural labour to non-agricultural industries and the orderly flow between regions. We will develop various forms of employment, use economic means to adjust the employment structure, and form an employment mechanism in which employers and workers choose each other and move around in a reasonable way.

We will standardise and develop the real estate market. As China has less land and more people, we must cherish and rationally use land resources and strengthen land management. We will effectively protect cultivated land and strictly control the

conversion of agricultural land into non-agricultural land. The state monopolises the primary market of urban land. The process of compensated transfer of the right to the use of land within a specified time limit shall be implemented. For the transfer of the right to the use of land for commercial use, the way of lease by agreement shall be changed and bidding and auction shall be implemented. At the same time, we will strengthen the management of the secondary market of land and establish a normal market formation mechanism of land use rights prices. Through measures such as levying and adjusting real estate taxes and fees, we can prevent windfall profits in real estate transactions and the loss of national income. We will control the excessive growth of high-end housing and high-consumption recreational facilities. We will speed up the reform of the urban housing structure, control the price of housing land, and promote the development of housing commercialisation and housing construction.

We will further develop technology and information markets. We will introduce competition mechanisms, protect intellectual property rights, carry out paid transfer of technological achievements, and realise commercialisation and industrialisation of technological products and information.

(14) We will develop intermediary market organisations and give play to their service, communication, notarisation and supervision functions. At present, we should focus on the development of accountants, auditors and law firms, notarisation and arbitration institutions, measurement and quality inspection and certification institutions, information consulting institutions, assets and credit evaluation institutions. We will give play to the role of trade associations, chambers of commerce and other organisations. The intermediary organisations shall pass qualification certifications according to law, establish a self-disciplining operation mechanism in accordance with market rules, bear corresponding legal and economic responsibilities, and accept the management and supervision of the relevant government departments.

(15) We will improve and strengthen market management and supervision. We will establish normal market entry, market competition and orderly market transaction, ensure fair trading and a level playing field, and protect the legitimate rights and interests of business operators and consumers. We will resolutely punish according to law the production and sale of fake and low-quality products, bullying and dominating the market and other illegal acts. We should increase the openness of market transactions, establish authoritative law enforcement and supervision institutions, strengthen the management of the market, and give play to the role of public opinion in the supervision of the market.

IV. Transforming government functions, and establishing a sound structure of macro-economic regulation

(16) Transforming government functions and reforming government institutions are urgent requirements for the establishment of a socialist market economy. The functions of the government in managing the economy are mainly to formulate and implement macro-control policies, construct quality infrastructure and create a favourable environment for economic development. At the same time, it is necessary to foster a market structure, supervise market operations and maintain equal competition, regulate social distribution and organise social security, control population growth, protect natural resources and the ecological environment, manage and supervise the operation of state-owned assets, so as to achieve the state's economic and social development goals. The government shall manage the national economy by economic means, legal means and necessary administrative means, and shall not directly interfere in the production and operation of enterprises.

At present, bloated institutions, over-staffing, overlapping functions, and low efficiency are prevalent in governments at all levels, seriously impeding the transformation of enterprise operating mechanisms and the establishment of new structures. We need to continue and complete the reform of government institutions as soon as possible in accordance with the principles of separating government administration from enterprise management, streamlining administration, unifying administration and ensuring efficiency. The economic administrative departments of the government shall transform their functions, the specialised economic departments shall be gradually reduced, and the comprehensive economic departments shall undertake the task of comprehensive coordination in a workmanlike manner. Meanwhile, the functions of social administration of the government shall be strengthened to ensure the normal operation of the national economy and excellent social order.

(17) A socialist market economy must have a sound structure of macro-control. The main tasks of macro-control are to maintain a basic balance in total economic output, promote the optimisation of the economic structure, guide the sustained, rapid and sound development of the national economy, and promote all-round social progress. We will adopt economic measures for macro-control. In the near future, major steps will be taken in the reform of the fiscal, taxation, financial, investment and planning structures. We will establish a mechanism for coordination and restraint among planning, banking and

public finances, and strengthen comprehensive coordination of economic operations. Planning will set forth the goals and tasks for national economic and social development, as well as the economic policies that need to be implemented in parallel; the central bank will take currency value stability as the primary goal, regulate the total money supply, and maintain the balance of international payments; the government will use budgetary and tax means, focusing on adjusting the economic structure and social distribution. We will use monetary and fiscal policies to adjust the basic balance between aggregate demand and supply, and coordinate with industrial policies to promote the coordinated development of the national economy and society.

(18) We will actively advance reform of fiscal and tax structures. The priorities of the recent reforms are, first, to replace the current structure of local government finances with a tax distribution structure based on a proper division of the powers and responsibilities of the central and local governments, and to establish a structure of central and local taxation. The taxes necessary for safeguarding the rights and interests of the country and implementing macro-control will be listed as central taxes; the main types of taxes directly related to economic development will be listed as shared taxes; we will augment local taxes and increase revenue from local taxes. We will do so by developing the economy, increasing efficiency, expanding sources of revenue, gradually increasing the proportion of fiscal revenue in the gross domestic product (GDP), and rationally determining the proportion between central and local fiscal revenue. We will implement a pattern of refunds and transfer payments from the central government to local governments in order to adjust the distribution structure and regional structure, and in particular to support the development of economically underdeveloped areas and the renovation of old industrial bases. Second, we will reform and improve the tax structure in accordance with the principles of uniform tax law, fair tax burden, simplified tax structure and rational decentralisation. We will implement a turnover tax structure with value-added tax as the main body, levy a consumption tax on a small number of goods, and continue to levy business tax on most non-commodity businesses. On the basis of lowering the income tax rate of state-owned enterprises and cancelling funds for key energy and transportation projects and budget adjustment funds, enterprises shall pay taxes in accordance with the law and straighten out the profit distribution relationship between the state and state-owned enterprises. We will unify corporate and individual income taxes, standardise tax rates, and expand the tax base. We will introduce and adjust certain types of taxes, clean up tax reductions and exemptions, strictly enforce tax collection and administration, and block the loss of tax revenue. Third, we will improve and standardise the double-entry budget structure. Budgets for the government's public

and state-owned assets shall be established, and budgets for social security and other budgets may be established as necessary. We will strictly control fiscal deficits. The central fiscal deficit will no longer be overdrawn by banks, but solved by issuing long- and short-term government bonds. There will be unified management of the government's domestic and foreign debts.

(19) We will accelerate reform of the financial structure. As the central bank, the People's Bank of China independently implements monetary policies under the leadership of the State Council. It has changed from mainly relying on the management of credit scale to regulating the money supply and maintaining the stability of currency value by means of the deposit reserve ratio, central bank loan interest rates and open market operations. It will supervise all types of financial institutions, maintain financial order, and no longer deal with non-financial institutions. The banking and securities industries shall be separately managed. We will establish a monetary policy committee to adjust monetary and credit policies in a timely manner. In accordance with the requirements for currency circulation throughout the country and the need for centralised and unified regulation, the branches of the People's Bank of China shall be the representative offices of the head office and shall actively create conditions for their establishment across administrative regions.

We will establish policy banks and implement the separation of policy and commercial businesses. The China Development Bank and the Export-Import Credit Bank have been formed, and the Agricultural Bank of China has been reorganised to undertake strictly defined policy operations.

We will develop commercial banks. The existing specialised banks should be gradually transformed into commercial banks, and rural cooperative banks and urban cooperative banks should be set up step by step according to need. Commercial banks should carry out asset-liability ratio management and risk management. We will standardise and develop non-bank financial institutions.

The central bank adjusts benchmark interest rates in a timely manner in accordance with the supply and demand of funds, and allows the deposit and lending rates of commercial banks to float freely within the prescribed range. We should reform the foreign exchange management process and establish a market-based, managed floating exchange rate process and a unified and standardised foreign exchange market. We will gradually make the RMB a convertible currency.

We will realise the computer network of the banking structure, expand the use of commercial bills and cheques and other settlement tools, enforce strict settlement discipline, improve settlement efficiency, actively promote credit cards, and reduce the amount of cash flow.

(20) We will deepen reform of the investment structure. We will gradually establish risk responsibilities for corporate investment and bank credit. The investment in competitive projects shall be made by enterprises at their own risk, the loans required shall be made by the commercial banks themselves, and the commercial banks shall be responsible for their own profits and losses. To replace the current administrative examination and approval process with the process of registering and recording projects, the investment and financing activities in this respect will be pushed onto the market, and the state will guide this process with industrial policies. We should encourage and attract investment and participation in basic projects. Local governments are responsible for regional infrastructure construction. Major national construction projects shall, in accordance with the unified plan, be financed by the State Development Bank and other policy banks through fiscal investment, financing and financial bonds in the form of holding, equity participation and preferential policy loans. An enterprise as a legal entity shall be responsible for the whole process of planning, finance, construction, production and operation, repayment of principal and interest of loans and preservation and appreciation of assets. The construction of public welfare projects should attract funds from all sectors of society, and be arranged by the government through financial means according to the division of powers between the central and local governments.

(21) We will accelerate the reform of the planning structure and further transform the functions of management planning. National planning should be market-based and should provide the overall guide. The tasks of planning are to reasonably determine the strategies, macro-control targets and industrial policies for national economic and social development, focus on efficient economic forecasting, and to plan major economic structures, productivity distribution, land consolidation and key construction. Planning should be macroscopic, strategic, and policy-based, with emphasis on medium- and long-term plans, and with a comprehensive coordination of macro-economic policies and the use of economic levers. We will establish a new process of national economic accounting and improve the macro-economic monitoring and early warning process.

(22) We will rationally divide the powers of the central and local governments concerning economic management and give play to their initiative. The power of macro-economic control, including the issuance of currencies, the determination of benchmark interest rates, the adjustment of exchange rates and the adjustment of important tax rates, must be concentrated in the central government. This is necessary to ensure the balance of the economic aggregate, the optimisation of the economic structure and the unification of the national market. As China is a large country with a large population, provinces, autonomous regions and municipalities directly under the Central Government must be empowered with the necessary powers to formulate regional laws, policies and plans in accordance with national laws, regulations and macro-policies. We will regulate economic activities in the region through local taxation and budget, and make full use of local resources to promote the economic and social development of the region.

V. Establishing a fair and rational process for individual income distribution and social security

(23) Individual income distribution should adhere to a process in which distribution according to work is the mainstay and multiple modes of distribution coexist, reflecting the principle of giving priority to efficiency and giving consideration to fairness. Competition should be introduced into the individual remuneration of workers, equalitarian remuneration should be dispensed with, more work should be done, and the pay gap should be widened within reason. We will adhere to the policy of encouraging some people in some regions to get rich first through honest labour and lawful management, and encourage those who get rich first to drive and help those who get rich later to gradually achieve common prosperity.

(24) We will establish a wage structure and a normal wage increase mechanism suited to the respective characteristics of enterprises, public institutions and administrative organs. On the premise that the growth rate of the total wages of the employees is lower than the growth rate of the economic benefits of the enterprise, and that the growth rate of the average wages of the employees is lower than the growth rate of the labour productivity of the enterprise, a state-owned enterprise shall independently decide its wage level and internal distribution mode in accordance with changes in the supply and demand of labour and employment, and in accordance with the relevant policies and regulations of the state. Administrative organs will implement the national civil servant structure, and the salary of civil servants shall be determined and adjusted by the state in accordance with economic development and with reference to the average wage level of enterprises,

so as to form a normal promotion and wage increase mechanism. Public institutions shall adopt different wage structures and modes of distribution, and, if conditions permit, an enterprise wage structure may be adopted. The state formulates minimum wage standards, which must be strictly enforced by enterprises and public institutions of all types. We will actively promote the monetisation and standardisation of personal income.

(25) The state protects in accordance with the law all lawful incomes and property of individuals and residents, encourages both urban and rural residents to save and invest, and allows individual capital and other factors of production to participate in income distribution. We will gradually establish a process for filing individual income tax returns, strengthen the collection and administration of individual income tax in accordance with the law, and introduce inheritance tax and gift tax in due course. We must avoid polarisation due to an excessively high income of a few people through a redistribution policy and tax regulation. Those who embezzle public property and seek income by illegal means such as tax evasion, bribery, embezzlement, and perversion of the law shall be punished according to law.

(26) The establishment of a multi-level social security structure is of great significance to deepening the reform of enterprises and public institutions, maintaining social stability and successfully establishing a socialist market economy structure. The social security structure includes social insurance, social relief, social welfare, preferential treatment and placement for entitled groups, social mutual assistance, and personal savings accumulation security. Social security policies should be unified and management should be legalised. The level of social security should be commensurate with the development level of China's social productive forces and the bearing capacity of all aspects. Measures for social security for urban and rural residents should be differentiated. We should promote social mutual assistance. Commercial insurance shall be developed as a supplement to social insurance.

(27) In accordance with the different types of social security, we shall determine funding sources and security methods. We will focus on improving the old-age insurance and unemployment insurance structures for enterprises, strengthen social services to reduce the burden on enterprises, promote restructuring of their organisations, and improve their economic returns and competitiveness. The old-age pension and medical insurance for urban workers shall be jointly borne by the units and individuals, and the combination of overall social planning and individual accounts shall be implemented. We will further improve the unemployment insurance structure, with premiums raised and paid

uniformly by enterprises in accordance with a certain proportion of the total wages of their employees. A structure of work-related injury insurance for enterprises has been established. The aged care of farmers is ensured mainly by the family, combined with community support. Where conditions permit, accumulation endowment insurance based on individual savings can also be implemented on the basis of farmers' willingness. We should develop and improve the rural cooperative medical structure.

(28) We will establish a unified social security administration. We will improve the management level of social security programs and form a positive feedback loop for the collection and operation of social insurance funds. The administrative management of social security and the operation of social insurance funds shall be separated. Social security management institutions mainly perform administrative functions. A social insurance fund supervision organisation, with the participation of relevant government departments and representatives of the public, shall be established to supervise the income and expenditure and management of social insurance funds. Social insurance fund agencies may, on the premise of ensuring the normal payment and safe liquidity of the fund, use social insurance funds to purchase state bonds in accordance with the law so as to ensure the preservation and appreciation of the social insurance fund.

VI. Deepening rural economic structural reform

(29) The problems of agriculture, rural areas and farmers are the fundamental problems of China's economic development and modernisation. China's rural reform in the past ten years has brought about historic changes in the rural social and economic outlook, and laid the foundation for the reform and development of the entire national economy. In recent years, the rural areas have begun to face some new problems that need to be solved urgently, such as the decline of the comparative benefits of agriculture, especially the production of grain and cotton, the expansion of the price scissors of industrial and agricultural products, and the slow growth of farmers' incomes. We must stabilise the Party's basic policies in rural areas, deepen rural reform, speed up rural economic development, increase farmers' incomes, and further strengthen the basic position of agriculture, so as to ensure that by the end of this century agriculture will have reached a new level, and that the lives of the vast majority of farmers will have attained a moderately prosperous level in terms of the necessities of life.

(30) The development of rural economy in China has entered a new stage characterised by structural adjustment and improvement of efficiency. We should adapt to the changing

market demand for agricultural products, optimise structural variations, and ensure that agriculture develops in the direction of high yield, high quality and high efficiency. On the premise of maintaining the steady growth of basic agricultural products such as grain and cotton, we should adjust the structure or production in rural areas, accelerate the development of township enterprises and other non-agricultural industries, and provide more employment opportunities for rural surplus labour. In order to realise the adjustment of the structure of agricultural production and the structure of village production, we must actively cultivate the rural market, break down regional blockages and the urban-rural division, further invigorate circulation, enhance the openness of rural economic development, and enable the flow and combination of various economic resources on a larger scale. This is the fundamental way to accelerate the development of the rural economy and raise farmers' incomes.

(31) As a basic economic system in rural areas, the structure of household responsibility for contracting production and the structure of two-tier operation based on unified management and division of labour must be kept stable for a long time to come and constantly improved. On the premise of adhering to collective land ownership, we should extend the period of farmland contracting, allow the inheritance of contracted management rights for development production projects, and allow the transfer of land use rights with compensation in accordance with the law. In a few economically developed areas, on the principle of voluntary participation by the masses, appropriate large-scale operations may be developed in various forms, such as subcontracting or holding shares, so as to raise the level of agricultural and land productivity. Rural collective economic organisations should actively set up service-oriented economic entities, provide services for family operations, gradually accumulate collective assets and enhance collective economic strength.

(32) We will develop a structure of socialised services for rural areas and promote the professionalisation, commercialisation, and socialisation of agriculture. Starting from the actual needs of farmers, we will develop diversified service organisations and form a service network combining rural collective economic organisations, state economic and technological departments, various specialised technical associations and other farmers' associations. Supply and marketing cooperatives at all levels should continue to deepen reform, truly become farmers' cooperative economic organisations, and actively explore new ways to develop into comprehensive service organisations. We will gradually and comprehensively liberalise the management of agricultural products, change the situation in which departments are divided and production and marketing are out of line, develop

all forms of integrated management of trade, industry, and agriculture, and closely integrate production, processing, and sales. We will accelerate the reform and development of rural education. We will actively promote the integration of agricultural science and education, strengthen research in agricultural science and technology and the popularisation of advanced and applicable technologies, and transform traditional agriculture with modern science and technology. We should actively tap the international market and vigorously develop high-value-added products and export-oriented agriculture.

(33) Township enterprises are an important pillar of the rural economy. We should improve the contract responsibility structure, develop the structure of joint-stock cooperation, innovate the structure of property rights and the mode of operation, and further enhance the vitality of township enterprises. On the basis of clear property rights, we will promote the flow and combination of production factors across communities to form a more reasonable enterprise layout. We will strengthen planning, guide the proper concentration of township enterprises, make full use of and transform existing small towns, and build new ones. We will gradually reform the household registration management structure in small towns, allow farmers to enter small towns for work or business, develop rural tertiary industry, and promote the transfer of rural surplus labour.

(34) We will strengthen government support for agricultural production and protect farmers' interests. Governments at all levels should gradually increase their input in agriculture, actively encourage farmers and collectives to increase their input in labour and capital, constantly improve the conditions for agricultural production, and strengthen the material and technological foundation of agriculture. We must promptly establish and improve the reserve regulation structure and market risk fund for basic agricultural products such as grain, and implement a protective price purchase process to prevent excessive fluctuations in market prices. We should promptly establish and improve a reserve regulation process for grain and other basic agricultural products, as well as a market risk fund, and implement a process of purchase at protected prices to prevent excessive market price fluctuations. We will support the development of agricultural industries. The expenses and labour services borne by farmers shall be managed in a standardised and legal manner so as to effectively protect their economic interests.

(35) We will support impoverished areas in developing their economies, especially old revolutionary base areas, areas inhabited by ethnic minorities and outlying areas. Both the central and local governments should show concern for and support the social and

economic development of these areas, further strengthen poverty alleviation and development work, focus on improving agricultural infrastructure, and improve transportation and communications. We will expand cadre exchanges and economic and technological cooperation between developed and poor areas. We will strengthen the people's awareness of the market economy, make full use of local resources, and gradually form a mechanism to lift people out of poverty and become rich mainly through our own efforts.

VII. Deepening the structural reform of foreign economic relations, opening wider to the outside world

(36) We will unflinchingly implement the policy of opening up, accelerate the pace of opening up, make full use of both domestic and international markets and resources, and optimise the allocation of resources. We should actively participate in international competition and international economic cooperation, give play to the comparative advantages of China's economy, develop an open economy, and make the domestic economy and the international economy mutually complementary. In accordance with China's national conditions and the general criteria for international economic activities, we should standardise foreign economic activities, correctly handle foreign economic relations, and constantly improve our international competitiveness.

(37) We will open up on all fronts. We will continue to promote the opening up of special economic zones, coastal open cities, coastal open zones, as well as cities along the borders, rivers, and inland, and give full play to the radiating effect and driving force of open areas; accelerate the development and opening up of the areas along the main traffic arteries; encourage the central and western regions to attract foreign investment to develop and utilise natural resources and promote economic revitalisation; ensure overall planning, conscientiously manage economic and technological development zones and bonded zones, and form a pattern of all-round opening up that features both various levels and different characteristics. We should broaden the areas open to the outside world, expand the flow and exchange of factors of production, accelerate the opening up of other industries and promote the development of trade in services on the basis of paying attention to international links in the fields of industry and trade. We will improve customs, commodity inspection, transportation and other port work. We will strengthen management of Chinese-funded enterprises overseas. We will conscientiously review our experience, constantly improve the degree of opening up, and guide China's opening up to the outside world in a high-level, wide-ranging and in-depth directions.

(38) We will further reform the foreign economic and trade structure and establish an operating mechanism that adapts to the prevailing international economic rules. We should adhere to the reform orientation of unified policy, liberalising management, fair competition, self-financing of profits and losses, combination of industry and trade, and implementation of the agency structure. We will accelerate the transformation of the foreign management mechanisms of various enterprises, reorganise state-owned foreign trade and economic enterprises in accordance with the modern enterprise system, grant qualified production and scientific and technological enterprises the right to operate abroad, and develop a number of internationalised, industrialised and collectivised comprehensive trading companies. The state mainly uses economic means such as exchange rate, taxation and credit to regulate its foreign economic activities. We will reform the import and export management structure, abolish mandatory plans, and reduce administrative intervention. We will implement quota bidding, auction or regular distribution of a small number of import and export commodities subject to quantitative restrictions in accordance with the principles of efficiency, fairness and openness. Chambers of Commerce for importers and exporters shall play the role of coordinating, guiding and consulting services. We will actively promote the strategy of winning by quality and diversifying markets. We will further improve border trade. We will improve the export tax rebate structure. The general tariff level will be lowered, tariff structure will be adjusted reasonably, and strict collection and administration will be carried out to crack down on smuggling. We will deepen the reform of the structure of economic and technological cooperation with other countries and improve their comprehensive management capacity and overall performance. We will unify and improve foreign economic laws and regulations and safeguard national interests.

(39) We will actively introduce foreign capital, technology, talents and management experience. We will improve the investment environment and management measures, expand the scope of investment, and further open up the domestic market. Conditions shall be created for the implementation of national treatment for foreign-invested enterprises and the administration of foreign-invested enterprises shall be improved according to law. We will guide foreign capital to invest mainly in the technological transformation of infrastructure, basic industries, new and high-tech industries and old enterprises, and encourage the establishment of export-oriented enterprises. We will give play to the comparative advantages of China's resources and market, attract foreign capital and technology, and promote economic development.

VIII. Furthering the structural reform of science, technology and education

(40) Science and technology are primary productive forces. Economic construction must rely on science and technology, and scientific and technological work must be oriented towards economic construction. The goal of structural reform of science and technology is to establish a new structure that adapts to the development of the socialist market economy, conforms to the laws of the development of science and technology, and closely integrates science and technology with the economy. By promoting the progress and highest achievements of science and technology, we will realise comprehensive and coordinated development of economy, society, and science and technology themselves. The central government, local governments and enterprises should increase investment in science and technology; gradually form a research and development structure that is optimised in structure, rationally distributed, lean and efficient; promote research and development, new and high technology, and their related industries and basic research; and promote the transformation of scientific and technological achievements into real productive forces. It is necessary to change the current situation of divided departments and promote the structural adjustment of science and technology and the rational distribution of talents. We will implement the policy of "keeping one head steady and letting the other go", strengthen basic research, develop new and high-tech research, and open up the research, development and operational activities of scientific and technological service institutions. We will actively develop scientific and technological enterprises in all their forms of ownership and management. Institutions of applied research and development and institutions of scientific and technological consultation and information services should face the market, gradually implement enterprise-oriented operations, and enhance their self-development and market competitiveness.

(41) We will actively promote the integration of science, technology and economy. First, we will select major and key technological fields in the national economy and coordinate and organise scientific research forces to tackle scientific and technological problems. Second, we will establish a new mechanism for and excel in mutual promotion between the independent development of innovation and technological imports. We will run development zones for new and high technology industries and promote their commercialisation and industrialisation. Third, we will encourage institutions of scientific research, institutions of higher learning, and enterprises to cooperate in technological development. We will support technological development and research institutions to establish joint institutions with large enterprises or enterprise groups for new products and processes. We will speed up the transformation of traditional industries with new and

high technologies. Mechanisms of technological progress integrating market, scientific research, and production are to be established within enterprises to make them become the main bodies of technological development. Fourth, we will develop intermediary institutions, facilitate technological transfer through intermediate and industrial experiments, and establish regional and industrial organisations of technological innovation and networks of technological promotion. Fifth, military scientific research units should continue to implement the policy of civilian-military integration; further deepen the reform and transformation of mechanisms on the premise of ensuring national defence construction; strengthen the research and development of dual-use military technologies; and actively promote the transfer of military industrial technology to civilian fields.

(42) The establishment of a socialist market economic structure and the realisation of modernisation depend ultimately on the improvement of national quality and the cultivation of talents. Party committees and governments at all levels should give priority to the development of education as a strategic task and strengthen leadership over education. We will earnestly implement the Program for China's Education Reform and Development and accelerate the reform of education. We will ensure investment in education, and improve the quality and efficiency of teaching. We will change the situation in which the government runs schools by itself and form a new structure in which the government runs schools primarily and all sectors of society participate in running schools. We will strengthen compulsory education, vigorously develop vocational and adult education, and optimise the structure of education. Compulsory education shall be run mainly by government investment, while multi-channel and multi-form fund-raising by the public and non-governmental organisations shall be encouraged. Vocational education, adult education, and all kinds of social education should be oriented to market demands and play a role in all aspects of society. In higher education, we should reform the method of operating schools, and transform the current situation of fragmentation. With the exception of special industries, we should make a step-by-step transition to the structure of central and local management in different situations, so as to expand the autonomy of local governments and institutions in running schools. Institutions of higher learning should further reform in areas such as enrolment, professional settings, teaching material content, teaching methods and employment of graduates. All types of schools must strengthen the building of teaching teams and improve moral education.

(43) We should respect knowledge and talents, and further create the environment and conditions to produce large numbers of talented people and enable them to make full use

of their talents. We need to adopt various forms and methods to train a large number of skilled labourers and various professionals, and at the same time create a number of cross-century academic and technological leaders who will be at the forefront of world science and technology into the next century. We should combine the cultivation of talents with the rational use of talents, and reform the process of labour, personnel and cadre selection. We should work out standards for qualifications and employment in various occupations, implement a process of diplomas and vocational qualifications, gradually introduce open recruitment, level the playing field, and promote the rational flow of talents. We will implement the policy of “supporting overseas study, encouraging returnees to come and go as they please,” and encourage overseas talents to serve our ancestral land in various forms.

IX. Strengthening the legal system

(44) To establish and improve a socialist market economic structure, it must be regulated and guaranteed by a complete legal system. We should attach great importance to the construction of the legal system, achieve the unification of the reform and opening up and the construction of the legal system, and learn to use legal means to manage the economy. The objectives of the construction of the legal system are to follow the principles stipulated in the Constitution, speed up economic legislation, further improve civil and commercial laws, criminal laws, relevant state organs and administrative laws, and establish by the end of this century a legal system adapted to the socialist market economy. We will reform and improve the judicial system and administrative law enforcement mechanism, and raise the level of judicial and administrative law enforcement. We will establish and improve mechanisms for supervising law enforcement and legal service agencies, deepen education in the legal system, and raise awareness of the legal system in the whole of society.

(45) To ensure the unity of the socialist legal system, reform decisions should be closely integrated with legislative decisions; conversely, legislation should reflect the spirit of reform, and use the law to guide, promote and ensure the smooth progress of reform. We will excel in legislative planning and promptly formulate laws on regulating market entities, maintaining market order, strengthening macro-control, improving social security, and promoting opening up. Laws and regulations that are incompatible with the establishment of a socialist market economy should be revised and abolished in due course. We will strengthen the Party's leadership over legislative work, improve the

legislative structure, improve the legislative process, accelerate the pace of legislation, and provide legal norms for the socialist market economy.

We will strengthen and improve administrative law enforcement and supervision, safeguard social stability, and safeguard economic development and the legitimate rights and interests of citizens. Criminal and economic crimes shall be punished according to law, and economic and civil disputes shall be handled in a timely manner. Governments at all levels should administer and handle affairs according to law. We will resolutely rectify the phenomena of non-compliance with the law, lax enforcement of the law, failure to investigate violations of the law, abuse of power, and violation of the law for the benefit of departments and regions in economic and other activities. We will strengthen the construction of law enforcement personnel and improve their quality and level of law enforcement. We will establish an accountability structure and a compensation structure for law enforcement violations.

(46) Strengthening the construction of a clean and honest government and fighting against corruption are the necessary conditions and important guarantees for the establishment of a socialist market economic structure. They also bear on the success or failure of the reform cause and the destiny of the Party and the country; and we must pay close attention to this task. The fight against corruption is a long-term and arduous task, which should be carried out unremittingly. It is necessary to strengthen the construction of a clean and honest government and the legal system, and improve the integrity, self-discipline and supervision mechanism of the Party, state organs and their staff, especially the leading cadres. Law enforcement, justice, economic management and other departments should establish effective restraint mechanisms to prevent the abuse of power for personal gain and correct unhealthy tendencies in departments and industries. It is absolutely forbidden to introduce the principle of commodity exchange into the political life of the Party and the administrative activities of state organs, and to trade power and money. We will strictly investigate and deal with major and important cases, including legal entities' violations of laws and crimes, and resolutely punish corrupt officials. We will strengthen the work of the Party's discipline inspection organs and judicial, supervisory and audit departments, and bring into play the roles of legal, organisational, mass and public supervision.

X. Strengthening and improving the Party's leadership, and striving for the initial establishment of a socialist market economic structure by the end of this century

(47) To establish a socialist market economic structure and accelerate the pace of modernisation, we must strengthen and improve the Party's leadership. To shoulder the great historical task of the new era, the Party must strengthen its self-development. At present, Party building should focus on the following tasks. First, we must arm the whole party with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics. The central task of studying Marxism-Leninism and Mao Zedong Thought is to study the theory of building socialism with Chinese characteristics, improve firmness and conscientiousness in carrying out the Party's basic line, guidelines and policies for developing the socialist market economy, and maintain a high degree of ideological and political consistency. Second, we will adhere to the purpose of serving the people wholeheartedly, inherit and carry forward the Party's fine tradition and style of work, and further strengthen the ties between the Party and the people. Third, we must strictly enforce the Party's democratic centralism, improve political life within the Party, maintain Party unity, strictly enforce Party discipline, take an overall view of the Party, and ensure that the entire Party acts in unison when orders are given and prohibitions are imposed. Fourth, we will strengthen the building of leading bodies at all levels, deepen practical investigations and studies, resolutely overcome bureaucratism and formalism, conscientiously study the basic knowledge of the socialist market economy and modern science and technology, and strive to raise the level of leadership in the modernisation drive. Fifth, we will earnestly strengthen the building of primary-level Party organisations, strive to change the weak and lax situation of some Party organisations, and give full play to the vanguard and exemplary role of grassroots party organisations and their members.

(48) In keeping with the establishment of a socialist market economic structure and economic development, we will actively promote political restructuring and strengthen the building of socialist democracy. We will uphold and improve the structure of people's congresses and the various structures of cooperation and political consultation under the leadership of the Communist Party. We will give play to the role of trade unions, the Communist Youth League, women's federations and other mass organisations as a bridge and link between the Party and the masses. We will accelerate the establishment and improvement of a democratic and scientific decision-making structure and raise the level of decision-making. We will fully implement the Party's policy on nationalities, improve the structure of regional autonomy for nationalities, promote economic and cultural development in minority nationality areas, consolidate and develop socialist nationality relations based on equality, mutual assistance, unity and cooperation, and achieve common prosperity, unity and progress for all nationalities. We will conscientiously carry out the Party's policy on religion and overseas Chinese affairs to serve the socialist

modernisation drive. We will strengthen community-level democracy, improve oversight structures, and ensure that the people's democratic rights to manage state, economic, and social affairs in accordance with the law are protected.

(49) We should adhere to the principle of “grasping with both hands, and both hands should be hard,” and strengthen the construction of socialist spiritual civilisation with the goal of cultivating new human beings with ideals, morality, culture and discipline. Party committees and governments at all levels should give full play to their advantages in, and strengthen their leadership in, ideological and political work. We should strengthen research on Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics and strengthen research in philosophy and social sciences guided by Marxism. Education in patriotism, collectivism, and socialism should be carried out extensively, deeply and vividly, and education on Chinese history, especially modern history, contemporary history, and the fine traditions of the Chinese nation should be implemented. We should improve national self-esteem, self-confidence and pride, carry forward the spirit of hard work, and pool the great creativity of hundreds of millions of people into the great cause of building socialism with Chinese characteristics. We should actively advocate a correct outlook on life and a civilised and healthy way of life under the conditions of a socialist market economy, strengthen the building of social and professional ethics, and oppose money worship, extreme individualism and a decadent lifestyle. We will continue to fight against pornography and all manner of ugliness, and strengthen the comprehensive management of public security. We should adhere to the principle of serving the people and socialism, and of letting a hundred flowers bloom and hundred schools of thought contend. We should encourage the creation of positive cultural and artistic works popular with the people, so as to enrich the people's spiritual life. We should deepen the reform of the cultural structure, improve cultural and economic policies, and strengthen management of the cultural market in accordance with the law. We should put social benefits first and correctly handle the relationship between the social and economic benefits of spiritual products. For essential cultural activities and the arts that need to be supported, the state should focus on giving necessary funding.

(50) The reform of the economic structure is a profound revolution involving many areas of the economic foundation and superstructure. It is inevitable that change will take place all types of unreasonable patterns of interests inherent in the old structure and formed in the course of its transformation, and it is inevitable that we will encounter difficulties and obstacles of one kind or another. We must strike a balance between reform, development and stability on the whole, balance the interests of all sides, mobilise all positive factors

and create favourable conditions for the sound development of the national economy. At present, some of the contradictions and problems encountered in China's high-speed economic growth are fundamentally due to the fact that the shortcomings of the old structure have not been completely overcome and the new structure has not yet been fully formed. Therefore, Party committees and governments at all levels must focus more energy on speeding up the reform. We need to keep a firm grip on reform in key areas, formulate concrete plans, make bold explorations and put them into practice, carefully sum up experience, and keep forging ahead.

The Third Plenary Session of the 14th Central Committee of the CPC called on all Party members and people of all nationalities to unite more closely around the Party's central committee, with comrade Jiang Zemin as the core. Guided by Deng Xiaoping's Theory of constructing socialism with Chinese characteristics, and the spirit of the 14th Congress of the CPC, we will with one heart and mind strive to reform with keen determination, self-reliance, and hard work, so as to establish an initial socialist market economic structure at the end of this century and the realisation of the second strategic goal of national economic and social development!