

CHOU EN-LAI

REPORT ON THE WORK  
OF THE GOVERNMENT

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of the First National People's Congress  
of the People's Republic of China  
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Resolution on the Report on the Work of the Government Adopted by the First Session of the First National People's Congress of the People's Republic of China on September 26, 1954:

The First National People's Congress, at its first session, endorses the Report on the Work of the Government delivered by Premier Chou En-lai on behalf of the Central People's Government, and expresses satisfaction with the efforts and great achievements made over the last five years by the Central People's Government under the leadership of the Communist Party of China and Chairman Mao Tse-tung.

**REPORT ON THE WORK  
OF THE GOVERNMENT**

Fellow Deputies:

The first session of the First National People's Congress, having heard the report made by Comrade Liu Shao-chi on the Draft Constitution and after three days of discussion, splendidly completed an historic task—adoption of the fundamental law of our state, the Constitution of the People's Republic of China. The session next enacted several important laws. Now, I shall make a report on the work of the Central People's Government on its behalf.

The fundamental aim of this great people's revolution of ours is to set free the productive forces of our country from the oppression of imperialism, feudalism and bureaucrat-capitalism and, eventually, from the shackles of capitalism and the limitations of small-scale production, so as to enable our national economy to advance rapidly and according to plan along the road to socialism, in this way raising the level of the people's material well-being and cultural life and strengthening the independence and security of our country. The economy of our country was originally in a very backward state. Unless we establish a powerful, modern industry, a modern agriculture, modern communications and transport services and modern national defence, we shall be able neither to shake off backwardness and poverty, nor attain the goal of our revolution. During the years from 1949 to 1952, the Central People's Government, acting upon the provisions of the Common Programme of the Chinese People's Political Consultative Conference, completed the unification of China's mainland, reformed

the agrarian system, launched extensive and intensive campaigns to suppress counter-revolutionaries and effect various democratic reforms. It rehabilitated the national economy long ravaged by war, fostered in particular the growth of socialist state-owned economy and various types of co-operative economy, and made initial readjustments of the relations between state-owned and private industry and commerce. All this prepared the ground necessary for planned economic construction and gradual transition to a socialist society. Then, from 1953 on, our country embarked on its First Five-Year Plan of economic construction. It started, gradually but systematically, on the socialist industrialization of the country and the socialist transformation of agriculture, handicrafts, capitalist industry and commerce. Economic construction takes first place in the whole life of the nation.

The entire work on the formulation of the First Five-Year Plan is still not finally complete, and many of its details are being supplemented and amended. The guiding principle of the Plan, as is generally known, is to concentrate our main efforts on the development of heavy industry as a foundation for the industrialization of the country and modernization of national defence; to bring about a corresponding development of communications and transport services, light industry, agriculture and commerce; to train, correspondingly, the personnel needed for construction; to promote gradual formation of co-operatives in agriculture and handicrafts; to continue the transformation of capitalist industry and commerce; to ensure the steady growth of the socialist sector of the national economy; at the same time to enable individual farming, handicrafts and capitalist industry and commerce

to play their proper role; and to ensure gradual improvement of the people's material well-being and cultural life on the basis of the development of production. The First Five-Year Plan calls for concentration of our main efforts on building up heavy industry, namely, the metallurgical, fuel, power, machine-building and chemical industries, because only by relying on heavy industry can we ensure the development of the whole range of industry, of modern agriculture, communications and transport services and of modern national defence; and because, in the final analysis, only by relying on heavy industry can we ensure continuous betterment of the material well-being and cultural life of the people. It is, of course, true that heavy industry needs more capital, takes longer to build and yield profit, and that most of its products are not for direct consumption by the people. Consequently, in the period when the state concentrates its efforts on developing heavy industry, the people have to bear some temporary hardships and inconveniences in their life, notwithstanding the corresponding development of light industry and agriculture. But, which is better: to bear certain temporary hardships and inconveniences in order that in the long run we shall live in prosperity and happiness; or to seek petty benefits now and thus never be able to shake off poverty and backwardness? We believe that everyone will think the first a good idea, the second a bad one.

From 1949 to 1952, when the task of rehabilitating our industry was rapidly completed, the total value of industrial production increased at an average rate of 36.9 per cent a year. In the period of construction, of course, the tempo of industrial expansion is slower, yet the total value of our industrial output in 1953



exceeded that of 1952 by 33 per cent. The total value of output of modern industry in 1954 is estimated to be 4.2 times that of 1949. If both agriculture and handicrafts are included, then the total value of our industrial and agricultural output this year will be 2.2 times that of 1949. Such a rate of growth was inconceivable in old China.

Estimates of output of several of the most important industrial products for 1954, as compared with 1949, show the following impressive figures:

Electric power, 10,800,000,000 kwh—2.5 times 1949;

Coal, 81,990,000 tons—2.6 times 1949;

Pig iron, 3,030,000 tons—12.4 times 1949;

Steel, 2,170,000 tons—13.7 times 1949;

Machine tools, 13,513—8.5 times 1949;

Cement, 4,730,000 tons—7.2 times 1949;

Cotton yarn, 4,600,000 bales—2.6 times 1949; and

Machine-made paper, 480,000 tons—4.5 times 1949.

Although output is still low, the rate of increase shows that prospects are unlimited and bright if we keep up the effort.

Three factors in the growth of industry deserve special mention. The first is the rapid increase, in terms of value, in the proportion of modern industrial output to total industrial and agricultural output. While in 1949 this proportion was about 17 per cent, by the end of 1954 it is estimated to reach nearly 33 per cent. The second is the rapid increase, in terms of value, in the proportion of output of means of production to total industrial output. While, in terms of value, the output of consumer goods for 1954 is estimated to be about 3.1 times that of 1949, the output of means of production will be about 5.7 times that of

1949. The proportion, in terms of value, of output of means of production to total industrial output is estimated to rise from 28.8 per cent in 1949 to 42.3 per cent in 1954. The third is the rapid increase, in terms of value, in the proportion of production by state, co-operative and joint state and private industries to total industrial output. As state and co-operative industries are expanding every year, and capitalist industrial enterprises beginning to turn in large numbers into joint state and private industrial enterprises, this proportion is estimated to grow from 37 per cent in 1949 to about 71 per cent in 1954. This means, in terms of value, that production by capitalist industrial enterprises which have not been turned into joint state and private industrial enterprises will constitute only about 29 per cent of the total industrial output.

These figures show that our country is advancing towards the goal of industrialization, towards the goal of socialism.

Although the original industrial foundation of our country was weak, it nevertheless constitutes the main source of industrial products, industrial profits and industrial manpower. It would be utterly wrong to ignore this foundation. We must utilize the original industrial bases and industrial enterprises to their fullest capacity, and bring into full play their potential power to increase both the quantity and types of goods produced, so that they can play an important part in national construction, in accumulating capital, in training personnel, in supplying equipment and providing for the people's needs. Nevertheless, such industries are, after all, very backward. They are unintegrated and unevenly developed. The industrialization of our country must, therefore, depend mainly

on the building up of new industries, particularly of heavy industry.

In our First Five-Year Plan, important industrial projects to be newly built or improved total some 600, the sinews of which, as we all know, are the 141 which the Soviet Union is helping us to build. These include integral steel plants; non-ferrous metallurgical plants; coal mines; oil industry undertakings; plants for making heavy machinery of various types and motor vehicles, tractors and aircraft; power stations and chemical works. With the completion of these projects, our country's industrial output and technological level will be greatly raised. We shall be able to produce our own metallurgical, power generating, oil extracting, forging and pressing equipment. We shall be able to manufacture motor vehicles, locomotives, tractors and aeroplanes. And we shall have new industrial regions and industrial bases, which will begin to change the present irrational distribution of industry in our country. Most of these projects will be completed by 1958, though a few will take nearly ten years to finish.

The total investment in industrial capital construction for the whole country in 1953 was 96 per cent higher than in 1952; and that planned for 1954 is 28 per cent higher than the 1953 figure. In 1954, important industrial units being improved, newly built or still under construction total 300, and it is estimated that before the end of the year 51 important projects will be completed. Among the 141 projects which the Soviet Union is helping us to build, 17 have been wholly or partially completed and put into operation, including the heavy rolling mill, seamless steel tubing mill and sheet steel mill of the Anshan Iron and Steel Company, as well as the Haichow open-cast

coal mine at Fuhsin. There are 34 under construction, while blueprints are being drawn up for the rest, and construction will start soon.

From what has been said above, we can see that it is no empty promise for the Constitution of the People's Republic of China to provide for the gradual achievement of socialist industrialization, for the guidance of the development and transformation of the national economy through economic planning; to provide for constant increase in productive forces, priority for the development of state-owned economy, and for encouragement and guidance in the transformation of capitalist into state-capitalist economy. These things are already living realities—realities which we are bringing into being. The heroic efforts being made by the working people of the whole country, under the guidance of the Chinese Communist Party and the People's Government, are rapidly changing the face of our homeland. We shall assuredly be able, in the course of several five-year plans, to make China a strong, modern, socialist, industrialized country.

Planned industrial production and construction is an entirely new field to us. We must, therefore, learn while we work. And, as facts in the past few years have shown, we have made progress both in our work and in learning. Our management of industry is gradually improving. The various industrial departments concerned have achieved many successes and gained a great deal of experience in planned management, introducing an effective system of personal responsibility, giving better guidance on matters of technique, and expanding the scope of geological surveying and capital construction. Workers and office employees have conducted vigorous campaigns to increase production, practise economy, and launched labour emula-

tion drives. Many technical improvements and innovations have been made. In 1953, thanks to the joint effort of management, workers and office employees, productivity in state-owned and joint state and privately owned industrial enterprises increased 13 per cent over 1952, while production costs averaged a 3.2 per cent decrease in enterprises under five of the ministries of the Central People's Government in charge of industry.

But we have no grounds whatever to be complacent. Since we are only beginning to learn we are bound to meet with difficulties; and we have already met with not a few. We have to overcome plenty of shortcomings in our work. Not all targets in our annual plans have been reached. For instance, the capital construction plan for 1953 of six ministries in charge of industry was fulfilled to the extent of only 94.3 per cent, and production plans for hydraulic turbines, salt and sugar were not fulfilled either. As far as construction work and productive enterprises go, even more failed to fulfil their plans. For example, a review of work in the Ministry of Heavy Industry discloses that though, in total value of production, its plan for 1953 was overfulfilled, one out of every four of the productive enterprises under its administration failed to complete its plan; and if the fulfilment of targets is examined under four heads—total production value, production costs, profit, and labour productivity—then only 30 per cent of the enterprises completed their plans under all heads. Moreover, the plans of some enterprises were too conservative and could easily be overfulfilled, thus losing their significance as indices of production. One such striking example is the Shenyang (Mukden) Dye-Stuffs Factory, which made more than five times its planned

profit for 1953. Similar or even worse situations are to be found in other ministries concerned with industry. We must make great efforts to change this state of affairs.

Inadequate planning is at present one of the pressing problems confronting our industry. Many of our plans are not accurate enough or are inadequately integrated. They are often ill co-ordinated or are too frequently revised. Obviously, there are many objective difficulties which cannot easily be overcome in a short period. But there are many cases where faults are due to inadequate personal effort and mistakes in work—cases of lack of balance between supply, production and sales; cases where types and specifications of many products do not meet requirements; no proper tie-up between surveying, prospecting and designing, and the actual construction work; and cases where municipal planning of industrial cities and industrial construction have been undertaken with no proper consideration given to communications and transport. This state of affairs must be vastly improved so as to reduce losses incurred by the state. The various enterprises, the departments responsible and the state planning and statistical bodies must make a systematic and comprehensive study of production, demand and conditions in every aspect of construction work. They must check and counter-check all calculations, and try to maintain a proper balance. They must establish better co-ordination and co-operation between related departments, and take into full account suggestions put forward by workers and office employees. Only by so doing can correct targets be arrived at, and far-sighted and accurate plans be worked out. In executing these plans, it is necessary to make thorough investigations and discover and solve problems as they

arise, so as to ensure the fulfilment of the state plans as a whole.

Another vital problem facing industry is the large amount of waste in many departments and enterprises. This comes from ignoring the importance of husbanding funds and controlling overhead costs. A striking instance is afforded by the waste in building a power plant in Taiyuan, the capital of Shansi Province, details of which were reported on August 7 this year by the *People's Daily* of Peking. More than 14,400 million yuan were tied up through unplanned buying of materials; more than 2,570 million yuan were lost through failure to apply promptly to the state for allocation and delivery of materials; more than 1,800 million yuan were lost through wasteful use of materials; more than 2,350 million yuan were lost as a result of low working efficiency; and 2,300 million yuan by erection of temporary buildings on the construction site of far too high a quality. And these figures do not include losses through mislaying materials on the site and through waste in the purchase of furnishings. At present, cases of this sort are far from rare on our capital construction projects. On many of them, no appropriate standards have yet been worked out. Some cities, government organizations, schools and enterprises have erected buildings which are not urgently needed or which are too sumptuously constructed, thus wilfully wasting the limited funds of the state. Many industrial enterprises have also caused great loss to the state because of inflated administrative organization, poor administration, improper use of raw materials, bad organization of labour, slack discipline at work, low quality of products, and inadequate attention to safety measures. The six ministries in charge of industry and the six ministries of

Geology, Building, Railways, Communications, Posts and Telecommunications, and Forestry can save the state 280,000 million yuan a year if building and installation costs of their capital construction are reduced by one per cent, calculated on the basis of the planned figures for 1954. Furthermore, state-owned industries of both the Central People's Government and local people's governments can save the state 840,000 million yuan a year if their production costs are reduced by only one per cent; and another 1,600,000 million yuan a year if their productivity is raised by only one per cent. Every state-owned enterprise and construction work, therefore, must make great efforts not only to fulfil the state plans in every respect but also to overfulfil them, introduce thoroughgoing systems of business accounting and rigid economy, and strive for lower production costs, in order to increase capital accumulation by the state and to eliminate waste.

Insufficient technical manpower and poor technical administration also present an important problem in industry. Without modern technique there can be no modern industry. Technical manpower inherited by our industry was very scanty, and technical personnel trained by existing higher institutions, either so far as their number, quality and the range of subjects in which they specialize are concerned, still cannot meet the needs of industry and capital construction within a short period. That being the case, existing technical staff must be far more rationally and effectively used, and their abilities raised. Technical manpower in the enterprises must be far better organized, and greater vigour must be shown in training technical staff. By so doing we shall be able to raise the present technical and administrative level of enterprises, improve the



quality of their products, and increase the range and quantity of new products; we shall be able to ensure the completion of new, modern enterprises, and see that they master new production techniques. But it is precisely in this field that there are still serious drawbacks. In many industrial enterprises and industrial administrations, trained technical personnel are not allocated in a proper way, nor are they well organized or made good use of. Necessary working procedures have not been established for technical work, nor have factory regulations and technical safety precautions been strictly observed. On the other hand there are many enterprises which, though they have paid attention to training skilled workers in general, have nevertheless paid little attention to training technicians and highly-skilled workers, and insufficient attention to technical experiment and research. Consequently, many technical problems that could have been solved have not been solved or cannot yet be properly solved. This chaotic situation must be quickly straightened out. All enterprises must exert great efforts to establish technical training classes, spare-time technical schools of different grades, and must also organize administrative personnel, technicians and workers earnestly to study technique. They must learn from and popularize valuable Soviet experience, especially technical experience gained in designing, construction, installation, operation and production on the 141 projects which our country is building with Soviet help. All enterprises must launch well-directed campaigns among workers and office employees for technical reform.

To strengthen planning, to further economize our funds and to improve technical administration—that is the urgent task of industrial departments, as well