

THE SECOND SESSION OF THE SIXTH NATIONAL PEOPLE'S CONGRESS

(May 1984)

- **Report on Government Work**
Economic reform and open-to-outside-world policy emphasized
- **Report on Draft 1984 Plan for Development**
- **Report on 1983 Final State Accounts and Draft 1984 Budget**

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OF THE SIXTH NATIONAL
PEOPLE'S CONGRESS

(Main Documents)

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REPORT ON THE WORK OF THE GOVERNMENT

(Delivered on May 15, 1984 and Adopted on May
31, 1984 at the Second Session of the Sixth
National People's Congress)

Zhao Ziyang

Premier of the
State Council

Fellow Deputies,

On behalf of the State Council, I now submit a report on the work of the Government for examination and approval by the present Session.

DOMESTIC DEVELOPMENT

In accordance with the resolutions adopted by the First Session of the Sixth National People's Congress held in June 1983, all levels of government, together with the people of our various nationalities, have made unremitting efforts to create a new situation in every field of the socialist modernization drive. Over the past year, we have made heartening progress on all fronts, and the trend of events is most encouraging.

The national economy has developed steadily, thanks to continued implementation of the policy of readjustment, restructuring, consolidation and improvement. In 1983, there was another bumper harvest following four consecutive years of increased agricultural output. There has been an all-round expansion in farming, forestry, animal husbandry, sideline occupations and fishery. A large number of specialized households have emerged, providing more produce for the market. Economic associations of various descriptions organized by the peasants on a voluntary basis have been on the increase. The vast rural areas are thriving. Light and heavy industries have developed in good proportion, energy production has risen steadily and the volume of transport has further increased, all of which has yielded better economic results. We have im-

proved the investment structure of capital construction and accelerated the building of a number of key projects. The domestic market has been brisk, and foreign trade and economic and technical exchange with the outside world have made new headway. The living standards of both urban and rural people have further improved. In 1983, the average per-capita income of families of workers and office staff available for living expenses rose to 526 yuan, an increase of 6.4 per cent over the preceding year, while the per-capita net income of the peasants rose to 309.8 yuan, an increase of 14.7 per cent. The gross output value of industry in 1983 went up by 10.5 per cent and that of agriculture by 9.5 per cent. The gross output value in both sectors and the output of over 30 major products such as grain, cotton, coal, crude oil, steel, rolled steel, pig iron, cement and chemical fertilizer reached or exceeded, two years ahead of schedule, the targets set for 1985 in the Sixth Five-Year Plan (1981-85). Industrial output for the first quarter of 1984 increased by 12 per cent over the corresponding period in 1983. In state-run industrial enterprises, profits have grown faster than production, and the amount of profits or taxes delivered to the state has increased substantially. Now we can say with certainty that all the targets set for the Sixth Five-Year Plan will be fulfilled or overfulfilled.

There have been new advances in science, education, culture, public health, and physical culture and sports. A number of major successes have been scored in science and technology, which are geared to economic development. The successful manufacturing and launching of the experimental communications satellite and its entry into its geostationary position represent a new breakthrough in China's space and electronics technologies and materials science. This is of great significance to the modernization of our telecommunications, including radio and television transmission. Enrolments have continued

to grow in regular universities and colleges, in all other types of institutions of higher learning for adults and in secondary vocational schools. At the same time, schools offering courses through correspondence and periodicals or by radio and TV, training schools for workers and office staff and spare-time technical schools for peasants have sprung up in large numbers. Study activities organized by workers and office staff are developing vigorously, and the drive to acquire general knowledge and learn science and technology is gaining momentum in both town and country. Departments concerned with literature and art, the press, publishing, broadcasting, television and research in social sciences have done much to promote socialist spiritual civilization and enrich people's cultural life. Outstanding works have been produced that give profound expression to China's drive for socialist modernization and to the creativity of the people engaged in it. And we have scored considerable achievements in the fields of sports, public health and family planning, which have played an important part in improving the general level of the people's health and the quality of the population.

As we all know, in order to prevent or check the corrosive influence of the decadent ideas of the bourgeoisie and other exploiting classes under the new historical conditions, to uphold the four cardinal principles and to correctly implement the policy of "letting a hundred flowers bloom and a hundred schools of thought contend", the First Session of the Sixth National People's Congress held last year stressed the necessity of criticizing the tendency towards bourgeois liberalism in the cultural and ideological spheres. Then, at the Second Plenary Session of the Twelfth Central Committee of the Party and the Third Meeting of the Standing Committee of the Sixth National People's Congress, it was again emphasized that we must not allow spiritual contamination on the ideological front. Acting

in accordance with the principles set out in the Constitution and with the correct policies of the Party and government, the ideological and cultural departments have done a great deal of work in resisting spiritual contamination and have achieved notable results. They have succeeded in checking the unhealthy tendency towards spiritual contamination that had been promoted by a few people some time ago and have had pornographic literature banned according to law. Because at the beginning we failed to draw clear lines of demarcation in regard to some policies, some areas and units took inappropriate actions in the course of opposing spiritual contamination. However, once these actions came to light, they were corrected in time. The people's demand for a better cultural and material life is justified and should be encouraged, and this should in no circumstances be confused with spiritual contamination on the ideological front. Facts prove that our effort to oppose spiritual contamination in a serious but correct way has played a positive role in raising people's ideological consciousness and fostering such moral values as integrity and industry. It is an indispensable factor in the building of a socialist spiritual civilization and will constitute one of our fundamental tasks for a long time to come.

State power and the legal system have been further strengthened and there has been a marked improvement in public order. We have in the main completed the reform of government structure in the provinces, municipalities and autonomous regions as well as in the prefectures and cities directly under provincial authorities. Throughout the country we have also started reforming the structure of the county governments, separating government functions from the management of production in the communes and setting up township governments. Fresh results have been achieved in economic and administrative legislation. In accordance with the Decision on Severe

Punishment for Criminals Who Seriously Jeopardize Public Security, adopted at the Second Meeting of the Standing Committee of the National People's Congress in September 1983, we launched a struggle throughout the country to deal sternly with serious criminal cases according to law. The results have been highly gratifying. The average monthly crime rate has dropped, and our actions have protected the interests and safety of the people and educated and redeemed a good number of juvenile delinquents. The struggle has won enthusiastic support from the people of the whole country, as it defends the dignity of the legal system, helps to maintain public order and improves the standard of social conduct. Though it has already been extremely successful, it will go on as a part of the comprehensive effort to improve public order. We believe that the joint efforts of the government and the people are sure to bring about a fundamental improvement in public order and the standard of social conduct.

New progress has been registered in modernizing and regularizing the Chinese People's Liberation Army and making it more revolutionary, and national defence has been further consolidated. The army units have conducted in-depth education in the Party's ideological and political lines, strengthened military training and logistics work and helped PLA men to learn science and to acquire general knowledge so that they can become competent for both military and civilian services. All this has enhanced the quality of the army and improved its combat effectiveness. The PLA has taken an active part in socialist construction and given it firm support, and the army and the people are working together to build spiritual civilization. As a result, the relations between the army and the government and between the army and the people are becoming closer than ever.

In the past year there has been sound development of

our socialist civilization in both its material and spiritual aspects and growing political stability and unity. The people of all our nationalities have given increasing support to the line, principles and policies formulated by the Third Plenary Session of the Eleventh Party Central Committee and by the Twelfth Party Congress. Through practical experience they have gained even more confidence in the attainment of the magnificent goal of quadrupling the nation's gross annual value of industrial and agricultural production by the turn of the century and in the bright prospects of the socialist cause.

Fellow Deputies,

To consolidate and develop further the excellent situation, in the coming year we must work hard and do a good job in all fields, in accordance with the principle of building a socialist civilization both materially and spiritually. In this connection, the central task remains economic development.

We should keep clearly in mind that we still have a lot of difficulties at present. Though somewhat higher, economic efficiency is not yet satisfactory. What is most important is that economic relations are yet to be straightened out and in particular, the price system, irrational as it is, lacks the conditions for overall reform in a short period of time. This will greatly affect the virtuous circle of the economy as a whole. As the state bears a heavy burden of financial subsidy, the central financial departments are having a lot of difficulties. We are faced with the task of carrying out large-scale construction, but we are short of funds. This is a fairly big contradiction, an outstanding problem in China's economic development, and we must not treat it lightly just because the overall situation is good. To ensure the construction of key projects, straighten out economic relations and thus attain our strategic goal by the end of the century, we must have investment needed by both short-term economic growth and long-range development as well

as money to raise people's living standards. There are many things to do but our financial resources are limited. It is therefore necessary for us to tap all available potentialities, achieve better economic results, open up new financial sources and be efficient at planning and management. In the next few years in particular, efforts should be made to achieve more output in production with less input in order to alleviate the financial difficulties of the state. To this end, all industries and trades should continue their consolidation efforts, raise the quality of their products, reduce production costs, strive to increase production and practise economy and exert themselves to reduce losses and increase profits, in order to raise simultaneously industrial output value, profits and the taxes or profits to be delivered to the state. We should continue to follow the principle of acting according to one's capability, exercise strict control over the scope of capital construction, concentrate financial and material resources on key projects, carry out technical transformation of the existing enterprises and strive to achieve more economic results with less investment within a relatively short period of time. In planning construction projects in energy and transport, we should adhere to the principle of building large, medium-sized and small projects simultaneously, taking into consideration both short-term and long-range needs, and correctly handle the relations between building new projects on the one hand and renovation, expansion and the tapping of existing potential on the other. While building large new projects, we should appropriately speed up the exploitation of existing mines and oilfields when conditions permit. We should encourage localities and individuals to invest considerable financial and material resources in the construction of small and medium-sized projects in energy, transport and communications. In this way, we will be able to weather our difficulties in the course of development, ensuring the steady growth of our

national economy in the coming years as well as conserving our strength for future economic advance.

The State Council holds that in our future economic work we should pay special attention to two major issues: restructuring the economy and opening to the outside world. As for reform in the rural areas, it is necessary to consolidate and improve the various forms of the contracted responsibility system based on the household with remuneration linked to output, promote specialized households and various forms of economic associations, *continue to improve the structure of the agricultural economy* and support the peasants in actively *expanding commodity production*. Reform in the cities should be quickened. We should start with tackling the relations between the state and enterprises and between enterprises and workers and staff members and try to work out a set of reform measures that are suited to present needs and to put them into practice simultaneously. Here I would like to stress the following:

1. Strive to overcome step by step the prevailing defect of "everybody eating from the same big pot" in the urban economy so as to bring the initiative of the enterprises and workers and staff into fuller play.

At present, the central task in the structural reform of the urban economy is to eliminate the practice of making no distinction between well-run and badly-run enterprises or between employees who do more work and those who do less and to see to it that enterprises will not eat from the "big pot" of the state or employees from the "big pot" of the enterprises.

First of all, we should properly handle the relationship between the state and the enterprises in financial distribution in order to ensure a steady rise in state revenues and at the same time give the enterprises a certain amount of financial resources and decision-making power in their operation and management

and in their expansion. In recent years we have carried out various experiments in reform at selected units. Practice has proved that in state-owned enterprises it is more advantageous to replace profit delivery with tax payments than to use other methods. The first step in putting this reform into practice was taken last year with very good results. The State Council has decided that starting with the fourth quarter of 1984, the second step should be taken so that all enterprises will gradually switch to the substitution of tax payments for profit delivery, instead of having the two methods in use simultaneously. The concrete measures to be taken are: appropriately readjust the rate of the product tax; introduce a resources tax, a value-added tax and several local taxes; and collect the regulatory business tax on the basis of differing circumstances after the income tax is levied, with enterprises retaining after-tax profits for their own use. Small state-owned enterprises may be run by the collective or by individuals under contract or lease. Or these enterprises may pay taxes to the state in the same way as collective enterprises do. This second step of the reform, namely, having every enterprise pay taxes to the state instead of delivering profits, is of vital significance. First, the relationship between the enterprises and the state in financial distribution will be fixed by laws and decrees, so that state revenues can grow steadily in pace with economic development. Second, enterprises will retain more earnings from their newly increased profits, thereby increasing the incentive for better economic performance through improved management and operation. Third, through the regulatory function of the taxation lever, contradictions arising from the current irrational price system will be alleviated and enterprises will thus be able to compete with one another after the wide gap in their profits is narrowed. This will encourage enterprises that are advanced and spur those that are backward. Fourth, since enterprises will no

longer turn over their profits to the administrative unit to which they belong, better economic relations will develop between departments and regions and between central and local authorities. We must fully understand the significance to the structural reform of China's economy of substituting tax payments for profit delivery and strive to make a success of this change.

After the switch from profit delivery to tax payments, the relationship between the state and the enterprises in financial distribution will in the main be resolved, thus providing a prerequisite for smashing the "big pot" practice within the enterprises. All enterprises should, through various forms of the economic responsibility system, strictly define the tasks their workers and staff members must fulfil and give remuneration in strict accordance with their performance, thus closely linking their incomes with the enterprise's overall performance and with their personal contribution and doing away with equalitarianism in income distribution. After delivering taxes to the state as required, the enterprises have the authority to decide on the amount of wages and bonuses. In the light of differing conditions, enterprises may adopt various forms of remuneration, such as bonuses based on work points, piece-rate wages, floating wages, wages appropriate to posts and subsidies appropriate to particular jobs. Where conditions permit, enterprises may initiate wage reforms financed by themselves in accordance with relevant stipulations by the state. So far as bonuses for workers and staff members are concerned, we will introduce the practice of imposing "no ceiling or lower limit". In other words, enterprises may duly increase their bonuses when they have fulfilled or overfulfilled all the quotas of the state plan and paid more taxes and earned more profits than in the preceding year. But they must reduce or stop bonuses or even withhold portions of wages when they have failed to fulfil their quotas and paid less taxes and earned less profits. With

the exception of the mining, short-haul transport and building trades, where strenuous manual labour is required, the state will collect a tax on bonuses from enterprises whose bonus awards exceed a certain limit, so as to prevent uncontrolled growth of the consumption fund. All the above methods will be tried out first in enterprises with strong leadership, normal production levels and a fairly sound internal economic responsibility system. These methods will be extended to all enterprises when the second step in substituting tax payments for profit delivery is implemented.

To boost the enthusiasm of enterprises for production and management, it is necessary to appropriately expand their decision-making power. The State Council has promulgated the "Provisional Regulations on Further Extending the Decision-Making Power of the State Industrial Enterprises", giving such enterprises due power in the following ten aspects: planning for production and operation, sales of products, pricing, selection and purchase of materials, use of funds, handling of assets, structural establishment, administration of affairs concerning personnel and labour, wages and bonuses, and inter-unit associated operation. In state-owned enterprises the system under which a director or manager assumes full responsibility will gradually be instituted. Directors or managers will be entrusted by the state with full responsibility for directing the production, management and operation of their enterprises. It is also necessary, at the same time, to adopt a series of measures for ensuring effective participation by workers and staff in the democratic running of enterprises, improving the system of workers and staff congresses and giving full play to its important role in such matters as examining and deciding on major measures to be taken by the enterprises and protecting the rights and interests of workers and staff, so that they func-