

영문 부록 목차

부록 1. 영문 2004 중국 국방백서(2004년 12월) pp.2 ~ 81

China's National Defense in 2004

Information Office of the State Council of the People's Republic of China
December 2004, Beijing

(<http://english.people.com.cn/whitepaper/defense2004/defense2004.html>)

부록 2. 16차 당대회 장쩌민 보고서(2002. 11. 8) pp.82 ~ 119

Full text of Jiang Zemin's report at 16th Party congress

The following is the full text of Jiang Zemin's report delivered at the 16th National Congress of the Communist Party of China (CPC) on Nov. 8, 2002, entitled "Build a Well-off Society in an All-Round Way and Create a New Situation in Building Socialism with Chinese Characteristics":

(<http://app1.chinadaily.com.cn/highlights/party16/news/1118full.htm>)

부록 3. 영문 10기 전국인민대표회의 정부 공작보고서(2004. 3. 5) pp.120~148

Full text of the government work report

Following is the full text of the Report on the Work of the Government delivered by Premier Jiabao at the Second Session of the Tenth National People's Congress on March 5, 2004.

(http://www.chinadaily.com.cn/english/doc/2004-03/14/content_314710.htm)

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Foreword

A panoramic view of the present-day world displays the simultaneous existence of both opportunities for and challenges to peace and development, and of positive and negative factors bearing on security and stability. The opportunities cannot be shared and the challenges cannot be overcome unless diverse civilizations, social systems and development models live together harmoniously, trust each other and engage in cooperation. Hence, the pursuit of peace, development and cooperation has become an irresistible trend of history.

The development goal for China to strive for in the first two decades of this century is to build a moderately prosperous society in an all-round way. As a large developing country, China has before it an arduous task for modernization, which calls for prolonged and persistent hard work. China will mainly rely on its own strength for development, and therefore poses no obstacle or threat to any one. China needs a peaceful international environment for its own development, which in turn will enhance peace and development in the world. Holding high the banner of peace, development and cooperation, China adheres to an independent foreign policy of peace and a national defense policy of the defensive nature. China will never go for expansion, nor will it ever seek hegemony.

A major strategic task of the Communist Party of China (CPC) in exercising state power is to secure a coordinated development of national defense and the economy, and to build modernized, regularized and revolutionary armed forces to keep the country safe. The Fourth Plenary Session of the 16th CPC Central Committee and the Enlarged CPC Conference of the Central Military Commission (CMC), held successively in September 2004, paid a high tribute to Jiang Zemin for his outstanding contributions to national defense and military modernization, and appointed Hu Jintao Chairman of the CPC Central Military Commission. Meanwhile, the CMC composition was also readjusted and expanded, and the developmental direction for national defense and military modernization clearly defined. In the new stage of the 21st century, China's national defense and army building shall be guided by Deng Xiaoping Theory and the important thought of the "Three Represents," in an all-round way implement Jiang Zemin's thought on national defense and army building, maintain the fundamental principle and system of absolute Party leadership over the armed forces, and take the military strategy of the new era as an overarching guideline to actively push for the national defense and military modernization.

This White Paper, China's National Defense in 2004, is published to illustrate China's national defense policies and the progress made in the past two years in its defense and army building.

I. The Security Situation

The current international situation continues to undergo profound and complex changes. Peace and development remain the dominating themes of the times. Although the international situation as a whole tends to be stable, factors of uncertainty, instability and insecurity are on the increase.

The trends toward world multipolarization and economic globalization are deepening amid twists and turns. New changes are occurring in the balance of power among the major international players, with the process of their realignment and the redistribution of their interests accelerated. New and profound readjustments have taken place in the relations among the world's major countries. While cooperating with and seeking support from each other, they are checking on and competing with one another as well. With their overall strength continuing to rise, the developing countries have become important players in promoting a multipolar world and democratized international relations. The United Nations is playing an irreplaceable role in international affairs. Economic globalization and technological advancement have generated new opportunities for development. As a result of accelerated global industrial restructuring, and the continued development of regional economic cooperation, world economy has witnessed new growth, with interdependence among nations deepened and their common interests increased. However, a fair and rational new international political and economic order is yet to be established. Tendencies of hegemonism and unilateralism have gained new ground, as struggles for strategic points, strategic resources and strategic dominance crop up from time to time. The Iraqi War has exerted a far-reaching influence on the international and regional security situations. The imbalance in world economic development has worsened, with the North-South gap continuing to widen, and economic security confronting new challenges.

The military factor plays a greater role in international configuration and national security. Worldwide Revolution in Military Affairs (RMA) is gaining momentum. The forms of war are undergoing changes from mechanization to informationalization. Informationalization has become the key factor in enhancing the warfighting capability of the armed forces. Confrontation between systems has become the principal feature of confrontation on the battlefield. Asymmetrical, non-contiguous and non-linear operations have become important patterns of operations. The world's major countries are making readjustments in their security and military strategies and stepping up transformation of their armed forces by way of developing high-tech weaponry and military equipment and putting forth new military doctrines. As a result, the generation gap in military technology between informationalization on the one hand and mechanization and semi-mechanization on the other is still widening, and military imbalance

worldwide has further increased. The role played by military power in safeguarding national security is assuming greater prominence.

Traditional and non-traditional security issues are intertwined with the latter posing a growing threat. Some regional hot spots have cooled down. Security cooperation at the regional level has deepened. The worldwide campaign against terrorism has made progress. International cooperation in the fields of information security, energy security, finance security and environment security has been enhanced. And international efforts to crack down on transnational crimes, prevent epidemic diseases, and reduce the impact of disasters have been intensified. However, world peace remains elusive. Geopolitical, ethnic, religious and other conflicts interact with political and economic contradictions, resulting in frequent outbreak of local wars and armed conflicts. International terrorist forces remain rampant. It seems rather difficult to eliminate completely the root causes of terrorism, making the fight against terrorism a long and demanding task before the international community.

The Asia-Pacific region enjoys basic stability in its security situation. As the world's most dynamic region economically, most nations in the region have made development the centerpiece of their policy. Major country relations continue to improve and grow. Peaceful consultation has become the basic approach to the settlement of disputes. Security dialogue and cooperation of various forms have become more animated. Asia-Pacific Economic Cooperation (APEC) is playing an important role in promoting common development. The institutionalization of the Shanghai Cooperation Organization (SCO) has been basically accomplished. The SCO is incessantly expanding and deepening its cooperation in the political, security, economic, humanitarian and other fields. The SCO is playing a greater role in promoting peace, stability and development in the region. China has established a strategic partnership with the Association of Southeast Asian Nations (ASEAN) dedicated to peace and prosperity in the region, and engaged in comprehensive cooperation that has seen rapid expansion. Cooperation in East Asia, with the ASEAN and China, Japan and the ROK as the main players, keeps expanding, leading to greater economic development and political and security trust in the region. The ASEAN Regional Forum (ARF) as the most important official channel for multilateral security dialogue in the Asia-Pacific region, plays a positive role in promoting security cooperation in the region. The nuclear issue on the Korean Peninsula has been brought onto the track of peaceful settlement through dialogue, and the process of the Six-Party Talks has made progress in the discussion of substantive issues and the institutionalization of the process. Tensions between India and Pakistan have been eased, and the two countries have maintained the momentum of peaceful dialogues.

Meanwhile, complicated security factors in the Asia-Pacific region are on the increase. The United States is realigning and reinforcing its military presence in this region by buttressing military alliances and accelerating deployment of missile defense systems. Japan is stepping up its constitutional overhaul, adjusting its military and security policies and developing the missile defense system for future deployment. It has also markedly increased military activities abroad. The foundation for the Six-Party Talks is not solid enough as uncertain factors linger in the settlement of the nuclear issue on the Korean Peninsula. The threat posed by terrorism, separatism and extremism is still grave. Such transnational crimes as smuggling, piracy, drug trafficking and money laundering are rampant. Many countries are confronted with the formidable task of eliminating poverty, achieving sustainable development and enhancing security in the area of public health.

The situation in the relations between the two sides of the Taiwan Straits is grim. The Taiwan authorities under Chen Shui-bian have recklessly challenged the status quo that both sides of the Straits belong to one and the same China, and markedly escalated the "Taiwan independence" activities designed to split China. Incessantly trumpeting their separatist claim of "one country on each side," they use referendum to engage in the separatist activities aimed at "Taiwan independence," incite hostility among the people on the island toward the mainland, and purchase large amounts of offensive weapons and equipment. They have not given up their attempt at "Taiwan independence" through the formulation of a so-called "new constitution for Taiwan." They are still waiting for the opportune moment to engineer a major "Taiwan independence" incident through the so-called "constitutional reform." The separatist activities of the "Taiwan independence" forces have increasingly become the biggest immediate threat to China's sovereignty and territorial integrity as well as peace and stability on both sides of the Taiwan Straits and the Asia-Pacific region as a whole. The United States has on many occasions reaffirmed adherence to the one China policy, observance of the three joint communiqués and opposition to "Taiwan independence." However, it continues to increase, quantitatively and qualitatively, its arms sales to Taiwan, sending a wrong signal to the Taiwan authorities. The US action does not serve a stable situation across the Taiwan Straits.

China's national security environment in this pluralistic, diversified and interdependent world has on the whole improved, but new challenges keep cropping up. The vicious rise of the "Taiwan independence" forces, the technological gap resulting from RMA, the risks and challenges caused by the development of the trends toward economic globalization, and the prolonged existence of unipolarity vis-a-vis multipolarity - all these will have a major impact on China's security. Nevertheless, China is determined to safeguard its national sovereignty and security, no matter how the international situation may evolve, and what difficulties it may encounter, so



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as to join hands with the people around the world in advancing the lofty cause of peace and development for mankind.

II. National Defense Policy

China persists in taking the road of peaceful development and unswervingly pursues a national defense policy defensive in nature. China's national defense is the security guarantee for the survival and development of the nation. The main tasks of China's national defense are to step up modernization of its national defense and its armed forces, to safeguard national security and unity, and to ensure the smooth process of building a moderately prosperous society in an all-round way.

Proceeding from the fundamental interests of the country, China's national defense policy is both subordinated to and in service of the country's development and security strategies. Firmly seizing and taking full advantage of the important strategic opportunities presented in the first two decades of this century, China sticks to keeping its development in pace with its security and makes great efforts to enhance its national strategic capabilities by using multiple security means to cope with both traditional and non-traditional security threats so as to seek a comprehensive national security in the political, economic, military and social areas.

China's basic goals and tasks in maintaining national security are:

To stop separation and promote reunification, guard against and resist aggression, and defend national sovereignty, territorial integrity and maritime rights and interests.

To safeguard the interests of national development, promote economic and social development in an all-round, coordinated and sustainable way and steadily increase the overall national strength.

To modernize China's national defense in line with both the national conditions of China and the trend of military development in the world by adhering to the policy of coordinating military and economic development, and improve the operational capabilities of self-defense under the conditions of informationalization.

To safeguard the political, economic and cultural rights and interests of the Chinese people, crack down on criminal activities of all sorts and maintain public order and social stability.

To pursue an independent foreign policy of peace and adhere to the new security concept featuring mutual trust, mutual benefit, equality and coordination with a view to securing a long-term and favorable international and surrounding environment.

It is the sacred responsibility of the Chinese armed forces to stop the "Taiwan independence" forces from splitting the country. The Chinese government continues to adhere to the basic principles of "peaceful reunification" and "one country, two systems" along with the eight-point

proposal on developing cross-Straits relations and advancing the process of peaceful reunification of the motherland at the current stage. So long as the Taiwan authorities accept the one China principle and stop their separatist activities aimed at "Taiwan independence," cross-Straits talks can be held at any time on officially ending the state of hostility between the two sides, including on the establishment of a confidence-building mechanism in the military field. The Chinese people are resolutely opposed to all separatist activities in whatever manifestation aimed at "Taiwan independence," to foreign interference of any form, and to arms sales to Taiwan or entrance to military alliance of any form with Taiwan by any country in the world. We will never allow anyone to split Taiwan from China through whatever means. Should the Taiwan authorities go so far as to make a reckless attempt that constitutes a major incident of "Taiwan independence," the Chinese people and armed forces will resolutely and thoroughly crush it at any cost.

To adapt itself to the changes both in the international strategic situation and the national security environment and rise to the challenges presented by the RMA worldwide, China adheres to the military strategy of active defense and works to speed up the RMA with Chinese characteristics.

To take the road of composite and leapfrog development. Going with the tide of the world's military development and moving along the direction of informationalization in the process of modernization, the People's Liberation Army (PLA) shall gradually achieve the transition from mechanization and semi-mechanization to informationalization. Based on China's national conditions and the PLA's own conditions, the PLA persists in taking mechanization as the foundation to promote informationalization, and informationalization as the driving force to bring forward mechanization. The PLA will promote coordinated development of firepower, mobility and information capability, enhance the development of its operational strength with priority given to the Navy, Air Force and Second Artillery Force, and strengthen its comprehensive deterrence and warfighting capabilities.

To build a strong military by means of science and technology. The PLA works to improve its combat capabilities by taking advantage of scientific and technological advances and aims at building qualitative efficiency instead of a mere quantitative scale, and transforming the military from a manpower-intensive one to a technology-intensive one. Implementing the Strategic Project for Talented People, the PLA focuses on training a new type of high-caliber military personnel. It works to build up a complete system of weaponry and equipment by stepping up development of new- and high-tech weaponry and equipment while upgrading those in active service. In an innovative spirit, the PLA endeavors to improve its training system as well as the means and methods of training so as to raise its

military training to a higher level. Relying on national economic, scientific and technological development, the PLA is devoted to improving the level of scientific management and achieving a higher overall cost-effectiveness in military expenditure so as to modernize the armed forces with less input and better results.

To deepen the reform of the armed forces. Based on the transformation of modern warfare and the requirements of the socialist market economy, the PLA seeks to achieve development and breakthroughs in the process of reform and innovation. The PLA develops its military theories in an innovative spirit, and explores the laws of building the army and conducting operations under the condition of informationalization. In accordance with the principle of making the troops smaller and better, as well as more integrated and efficient, and with emphasis on adjusting the organizational structure and reforming the command system, the PLA works to build and further improve the military structure and organization to make them appropriate in size, optimal in structure, streamlined in institutional set-up and flexible and swift in command. The PLA also works to readjust and regulate the relationship within the military as well as that with the government and society so as to put in place policies and mechanisms which will help motivate officers and soldiers.

To step up preparations for military struggle. The PLA takes as its objective to win local wars under the conditions of informationalization and gives priority to developing weaponry and equipment, to building joint operational capabilities, and to making full preparations in the battlefields. Meanwhile, it adheres to the people's war concept and develops the strategies and tactics of the people's war. To meet the requirements of integrated and joint operations, the PLA endeavors to establish a modern operational system capable of giving full play to the overall efficiency of the armed forces as well as the national war potentials. The PLA conducts more training and exercises with specific objectives in order to raise its capabilities in coping with various crises and contingencies.

To carry out military exchanges and cooperation. In line with the national foreign policy, the PLA conducts military cooperation that is non-aligned, non-confrontational and not directed against any third party. The PLA takes part in the UN peacekeeping operations and international counter-terrorism cooperation. While promoting military exchanges in various forms, the PLA works to establish security dialogue mechanisms in order to create a military security environment featuring mutual trust and mutual benefit. It takes part in bilateral or multilateral joint military exercises in non-traditional security fields so as to enhance the joint capabilities to cope with threats in those fields. The PLA learns from and draws on the valuable experience of foreign armed forces, and introduces, on a selective basis, technologically advanced equipment and better management expertise from abroad to advance the modernization of the Chinese armed forces.

III. Revolution in Military Affairs with Chinese Characteristics

The PLA, aiming at building an informationalized force and winning an informationalized war, deepens its reform, dedicates itself to innovation, improves its quality and actively pushes forward the RMA with Chinese characteristics with informationalization at the core.

Reducing the PLA by 200,000

It has been the established policy to build a streamlined military with Chinese characteristics. Since the mid-1980s, China has twice downsized its military by a total of 1.5 million. In September 2003, the Chinese government decided to further reduce 200,000 troops by the end of 2005 to maintain the size of the PLA at 2.3 million. The current restructuring, while cutting down the numbers, aims at optimal force structures, smoother internal relations and better quality.

Rebalancing the ratio between officers and men. By streamlining structure, reducing the number of officers in deputy positions, filling officers' posts with non-commissioned officers (NCOs) and adopting a system of civilian employees, the number of the PLA officers can be substantially reduced to optimize the ratio between officers and men.

Improving the system of leadership and command. The emphasis is put on streamlining the staff offices and the directly affiliated organs at the corps level and above, so as to compress the command chains and further improve the operational command system to strengthen the command functions. The numbers of offices and personnel are both reduced by about 15% by adjusting staff functions, dismantling and merging offices and reducing the numbers of subordinate offices and assigned personnel.

Optimizing the composition of the services and arms of the PLA. The Army is streamlined by reducing the ordinary troops that are technologically backward while the Navy, Air Force and Second Artillery Force are strengthened. The make-up of troops and the size of the services and arms are optimized with an increasing proportion of new- and high-tech units.

Deepening the reform of joint logistical support. The PLA continues to adopt the system of joint logistical support at military area commands. The scope of joint logistical support is further enlarged and the number of logistical organizations and personnel are reduced while the rear hospitals, recuperation centers and general-purpose warehouses formerly under the administration of the services and arms are all integrated and reorganized into the joint logistical

support system. An integrated tri-service joint logistical support system gradually takes shape, thus improving the overall efficiency.

Realigning the organizational structure of military educational institutions. The PLA aims at improving the structure and system for educating military personnel in both military and civilian educational institutions, and speeding up the establishment and improvement of a new educational system. This new system focuses on pre-assignment education which is separated from education for academic credentials. In accordance with the requirements for running educational institutions intensively on a proper scale, the PLA has optimized the system and structure of educational institutions by cutting down on those that are not essentially different from their civilian counterparts, and those that are more than necessary, and merging those that are co-located or have similar tasks.

Strengthening the Navy, Air Force and Second Artillery Force

While continuing to attach importance to the building of the Army, the PLA gives priority to the building of the Navy, Air Force and Second Artillery Force to seek balanced development of the combat force structure, in order to strengthen the capabilities for winning both command of the sea and command of the air, and conducting strategic counter-strikes.

The PLA Navy is responsible for safeguarding China's maritime security and maintaining the sovereignty of its territorial seas along with its maritime rights and interests. The Navy has expanded the space and extended the depth for offshore defensive operations. Preparation for maritime battlefield is intensified and improved while the integrated combat capabilities are enhanced in conducting offshore campaigns, and the capability of nuclear counter-attacks is also enhanced. In accordance with the principle of smaller but more efficient troops, the PLA Navy compresses the chain of command and reorganizes the combat forces in a more scientific way while giving prominence to the building of maritime combat forces, especially amphibious combat forces. It also speeds up the process of updating its weaponry and equipment with priority given to the development of new combat ships as well as various kinds of special-purpose aircraft and relevant equipment. At the same time, the weaponry is increasingly informationalized and long-range precision strike capability raised. It takes part in joint exercises to enhance its joint operational capabilities and integrated maritime support capabilities.

The PLA Air Force is responsible for safeguarding China's airspace security and maintaining a stable air defense posture nationwide. In order to meet the requirements of informationalized air operations, the Air Force has gradually shifted from one of territorial air defense to one of both

offensive and defensive operations. Emphasis is placed on the development of new fighters, air defense and anti-missile weapons, means of information operations and Air Force automated command systems. The training of inter-disciplinary personnel is being accelerated for informationalized air operations. Combined arms and multi-type aircraft combat training is intensified to improve the capabilities in operations like air strikes, air defense, information counter-measures, early warning and reconnaissance, strategic mobility and integrated support. Efforts are being made to build a defensive air force, which is appropriate in size, sound in organization and structure and advanced in weaponry and equipment, and which possesses integrated systems and a complete array of information support and operational means.

The PLA Second Artillery Force is a major strategic force for protecting China's security. It is responsible for deterring the enemy from using nuclear weapons against China, and carrying out nuclear counter-attacks and precision strikes with conventional missiles. By upgrading missiles, stepping up the R&D of missiles, and promoting the informationalization of missiles and supporting equipment for command, communications and reconnaissance, the Second Artillery Force has built in its initial form a weaponry and equipment system that comprises both nuclear and conventional missiles, covers different ranges, and possesses markedly increased power and efficiency. The PLA Second Artillery Force boasts a contingent of talents mainly composed of academicians of the Chinese Academy of Engineering and missile specialists. More than 70% of its active-duty officers have bachelor's degrees or above. High-tech means are used to reform its training and shorten the cycle for new weaponry and equipment to be combat-ready. It conducts missile-launching training and readiness exercises in near-real conditions and constantly enhances its quick-response and precision-strike capabilities.

Speeding Up Informationalization

In its modernization drive, the PLA takes informationalization as its orientation and strategic focus. By adopting the general approach of giving priority to real needs, making practical innovations, valuing talented personnel, and achieving informationalization by leaps and bounds, the PLA is actively engaged in the research and practice of informationalization.

In the past two decades, the PLA has been pushing forward informationalization in the field of military operations, focusing on command automation. It has completed a series of key projects to build military information systems and made great progress in building information infrastructure. As a result, command means have been substantially improved at all levels of headquarters and combat troops. Computers and other IT equipment have been gradually introduced into routine operations. The ability to provide operational information support has

been greatly enhanced while more and more IT elements have been incorporated into main battle weapon systems. The CMC has approved and promulgated the Guidelines for the Development of Automated Command Systems of the Chinese People's Liberation Army and the Regulations of the Chinese People's Liberation Army on Automated Command Systems, defining the goals and relevant policies and statutes for developing automated command systems.

In the new stage of the 21st century, the PLA strives to comprehensively push forward informationalization with military information systems and informationalized main battle weapon systems as the mainstay and with military informationalization infrastructure development supported and guaranteed. In its drive for informationalization, the PLA adheres to the criterion of combat efficiency and the direction of an integrated development, enhances centralized leadership and overall planning, develops new military theories and operational theories while optimizing management system and force structure, updating systems of statutes and standards, and emphasizing training for informationalization. The PLA strengthens the building of military information systems and speeds up the informationalization of main battle weapon systems. It also makes full use of various information resources and focuses on increasing system interoperability and information-sharing capability. The PLA takes advantage of progress in government and social sectors in the field of informationalization, and establishes a scientific research and production system and information mobilization mechanism that integrates military and civilian efforts to promote the informationalization process of both the PLA and the government.

Accelerating the Modernization of Weaponry and Equipment

The PLA regards weaponry and equipment as the crucial material and technological basis for pushing forward the RMA with Chinese characteristics. In accordance with the national security needs, the PLA accelerates the modernization of weaponry and equipment, depending on national economic development and technological advance.

In order to strengthen the capability to win local wars under informationalized conditions, the PLA, in its development of weaponry and equipment, stresses the importance of capstone design, persists in taking informationalization as the leading force while advancing mechanization and informationalization simultaneously, and strives to build a streamlined, efficient and optimized modern weaponry system appropriate in size and optimal in structure.

Giving priority to the development of new- and high-tech weaponry and equipment. The PLA intensifies its R&D efforts and strengthens its innovative capability through self-reliance. It accelerates the R&D of new informationalized combat platforms and precision munitions, as well as electronic counter-measures equipment, and puts more effort into elevating the capabilities for precision strikes and information operations.

Accelerating the modification of old and outmoded weaponry. A number of old and outmoded weapons and equipment, which are backward in technology, poor in performance and no longer cost-effective in maintenance, are being phased out, and part of the active-service main battle weaponry is reconfigured on a selective, priority and phasal basis. By embedding advanced technology, developing new munitions, and integrating command and control systems, the PLA has restored or upgraded the tactical and technical performance of some current main battle weapons.

Continuously elevating integrated support for weaponry and equipment. Taking existing weaponry and equipment as the basis, the PLA emphasizes the organic and systematic development of combat and support capabilities of weaponry and equipment. In accordance with the development of main battle weaponry and equipment, the PLA develops new types of general- and special-purpose support equipment, while strengthening the maintenance and technical support forces with priority given to new equipment and the training of personnel who employ, maintain and manage the new equipment, so as to elevate the integrated support of weaponry and equipment, thus satisfying the needs of readiness for military struggle.

Implementing the Strategic Project for Talented People

In August 2003, the CMC began to implement its Strategic Project for Talented People. The Project proposes that in one to two decades, the PLA will possess a contingent of command officers capable of directing informationalized wars and of building informationalized armed forces, a contingent of staff officers proficient in planning armed forces building and military operations, a contingent of scientists capable of planning and organizing the innovative development of weaponry and equipment and the exploration of key technologies, a contingent of technical specialists with thorough knowledge of new- and high-tech weaponry performance, and a contingent of NCOs with expertise in using weapons and equipment at hand. The Project will be implemented in two stages. By the end of 2010, there will be a remarkable improvement in the quality of military personnel, and a big increase in the number of well-educated personnel in combat units. The following decade will witness a big leap in the training of military personnel.

In recent years, the PLA has utilized military educational institutions as major platforms for training military personnel. Officer candidates have, in the main, been trained in four-year colleges. A functional transformation of military educational institutions is taking place with the emphasis shifting from academic credentials education to pre-assignment training. More and more military personnel with specialties for both military and civilian use will be trained by regular institutions of higher learning. So far, more than 90 such institutions have undertaken the task of training PLA cadres. In implementing the Project for Strengthening the Military with High-Caliber Personnel, nearly 30 key regular institutions of higher learning have trained a great number of Master Degree students for the PLA, whose specialties are urgently needed. Various training courses have been offered at military educational institutions, including courses for young and middle-aged cadres, high-tech knowledge training courses for leading cadres at the levels of military area command and corps, and training programs of cross-service and cross-arm expertise. Hundreds of military cadres have been sent to the central and provincial Party schools. Division and brigade commanding officers have been arranged for study tours abroad. The number of commanders has been increased among the overseas military students.

Intensifying Joint Training

Adapting to the features and patterns of modern warfare, the PLA has intensified joint training among services and arms at all levels to enhance joint fighting capabilities.

Highlighting joint operational training. In view of the future operational tasks, the PLA has given priority to training with specific objectives, joint operational training and high-level command post training. It has successfully organized a series of major joint operational training activities. Studies and exercises directed at operational issues are emphasized with additional attention to the development of operational doctrines and training regulations, and the construction of network systems. By exploring approaches for operational guidance, operational command and operational training for joint campaigns, the PLA has improved the capabilities of commanding officers at each level to organize and direct joint operations.

Conducting joint tactical training. To meet the needs of joint operations at the tactical level, units of different arms and services stationed in the same areas have intensified their contacts and cooperation in the form of regional cooperation to conduct joint tactical training. In September 2003, the General Staff Headquarters organized a PLA-wide demonstration on regional cooperation for military training in Dalian. That event drew lessons from regional cooperation for military training and explored new ways to conduct joint tactical training.

Improving the means of joint training. After years of development, substantial progress has been achieved in on-base training, simulation training and network training. Almost all combined tactical training activities at division, brigade and regiment levels can be conducted on base. All services and arms have set up their basic simulation training systems for operational and tactical command. A (joint) combat laboratory system of simulation training for all military educational institutions has been initially put in place. A military training network system has been set up to interconnect the LANs of military area commands, services and arms, and command colleges.

Training commanding officers for joint operations. The military educational institutions have intensified their joint operations training. The elementary command colleges offer basic courses in joint operations. The intermediate command colleges offer courses on service campaigns and combined operations. The advanced command university offers courses on strategic studies and joint operations. In order to bring up commanding officers for joint operations, PLA units carry out on-duty training and regional cooperation training, and acquire knowledge of other services and arms and joint operations through assembly training, cross-observation of training activities, academic seminars and joint exercises.

Deepening Logistical Reforms

The PLA continues to deepen, expand and coordinate the reforms of its logistical system, and makes efforts to enhance the capability to provide fast, efficient and integrated support.

Pushing forward an integrated tri-service support system. Experimental reforms of joint logistics started in the Jinan Theater in July 2004. First, all logistical organs of the three services are integrated into one. The Theater Joint Logistics Department or Joint Logistics Department of Military Area Command, originally called Logistics Department of Military Area Command, takes responsibility for joint logistical support for all in-theater units of the three services. The percentage of non-Army cadres in this department has risen from 12% to 45%. Second, all logistical support resources of the three services are integrated. All in-theater logistical support facilities such as rear depots, hospitals, recuperation centers, and material supply and engineering facilities, originally under the leadership and management of the services and arms, have been transferred to the joint logistics system for unified integration, construction, management and employment. Third, all logistical support mechanisms of the three services are integrated. The in-theater logistical support for troops of the three services is no longer categorized into general or special supply support. All supplies are planned and provided by the joint logistics system. Fourth, all logistical support channels of the three services are integrated.

The multiple support channels for troops of the arms and services have been readjusted and integrated into one support channel of the joint logistics system, aiming at compressing the supply chain and improving efficiency to form an effective system of supervision and management.

Conducting technological research of logistical equipment. Over the past two years, the PLA has completed experiments to finalize the designs of 92 types of new logistical equipment, with the designs in logistical equipment system finalized at a rate of 93%. A new-generation logistical equipment system with all necessary specialized varieties has been basically established with some of the equipment reaching the internationally advanced standards. The Fourth Beijing International Exhibition on Military Logistical Equipment and Technology was held in April 2004. More than 340 manufacturers from 26 countries and regions took part in the exhibition, and military logistics delegations from 16 countries were invited to attend the exhibition as well as the international symposium on the development strategy of military logistical equipment and technology.

Deepening reforms of the medical support system and logistics outsourcing. In May 2004, the PLA started in an all-round way to carry out the reform of its medical support system based on pilot and expanded experiments. The reform features categorized support, appropriate medical care, unified management and treatment at designated hospitals, and treatment upon presentation of medical cards. The PLA has established a new type of medical support system in which medical service is free for servicemen, preferential for dependents accompanying officers, and available to civilian employees in the PLA through medical insurance. This has improved the quality of medical service and enhanced the capability of medical support. The PLA has adopted the management method of packaging wages for civilian employees and the policy of providing resettlement benefits to redundant personnel. It has also introduced in an all-round way such housing reform measures as monetization, market supply and management outsourcing, stepped up efforts to cash housing subsidies, and further enabled servicemen to purchase houses.

Innovating Political Work

The PLA takes as guidance Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory and the important thought of the "Three Represents," adheres to the fundamental principle and system of the Party's absolute leadership over the armed forces, puts ideological and political work first, innovates political work in its content, approaches, means as well as mechanism to give full play to the support and combat functions of political work.

In December 2003, the new Regulations on the Political Work of the Chinese People's Liberation Army was revised and promulgated. The regulation maintains that political work is the fundamental guarantee of the Party's absolute leadership over the armed forces and the assurance for the armed forces to accomplish their missions. It clearly defines political work as a significant component of combat capabilities of the PLA, and stresses the importance of giving full play to the combat function of political work. Education in the RMA with Chinese characteristics is given PLA-wide. Wartime political work is studied and rehearsed extensively. Political work is strengthened in all services and arms as well as the units carrying out special missions. Education in the PLA's functions and sense of urgency has been intensified in the PLA so that officers and men are motivated in their trainings and a tough fighting spirit and a good working style are fostered.

The PLA relies on laws and regulations to promote the innovation of political work. In April 2004, the CMC promulgated the Regulations on the Work of the Armed Forces Committees of the Communist Party of China (for Trial Implementation), which further defines the duties and responsibilities of the Party committees, the standing committees of the Party committees, secretaries and committee members, and further improves the decision-making procedures and principles in Party committees. In February 2004, the CMC released the Provisions on Strengthening the Education and Management of High- and Middle-Ranking Cadres of the PLA, which establishes and refines the systems for cadres at the regiment level and above to do self-study and review, to receive thematic education, to take admonishment talks, to make ideological and political assessment, to submit work and probity reports as well as reports on important work assignments.

The PLA attaches great importance to ideological and cultural work. In the period of 2000-2002, the CMC allocated RMB 140 million for the cultural work of grass-roots units. In recent two years, the General Political Department and the General Logistics Department have jointly issued a number of regulations in succession, including the Provisional Regulations of the Chinese People's Liberation Army on the Management of Cultural Equipment and the Provisional Regulations on Grass-Roots Cultural Construction. Beginning in 2003, the cultural equipment supplied to grass-roots units are covered by regularized outlays and managed as organic equipment. In May 2004 a PLA-wide forum on art and literature was held, in which a five-year plan was formulated for art and literature work in the military. The PLA publishes more than 2,800 titles of books and audio-visual products every year. All units carry out rich and colorful on-camp cultural activities to promote the all-round development and enhance combat capability.

Governing the Armed Forces Strictly and According to Law

The PLA implements the principle of governing the armed forces strictly and according to law, strengthens the building of the military legal system, raises the level of regularization, and enhances the combat capability of the armed forces.

The PLA has emphasized incorporating into laws and regulations its good traditions in governing the armed forces and the requirements of the RMA with Chinese characteristics, so as to regulate all dimensions of the armed forces building. In the new historical era, the PLA has promulgated and revised a large number of military regulations, including the Regulations on Routine Service of the People's Liberation Army, Regulations on Discipline of the People's Liberation Army, Regulations on Formation of the People's Liberation Army, Regulations on the Headquarters of the People's Liberation Army, Regulations on the Political Work of the People's Liberation Army, Regulations on the Logistics of the People's Liberation Army, Regulations on the Armaments of the People's Liberation Army, Regulations on the Military Training of the People's Liberation Army, Regulations on the Garrison Service of the People's Liberation Army, and a new generation of operations regulations. The military law system has been basically established with regulations as its main body. In April 2003, the CMC promulgated the Regulations on Military Rules and Regulations to regulate the military legislative work. In January 2004, according to the CMC's directive, the PLA and the People's Armed Police Forces (PAPF) proceeded to sort out in a comprehensive way all their current regulations and rules, and uniformly organize the compilation and printing of the collections of military regulations and rules so as to provide legal basis for strict governing of the armed forces. The armed forces have carried out legal education in a deep-going way and conducted regulation training courses at various levels to guide the officers and men to perform their duties in accordance with the law.

The PLA has maintained the authority and solemnity of the regulations and rules and administered troops strictly in accordance with the regulations and rules. Incorporating the cultivation of good style and strict discipline into routine military training and administration has helped to sharpen the awareness of the officers and men in their observance of regulations and rules. Through strict training, refined military bearing, strict discipline and resolute and swift work style have been cultivated among the troops. In August 2003, the CMC revised and issued the Outline for Armed Forces Building at the Grass-Roots Level, which has promoted the regularization of the orders in preparation against war, training, routine work and everyday life at the grass-roots level. The General Staff Headquarters, the General Political Department, the General Logistics Department and the General Armaments Department have twice formed joint working groups for overall inspection of strict administration of the troops. In accordance with

the CMC requirements, the PLA and the PAPF have intensified rectification and improvement, and have further promoted the implementation of the guiding principle of governing the armed forces strictly and according to law.

IV. Defense Expenditure and Defense Assets

China manages and uses its defense funds, ensures the procurement and supply of its military equipment and materials, and protects its defense assets in conformity with legal provisions and in accordance with the needs of national defense building and the requirements of the socialist market economy.

Defense Expenditure

Pursuant to The National Defense Law, the Chinese government follows the guiding principle of the coordinated development of national defense and economy. Based on the economic development and revenue growth, it has continued to increase its defense expenditure moderately so as to keep up with the changes in the demands of national defense. China's GDP in 2002 and 2003 was 10,517.234 billion yuan and 11,725.194 billion yuan respectively. Its defense expenditure in 2002 and 2003 was 170.778 billion yuan and 190.787 billion yuan respectively. Its defense budget for 2004 is 211.701 billion yuan.

The increased part of China's defense expenditure has primarily been used for the following purposes: (1) Increase of the salaries and allowances of the military personnel. It is necessary to raise the salaries and allowances of the military personnel in step with the socio-economic development and the per-capita income rise of urban and rural residents. In the light of the unified wage adjustment policy for the personnel of state organs, China has raised the salary rates of officers, civil cadres and non-commissioned officers; the allowances of conscripts and cadets under the supply system; and the pensions of the retired. (2) Further improvement of the social insurance system for servicemen. In December 2003, the Provisional Measures on Social Insurance for Unemployed Accompanying Spouses of PLA Servicemen was formulated, to guarantee their basic living standard and provide them with social insurance subsidies. (3) Support for the structural and organizational reform of the military. China once again downsizes its military by 200,000, and has to increase the expenses on the resettlement of the discharged surplus personnel accordingly. (4) Increased investment in the development of high-caliber talents in the military. The PLA has established and refined an incentive mechanism for talented people, improved conditions in military educational institutions, and entrusted non-military colleges and universities with the education of qualified personnel, so as to ensure the achievement of the PLA's Strategic Project for Talented People. (5) Moderate increase of equipment expenses. This is aimed at promoting the leapfrog development of weaponry and equipment, and stepping up preparations for military struggle.

In the past two years, the percentages of China's annual defense expenditure to its GDP and to the state financial expenditure in the same period have remained basically stable. For most of the years since the 1990s, the growth rate of China's defense expenditure has been lower than that of the state financial expenditure.

The absolute amount of China's defense expenditure has long been lower than those of some major Western countries, and the proportion to the GDP and state financial expenditure has also been relatively low. In 2003, China's defense expenditure amounted to only 5.69% of that of the United States, 56.78% of that of Japan, 37.07% of that of the United Kingdom, and 75.94% of that of France.

The management of China's defense funds has become more transparent and standardized, and its cost-effectiveness has been steadily improving. The budgeting reform for defense expenditure has been further deepened, and a new defense budgeting system established, which introduces the zero-base budgeting method and united budgeting system. The bud get adjustment and control function has been strengthened, and the input direction and amount of defense funds optimized. The tendering and bidding system for the procurement of defense materials, projects and services has been improved, and the scope of centralized payment extended.

Table 1: Percentage of China's Annual Defense Expenditure in Its GDP (1997-2003)

Year	1997	1998	1999	2000	2001	2002	2003
Percentage	1.09	1.19	1.31	1.35	1.48	1.62	1.63

Chart 1: Comparison Between the Growth Rate of China's Defense expenditure and That of Its State Financial Expenditure (1995-2003)

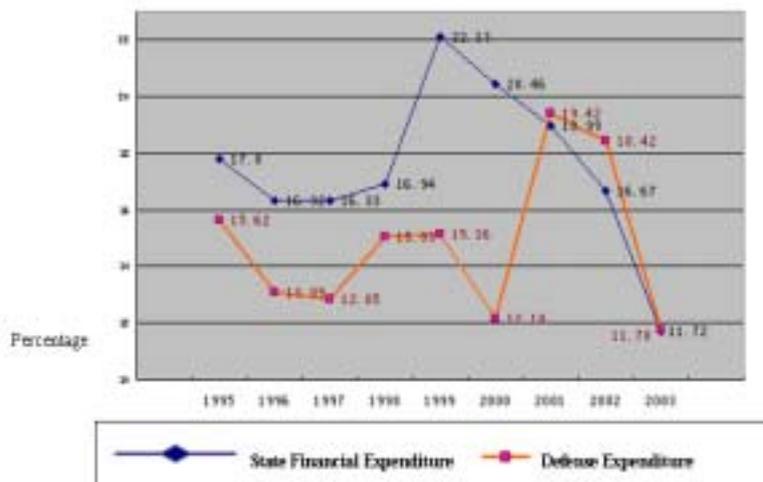
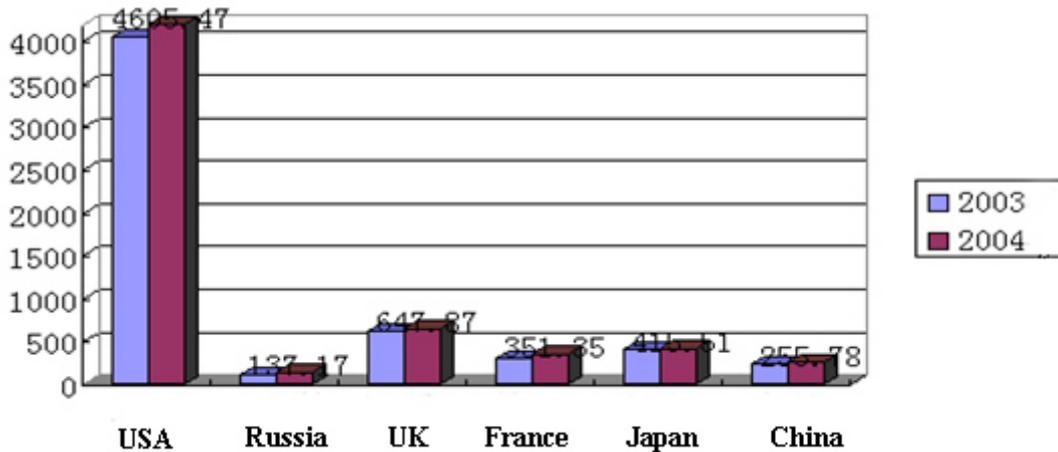


Chart 2: Comparison of the Defense Expenditures of Some Countries in 2003 and 2004 (unit: billion US dollars)

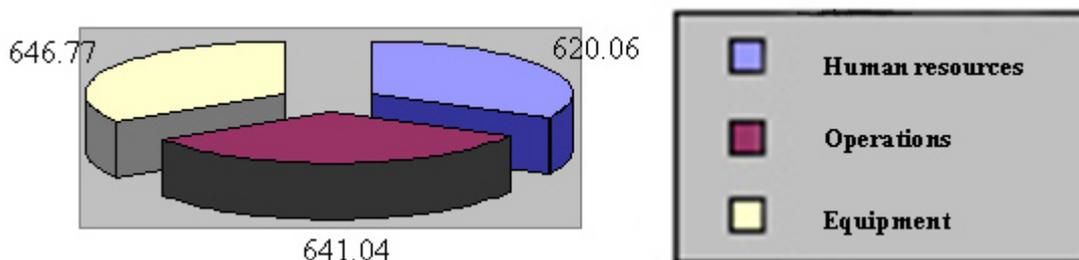


Note 1: Statistics in the charts are sourced from the national defense reports, financial reports and other government reports published by the said countries. Note 2: The average exchange rate in 2003 was US\$ 1.0 ?? RMB 8.2770. On Nov. 20, 2004, US\$ 1.0 ?? RMB 8.2765.

Table 2: The Percentages of the Defense Expenditures in the GDP and Financial Expenditures of Some Countries in 2003

Country	USA	Russia	UK	France	Japan	China
Defense expend. as % of GDP	3.60	2.64	3.11	2.22	0.99	1.63
Defense expend. as % of financial expenditure	16.20	14.69	8.10	11.00	6.06	7.74

Chart 3: China's Defense Expenditure, 2003 by Proportion (unit: RMB billion yuan)



Military Order Placement and Procurement

China practices a state ordering system to guarantee the procurement and provision of weapons, equipment and military materials. The General Armaments Department is responsible for the procurement of weaponry and equipment while the General Logistics Department is in charge of the procurement of military materials.

In October 2002, the CMC promulgated the Regulations on the Armaments Procurement of the PLA. In December 2003, the General Armaments Department issued relevant provisions, including the Provisions on the Management of Armaments Procurement Plans, the Provisions on the Management of Armaments Procurement Contracts, the Provisions on the Management of Armaments Procurement Modes and Procedures, the Provisions on the Management of the Examination of the Qualifications of Armaments Manufacturing Units and the Provisions on the Management of the Centralized Procurement of Armaments of the Same Kind. All these regulations and provisions constitute a new statutory system for the procurement of armaments. In recent years, the procurement of armaments has followed the basic principles of the government procurement system, gradually pulled down the sectional barriers in military industry, introduced the mechanism of competition and supported state-owned enterprises outside the military industry and private high-tech enterprises to enter the market of military products. The procurement mode has been in an accelerating transition from procurement at designated enterprises to multiple ways of procurement such as open bidding, invited bidding, competitive bargaining and inquiry procurement. This has raised the overall cost-effectiveness of armaments procurement and ensured the procurement at reasonable prices of weapons and equipment advanced in performance, superior in quality and complete as a set. The procurement of military computers and network devices, vehicle chassis, generating sets, shelters, and other types of general-purpose equipment has changed from separate to centralized procurement at the PLA level.

Since February 2002, in accordance with the Overall Plan for Deepening the Reform in the Procurement of Military Materials, Projects and Services approved for distribution by the CMC, the General Logistics Department has promulgated in succession the Provisions on the Management of the Procurement of Military Materials, the Provisions on the Management of Inviting Tenders for Military Materials, the Provisions on the Management of Procurement Contracts for Military Materials, the Provisions on the Management of the Price Review Work of Procurement Agencies of Military Materials, the Provisional Measures for the Management of Centralized Procurement Payment of Military Materials, Projects and Services, and the Provisions on Auditing the Procurement of Military Materials, Projects and Services. Following the basic principles of government procurement and taking into consideration the actual conditions of the building and management of the armed forces, the PLA has adopted in an all-

round way a mode of procurement of military materials which focuses mainly on hierarchical management and centralized procurement. This mode has improved the operational mechanism of proper division of labor and mutual restraint among the departments in charge of funds, planning and procurement, and raised the level of standardization, specialization and informationalization in the procurement of materials as well as the cost-effectiveness resulting from large-scale procurement. Now procured in a centralized way are more than 1,000 kinds of materials in 24 categories needed in the development, training, scientific research and daily life of the armed forces. Procurement items included in the annual budget are procured through public bidding if their procurement value exceeds the quota. The quota prescribed by the General Logistics Department is RMB 500,000 yuan or more.

Protection of Defense Assets

Defense assets are funds, land and other resources which the state has directly invested in or appropriated for the building of the armed forces, defense scientific research and production and other aspects of defense construction. They also include the resultant weaponry and equipment, installations and facilities, materials and technological achievements used for defense purposes. The defense assets possessed, used and managed by the PLA in accordance with the law belong to the PLA's state-owned assets. The state has promulgated the National Defense Law of the PRC, the Law of the PRC on Protecting Military Facilities, and the Implementation Measures for the Law of the PRC on Protecting Military Facilities. The PLA has formulated more than 30 rules and regulations on the management of its state-owned assets, such as the Provisions on the Management of the State-Owned Assets of the PLA. This has put the work of protecting defense assets on the legal track.

The people's governments and military organs at all levels jointly protect military facilities and safeguard national defense interests. Under the leadership of the State Council and the CMC, the General Staff Headquarters is in charge of the work of protecting military facilities throughout the country. The headquarters of the military area commands are in charge of the work of protecting military facilities within their areas of responsibility. In the areas where there are military facilities, the local governments at and above the county level and the relevant military organs stationed there jointly set up military facility protection committees, with their administrative offices established in the provincial commands (garrison commands), sub-commands (garrison commands) and the people's armed forces departments of counties, autonomous counties, cities and municipal districts. Following the guiding principle of providing categorized protection and ensuring the safety of key facilities, the state designates military forbidden zones and military restricted zones as a way to protect military facilities, and also

takes appropriate measures to protect military facilities outside such zones. Protected by law are works for military operations, airspace clearance around military airports, military communication and power transmission lines, military oil and water pipelines, electromagnetic environments of fixed military radio installations, frontier defense installations and military survey marks.

Under the General Logistics Department is the Bureau of PLA's State-Owned Assets Management in charge of the management of the PLA's state-owned assets. The PLA's state-owned assets are managed under the system of unified leadership and hierarchical responsibility. The logistics organ at each level is responsible for management of the state-owned assets at its own level. In recent years, the PLA has adopted a management method of property inspection and registration and physical assets valuation and accounting, and instituted a system of property right registration, assets assessment and assets reporting, thus effectively standardizing the management of the PLA's state-owned assets and ensuring their safety, integrity, appropriate allocation and effective use.

V. The Military Service System

China practices a military service system which combines conscripts with volunteers and a militia with a reserve service. It is the glorious duty of the Chinese citizens to serve in the armed forces and join militia organizations according to law.

Administration System for Military Service Work

China practices an administration system of unified leadership and graded responsibility for military service work. Under the leadership of the State Council and the CMC, the Ministry of National Defense assumes responsibility for the military service work throughout the country. The military area commands are responsible for the military service work in their respective areas in accordance with the directions of the Ministry of National Defense. The provincial commands (garrison commands), sub-commands (garrison commands) and the people's armed forces departments of counties, autonomous counties, cities and municipal districts concurrently act as the military service organs of the people's governments at corresponding levels and are responsible for the military service work in their respective areas under the leadership of the military organs at higher levels and the people's governments at corresponding levels. The government organs, public organizations, enterprises and institutions and the people's governments of townships, ethnic townships and towns accomplish their military service work in accordance with the provisions of the Military Service Law. Professional work concerning military service is handled by the people's armed forces departments, or by the designated departments where there are no people's armed forces departments.

Active Service

Active service is the principal form in which Chinese citizens perform their military service obligations. The citizens in active service in the PLA are servicemen in active service, consisting of officers in active service, civil cadres and soldiers in active service.

Officers in active service are the servicemen who hold posts at or above the platoon level or junior specialized technical level, and are conferred corresponding military ranks. They are classified as operational, political, logistics, armaments and specialized technical officers. The Law of the PRC on Officers in Active Service stipulates that the main sources of officers in active service are: graduates of schools or academies in the military, who are originally selected to study there from among outstanding soldiers and graduates of regular secondary schools; graduates of regular institutions of higher learning; civil cadres in the military; and specialized technicians and other persons recruited from outside the military. In war, soldiers, enlisted

reserve officers, and persons in non-military departments may be directly appointed as active officers as needed.

The PLA institutes a post-based military rank system for officers. Military ranks for officers in active service are divided into 10 grades in three categories: general, lieutenant general and major general; senior colonel, colonel, lieutenant colonel and major; captain, first lieutenant and second lieutenant. The posts at and below the level of the military area command are: military area command, corps, division, regiment, battalion, company and platoon. The highest military rank for specialized technical officers is lieutenant general, and their professional levels are graded into senior, intermediate and junior.

Soldiers in active service are composed of conscripts based on compulsory military service (referred to as conscripts) and volunteers based on volunteer military service (referred to as non-commissioned officers). Non-commissioned officers are chosen from conscripts who have completed their terms of active service, and may be recruited from citizens with professional skills in non-military organizations. The term of service for conscripts in active service is two years. A system of active service for different terms is adopted for non-commissioned officers. The first two terms are three years each, the third and fourth terms four years each, the fifth term five years, and the sixth term nine years or longer. Non-commissioned officers are divided into two categories: specialized-technical and non-specialized-technical. The term of active service for the former ranges from the first to the sixth, and the latter and women non-commissioned officers serve, in principle, only the first term.

The lowest military rank for soldiers in active service is private, and the highest is non-commissioned officer of the sixth grade. Conscripts in their first year of service are of the rank of private, and rise to the rank of private first class in their second year. The military ranks for non-commissioned officers are divided into six grades in three categories. The first two grades are junior non-commissioned officers, the third and fourth grades are intermediate non-commissioned officers, and the fifth and sixth grades are senior non-commissioned officers.

Reserve Service

Reserve service is divided into reserve service for officers and reserve service for soldiers. Citizens registered for reserve service are reservists.

Reserve officers are chosen mainly from officers and civil cadres who have been discharged from active service, soldiers who have been discharged from active service, cadres of the people's armed forces departments and the militia, graduates from non-military institutions of

higher learning, and other citizens who meet the qualifications of reserve officers. Reserve officers who hold posts in reserve forces, or are pre-regimented to active forces are reserve officers of Category One, and the other reserve officers are in Category Two. Reserve officers are classified as operational, political, logistics, armaments, and specialized technical officers and their posts are classified as division, regiment, battalion, company and platoon levels, and for specialized technical officers, as senior, intermediate and junior levels. The military ranks for reserve officers are divided into eight grades in three categories: reserve major general; reserve senior colonel, colonel, lieutenant colonel and major; reserve captain, first lieutenant and second lieutenant. Reserve soldiers range in age from 18 to 35. On the basis of age and military qualities, they are classified into Category One and Category Two.

Enlistment in Peacetime

The number of conscripts enlisted into active service in China every year, and the requirements and time for their enlistment are prescribed by order of the State Council and the CMC. The provinces, autonomous regions and municipalities directly under the Central Government make arrangements for enlistment in their respective areas in accordance with the enlistment order of the State Council and the CMC. Enlistment in peacetime usually takes place once a year.

The Military Service Law of the PRC stipulates that male citizens who reach the age of 18 by December 31 each year are eligible for enlistment for active service. Those who are not enlisted that year remain eligible for enlistment until the age of 22. Female citizens may also be enlisted, if necessary. Male citizens reaching the age of 18 before December 31 should register for military service before September 30 of the same year. Citizens who meet the required conditions for active service are enlisted into active service after gaining approval from the military service organs of their own counties, autonomous counties, cities or municipal districts. If a citizen qualified for enlistment is the only supporter of his or her family or is a student in a full-time school, his or her enlistment may be postponed. Citizens who are kept in custody for investigations, legal proceedings or trials, or who are serving sentences or are under criminal detention or surveillance may not be enlisted.

Discharge from Active Service and Resettlements

Active officers who have reached the maximum age limit for peacetime active service should be discharged from active service. Those who have not yet reached the maximum age limit or have not served the minimum term limit for peacetime active service may be discharged from active

service in special circumstances after gaining approval. Soldiers who have completed their term of active service should be discharged from active service.

The state makes proper arrangements for officers and civil cadres who have been discharged from active service. The main modes of arrangement are transference to civilian work, demobilization and retirement. Transference to civilian work is the principal mode of arrangement for officers and civil cadres discharged from active service. Administrative organs for resettlement of officers and civil cadres who have been transferred to civilian work or have retired, are set up at the national level and at the level of the province (autonomous region or municipality directly under the Central Government), and, if necessary, corresponding organs may be set up at the level of the city (prefecture). The General Political Department is responsible for the overall administration of the PLA resettlement work for officers and civil cadres who have been transferred to civilian work or have retired.

Since 2001, the Central Committee of the CPC, the State Council and the CMC have promulgated and implemented the Provisional Measures for Resettlement of Officers and Civil Cadres Transferred to Civilian Work and related regulations and policies, providing for execution of the resettlement mode to civilian work, whereby the state planned assignment of jobs and posts is combined with finding jobs by oneself. Officers at the level of division or regiment or at battalion-level with 18 years of military service (including civil cadres at the corresponding levels and specialized technical officers who enjoy corresponding status) can either be assigned civilian jobs according to the unified plan or choose to find jobs by themselves. Those at or below the battalion level with less than 18 years of military service are assigned civilian work under the unified plan. The Party committees and governments are responsible for arranging jobs and posts for officers and civil cadres transferred to civilian work. Those who choose to find jobs by themselves may seek assistance from the government in their job-finding and are entitled to a monthly-paid service-discharge pension for life long with exemption from income tax. Officers and civil cadres transferred to civilian work may settle at their native places or the places where they were enlisted, or settle at the places where their spouses lived before moving to accompany the servicemen or where they were married. When they meet the required conditions, they may also settle at the places where their parents, their spouses' parents, their spouses or their children are permanent residents, or at the places where their troops are stationed.

When conscripts have been discharged from active service, the people's government of the county where they were enlisted makes appropriate arrangements for them, depending on whether they are from the countryside or city and whether they have received any awards for

meritorious service. Non-commissioned officers are resettled and arranged as transference to civilian work, demobilization, or retirement from active service according to their terms of service.

Table 3: Maximum Age Limits for Active Officers Holding Posts in Peacetime

Category	Operational, Political, Logistics, Armaments Officers		Specialized Technical Officers
	Combat Troops	Non-combat Troops	
			Junior-level 40
Platoon	30	30	
Company	35	35	
Battalion	40	40	
Regiment	45	Chief 50 Deputy 45	
Division	50	55	Intermediate-level 50
Corps	55	Chief 60 Deputy 58	
Military Area	Chief 65		Senior-level 60
Command	Deputy 63		

VI. National Defense Mobilization and Reserve Force Building

China adheres to the principle of having all people engaged in national defense with an aim at giving full play to the overall advantages of the present-day people's war so as to promote the national defense mobilization and reserve force building on the basis of the overall national strength.

Mobilization of National Economy

As an important component of the national defense building and economic construction, China's economic mobilization follows the strategic thinking of soldiers and the people being the foundation for victory and the strategic concept of the people's war.

The mobilization of national economy refers to activities which improve, in a planned and organized way, the emergency reaction capabilities of national economy for national security. In peacetime, as an important measure to build up the economic potentials for national defense and to cope with contingencies, the mobilization of national economy balances the proportion of the permanent power of the defense economy to the national economy, and constitutes a powerful deterrence to war. In wartime, the mobilization of national economy is an important guarantee to transfer the national defense economic potentials into national defense capabilities to win the war by way of a rapid and orderly shift of the national economic system from a peacetime state to a wartime state. The mobilization of national economy includes mobilizations in the areas of industry, agriculture, communication and transport, post and telecommunications, science and technology, medical care and health, urban construction, commerce and trade, and finance. The capacity to mobilize national economy is an important indicator of the level of both national defense modernization and the overall national strength.

Under the leadership of the State Council and CMC, the PRC Development and Reform Commission is responsible for the mobilization of national economy. The National Economy Mobilization Office is the administrative organ which is primarily responsible for: organizing and implementing the mobilization of national economy throughout the country; coordinating relations between the military and economic work, between government organizations and military systems and between the Central Government and the local governments in the process of mobilization; properly combining peacetime needs with wartime needs and integrating military purposes with civilian ones in the development of national economy; improving the mechanism for mobilization of national economy and the capabilities to shift from peacetime to wartime footing. All services and arms of the PLA and all military area commands

as well as the ministries and commissions concerned under the State Council along with all provinces (including autonomous regions and municipalities directly under the Central Government) have set up corresponding offices for mobilization of national economy.

China initially established a system for mobilization of national economy after the founding of New China in 1949. In the 1960s and 1970s, China undertook the construction of mobilization of national economy with preparations against war as the primary task. In the 1980s, the national economy mobilization began transformation in four fields: transformation from purely serving the war demands to serving both national defense and economic construction, focusing on the combination of both military effectiveness and economic efficiency; transformation from playing a unitary administrative role under the planned economy to that of an overall regulation and control under the socialist market economy to gradually form a management mechanism using multiple means related to law, economy and administration; transformation from building the military production capacity in the pre-war state to enhancing the converting ability from peacetime production to wartime production with the emphasis on building up economic potentials for national defense; and transformation from general mobilization preparations to partial mobilization preparations with priority given to rapid mobilization against contingencies in major directions and key areas.

At the new historical stage, following the principles of combining peacetime needs with wartime needs and having military and civilian purposes compatible with each other while reserving the military capabilities in civilian potentials, China's national economy mobilization makes great progress in the construction of national economy mobilization and steadily improves the capacity of national economy mobilization by observing the principles of centralized leadership, responsibility at different levels, overall planning, construction of key projects, long-term preparations and gradual development. A three-level (central, provincial and prefectural) management system to mobilize national economy has initially taken shape with the attention paid to handling major contingencies and emergencies, thus creating conditions, in terms of system, for national economy to turn rapidly from peacetime production to wartime production. Making full use of advanced information technologies, China has initially established a digital information platform for national economy mobilization, thus improving the speed and efficiency of turning peacetime production to wartime production. The capability of national economy to turn peacetime production into wartime production in 2003 was 12.44% higher than that of the previous year. The contributions made by science and technology to national economy mobilization rose by 3.53 percentage points compared with that of the previous year.

Civil Air Defense (CAD)

As an important part of the national defense and an important aspect of the economic and social development, China's civil air defense (CAD) refers to measures and actions to mobilize and organize the Chinese people to be prepared against enemy air raids and disastrous events, and to deal with the aftermath of enemy air raids and disastrous events. Resorting to preventive means such as camouflage, cover and evacuation, and adopting measures such as emergency rescue and rush-repair, the CAD serves the purpose of securing the people's lives and property, reducing losses of national economy and preserving the war potentials. The CAD is built and managed strictly in accordance with the Civil Air Defense Law of the PRC. The CAD adopts a system of joint leadership by the people's governments and the military organs with the local people's governments and the military organs at the county level and above exercising leadership over the CAD work within their respective administrative areas. The basic task of the CAD is to organize the people in CAD building in peacetime and to organize and direct people to fight against air raids in wartime.

The CAD bases itself on making preparations against air raids under the informationalized conditions by adhering to the guideline of long-term preparation, construction of key projects and combination of peacetime footing with wartime footing. In recent years, major cities throughout the country have set up joint, streamlined and highly efficient CAD command systems. They have made their municipal anti-air-raid plans, improved their urban air defense (AD) early-warning-alarm networks, and sped up the construction of the auxiliaries to the AD protection facilities while strengthening the protection of key economic targets, the construction of evacuation areas, and the building of specialized AD contingents among the people. In some provinces and municipalities, the people's governments have organized many anti-air-raid exercises, in which the AD alarm sirens were tested. They have also carried out education in the common sense of protection in case of air raids, and conducted training in protection skills. Consequently, the people's AD awareness has been generally raised and the overall urban anti-air-raid capabilities have been noticeably improved.

The CAD actively safeguards public security based on the needs of comprehensive national security. It has continuously improved its leading organs; established emergency rescue systems; set up a unified, coordinated and highly-efficient joint-action mechanism; formulated detailed backup emergency plans; provided services for emergency rescue and disaster relief by using CAD's communication, alarm and command facilities; organized specialized AD contingents to undertake tasks entrusted by the people's governments, such as comprehensive coordination, command support, and specialized rescue and assistance in emergency rescue and disaster relief; and made every effort to set up an integrated civil defense system that combines peacetime and wartime footing, and is capable of carrying out both anti-air-raid and

disaster-preventing missions. Many factories, mines, enterprises and communities have established volunteer teams for civil defense.

Mobilization of Communications for National Defense

The Chinese government attaches great importance to the mobilization of communications for national defense. Under the leadership of the State Council and the CMC, the state-level organs in charge of national defense communications are responsible for national defense communications mobilization across the country; the organs of the military area commands in charge of national defense communications are responsible for national defense communications mobilization within the areas under their jurisdiction; the organs of the people's governments at the county level and above in charge of national defense communications are responsible for national defense communications mobilization in their respective administrative regions; and the departments of the State Council in charge of communications management are responsible for national defense communications mobilization of their own industries.

In recent years, with the rapid development of national transportation and communication and the constant improvement in the informationalization of transportation and communication, China's national defense communications systems have been further improved, and the capacity to mobilize national defense communications has been greatly enhanced. Construction of the national and local infrastructure for transportation, communication and postal service is undertaken in pursuance of the principle of combining peacetime needs with wartime needs, fully taking into account the defense and military needs. Some railways, highways and ports of national defense significance are listed as key construction projects of the state. The support contingents and plans for transportation and communication have played an important role in emergency rescue and disaster relief in peacetime. In 2003, China's mileage of railways and highways in operation reached 73,000 km and 1,809,800 km respectively, including 29,700 km of expressways, and the annual volume of freight handled at the major coastal ports reached 2.01 billion tons. In railway transportation, the management of goods in transit has been informationalized, and the marshaling has been computerized. In water transportation, the positioning, tracking and control of ocean freighters have been brought into reality. In highway transportation, the positioning, tracking and control of some heavy trucks have been realized. In air transportation, real-time information processing has been realized with regard to ticket booking, departure, air routes as well as freight traffic and security monitoring. Database management has been initially implemented in terms of basic information and communications mobilization information concerning major railway stations, harbors, airports, airline companies and transportation companies.

Following the publication of the Regulations on Communications for National Defense, the State Council and the CMC promulgated the Regulations on Mobilization of Civil Transport for National Defense in September 2003, and the mobilization of civil transport for national defense has been put on the track of law. Peacetime preparations of civil transport mobilization are made in accordance with the principle of emphasizing key projects and focusing on actual effects. In this respect, the work includes the drafting of an overall plan for newly-built civil vehicles and related equipment to meet the demands of national defense, acquisition of information regarding the potentials to mobilize civil transport for national defense, and formulation of plans for national defense mobilization. Wartime mobilization of civil transport is conducted according to the mobilization order issued by the President of the state. Under special circumstances in peacetime, the mobilization of civil transport is implemented upon the decision on mobilization of civil transport made by the State Council and the CMC. All organizations and individuals possessing or managing civil transport capacity are obliged by the law to fulfill their duties and responsibilities for civil transport mobilization.

Militia Force Building

As an important component of the Chinese armed forces and the assistant and backup forces of the PLA, the militia force is an armed organization composed of the masses not released from their regular work. The militia is divided into two categories - the ordinary and the primary militia. The primary militia comprises rapid reaction detachments, infantry detachments, specialized technical detachments and detachments with corresponding specialties. There are now 10 million primary militia members throughout the country.

In recent years, based on the principle of controlling quantity and improving quality, and emphasizing key components and laying good foundation, priority has been given to the quality of the militia organizations in building the militia force while keeping its mass and universal character. Infantry detachments have been reduced, specialized technical detachments increased, and technical detachments specialized in areas of AA artillery (machine-guns), missiles, field artillery, communication, chemical defense, engineering, reconnaissance and information reinforced. Enterprises and institutions with corresponding specialties have established their militia detachments with a high technological content. Also established therein are militia detachments with specialties corresponding to different services and arms responsible for combat and logistic support, and militia support detachments responsible for fuel and other military supplies. The organizational structure of the militia force has been optimized. The scientific and technological quality of the militia force has been continuously improved, and

the capability of the militia force has been apparently enhanced for rapid mobilization and operations.

The primary militia members aged 18-22 receive 30-40 days of military training. The training duration for specialized technical militia members will be extended if necessary. Upon approval by the CMC, the General Staff Headquarters assigns military training tasks to the militia throughout the country. Military training for militia members will be conducted collectively at the militia military training bases in administrative regions at the county level. In some provinces and municipalities specialized technical training centers and people's military schools have been set up. The nationwide militia work comes under the centralized leadership of the State Council and the CMC. The provincial commands (garrison commands), military sub-commands (garrison commands) and the people's armed forces departments of counties, autonomous counties, cities and municipal districts are responsible for militia work in the areas under their respective jurisdictions. The people's armed forces departments at the level of townships, ethnic townships, towns and sub-districts are responsible for militia work in their own areas. The people's armed forces departments of enterprises and institutions, set up in accordance with relevant provisions of the government, are responsible for their own militia work. Enterprises and institutions with no people's armed forces department shall designate a department or personnel to handle their militia work.

The Suggestions on Strengthening and Improving Militia Work in Cities, jointly issued in August 2002 by the Central Committee of the CPC, the State Council and the CMC, defines the strategic status and role of the urban militia force and calls for strengthening and improving the urban militia work, so as to be prepared for winning people's wars under high-tech conditions with cities as important bases. In consideration of local conditions and wartime assignments undertaken by the militia, adjustments and reforms are steadily underway with respect to urban militia work.

Reserve Force Building

As an important component of the PLA, the reserve force constitutes the focal point of the defense reserves building. It consists of active servicemen as its backbone and reserve officers and men as its foundation. It is organized according to the PLA's unified organizational structure.

After more than 20 years of development, the reserve force has grown from purely a land force into an important composite reserve force consisting of the Army reserve, Navy reserve, Air Force reserve and the reserve of the Second Artillery Force. The reserve force adopts the

system of dual leadership by the military and the local Party committees and governments. The Army reserve is under the leadership of the provincial commands (garrison commands) in peacetime, and the Navy reserve, Air Force reserve and the reserve of the Second Artillery Force are placed under the joint leadership and control of both the provincial commands (garrison commands) and the Navy, Air Force and Second Artillery Force units. The reserve force is under the command of the designated troops in active service after wartime mobilization.

Under the new historical conditions, China persists in combining the building of the reserve force with that of the armed forces in active service. China improves the quality of the reserve force while enhancing the reserves' capabilities for rapid mobilization and operations so as to build a reserve force properly sized, reasonably structured, scientifically organized and credibly effective. In recent years, the key aspects of building the reserve force have been further highlighted. Combat readiness has been enhanced and training levels have been raised step by step. Based on the wartime chain of command, training systems linked with the active PLA troops have been established, and on-base training, simulated training and network training have been conducted on a wide scale.

National Defense Education

In accordance with the National Defense Education Law of the PRC, governments and relevant departments at all levels conduct national defense educational activities of various forms to enhance the national defense awareness of the people. A favorable situation in national defense education has just arisen, in which the government attaches great importance to it, the general public provides support to it, and the people take an active part in it.

The Central Government has set up the National Defense Education Office while organs or offices for national defense education have been established accordingly in provinces, autonomous regions, municipalities directly under the Central Government, and in most cities and counties. Twenty-six provinces, autonomous regions and municipalities directly under the Central Government have formulated or revised their national defense education regulations. The State National Defense Education Office has organized the drafting of the national defense education program.

China conducts its national defense education mainly among civil servants, young students, militia members and reservists. National defense education is absorbed into the curricula for civil servants and Party schools of the CPC. More than 2,500 Party schools throughout China have offered courses on national defense education. Such educational forms as special lectures,

Military Day on camp and short-term training programs are adopted. As a result, the awareness of government functionaries in performing national defense duties is enhanced. National defense education has been incorporated into the courses of all kinds of schools at different levels to provide students with national defense knowledge and education in patriotism. Some primary and secondary schools have also introduced activities in the form of juvenile military schools with national defense education as the theme. National defense education for the militia and reserve forces is conducted in connection with political education, intensified disciplining and military training.

In accordance with the Military Service Law of the PRC and the National Defense Education Law of the PRC, colleges, universities, senior high schools and their equivalents should develop their national defense education by linking their curricula with military training. When studying at colleges and universities, students are obliged to receive basic military training. The PLA Student Military Training Office, together with the Ministry of Education, has formulated a program to strengthen guidance on military training for students throughout the country. In 2003, some 1,100 colleges and universities and 11,500 senior high schools throughout China conducted military training as required and more than eight million students received such training.

On major holidays, commemoration days and military recruitment occasions, national defense education is conducted in all parts of China in the form of exhibitions, lectures, cultural and art performances, knowledge competitions and military summer camps. Special columns or programs in such media as newspapers, magazines, radio, TV and web pages are devoted to national defense education. There are now nine provinces and municipalities that have published newspapers or magazines on national defense education and more than 30 regions have set up websites on national defense education. With such platforms like cemeteries of revolutionary martyrs, revolutionary sites, and memorial halls and museums which can be used for this purpose, national defense education has been provided in all parts of the country with nearly 200 million people educated every year.

VII. Science, Technology and Industry for National Defense

To meet the requirements of the development of weaponry and equipment and the socialist market economy, China is speeding up the development of its defense-related science, technology and industry, and making efforts to build a new system of defense-related science, technology and industry which is structurally optimized, organizationally efficient, technologically advanced and properly laid out.

Main Tasks

The main responsibility of China's defense-related science, technology and industry is to ensure the production and supply of military equipment to meet the needs of national defense. At the same time, it undertakes the important task of promoting the development of the national economy and enhancing the overall national strength.

In accordance with the requirements of the RMA with Chinese characteristics, the defense-related science, technology and industry strives to raise its capability for weaponry and equipment research and production, and accelerate the research and production of new- and high-tech weaponry and equipment. It adjusts the capability composition of weaponry and equipment research and production, giving priority to the building of capability of new- and high-tech weaponry and equipment research and production, and promoting the optimization and upgrading of the military industrial structure. It strengthens and improves its technology- and defense-based research work, and conducts explorations of frontier technology and future-oriented research, so as to expand its technological reserve. It employs new- and high-technologies to remold military industrial enterprises, so as to convert its weaponry and equipment production capability from a rigid structure to a flexible one. It enhances the development of military standards, so as to establish a universal system of technical standards tailored to new developments of weaponry and equipment. It carries out dynamic adjustments of the research and production of weaponry and equipment, so as to shorten the development cycle and reduce the cost of products.

While ensuring the fulfillment of military orders, the defense-related science, technology and industry vigorously develops dual-purpose technologies and actively participates in the development of the national economy. It promotes the development and technological advances of civilian products manufactured mainly by the military industry, such as those in the fields of nuclear energy and applied nuclear technologies; space and aviation technologies and ships and demolition technologies for civil use. To help bring about industrial upgrades and

technological advances of the national economy, it supports the large-scale development of China's western region and the remolding of the old industrial bases in northeast China, and undertakes key construction projects and major equipment development and technical problem tackling tasks.

The first two decades of the 21st century will be a crucial period for the reform and adjustment of the defense-related science, technology and industry. It will adhere to the strategic guideline of combining military needs with civilian needs, reserving military potential in civilian capability, vigorously developing coordination, and making independent innovations, and persist in taking a new road of industrial development. It will establish and improve a mechanism of competition, appraisal, supervision and motivation, give impetus to the optimization and reorganization of resources and the upgrading of the industrial structure, strengthen the building of the basic capabilities of the defense-related science, technology and industry foundations, and enhance in an all-round way the overall quality and sustainable development capability of the defense-related science, technology and industry.

Reform and Adjustment

China's defense-related science, technology and industry continues to deepen its reform, optimize its industrial structure and resources allocation, accelerate system and mechanism innovation, and establish a streamlined and efficient research and production system.

Optimizing the industrial structure. China's defense-related science, technology and industry aims to form an industrial layout with military high-tech industries as the precursor, major dual-purpose industries as the main body, and military manufacturing industries as the foundation. It gives priority to the development of dual-purpose high-tech industries, absorbs advanced civilian technologies from all industries and trades for the service of national defense, and promotes the two-way transfer of military and civilian high technologies. It supports enterprises to develop projects and programs which are technology-intensive, produce good economic results, consume fewer resources, cause less environmental pollution and give full play to the advantages of human resources. It encourages the development of burgeoning industries with information technology, new materials, energy saving and environmental protection, life sciences, oceanic engineering and other high technologies as the precursor, so as to foster new economic growth.

Accelerating the reform and adjustment of military industrial enterprises. China's defense-related science, technology and industry optimizes the organizational structure of military

industrial enterprises and encourages competitive enterprises to carry out strategic reorganization on the basis of market demand and their own advantages, in compliance with the principle of specialized division of labor and large-scale production and with products and assets as the link. Military industrial enterprises are impelled to establish a modern enterprise system, accelerate the pace of ownership system restructuring, establish a standard parent-subsidiary system and a legal person management structure, and change their enterprise operational mechanism. Full play is given to the guiding role of the state's input, to lead and channel social funds into the development of the defense-related science, technology and industry and carry forward the diversification of investors. Through reforms and adjustments, the main body of the military industry is streamlined, and a new defense-related science, technology and industry system established, which features a small core, extensive cooperation and military potential reserved in civilian capability.

Improving the innovation system of scientific research. Scientific research institutions engaged in innovation activities in basic research, strategic high-tech research and important public welfare research should expedite the establishment of a modern scientific research institution system according to the principle of clearly defined responsibilities and duties, scientific evaluation, orderly opening, and standard management. Market-oriented applied technology research and development institutions should speed up their transformation into enterprises run on a commercial basis. The goal is to form a defense scientific research system with defense scientific research institutions, institutions of higher learning and key enterprises as the main body, and to enhance the independent development capability of the defense-related science, technology and industry.

Promoting innovation in talents-related work. A new mechanism should be established as soon as possible for training, attracting, using, and retaining talented people, and for accelerating their growth, so as to create a well-structured contingent of high-caliber people in a whole array of principles. Impetus should be given to the reform and development of higher education for the defense-related science, technology and industry, so as to speed up the training of high-level specialized personnel urgently needed by the defense-related science, technology and industry. Preferential policies should be formulated to encourage college and university graduates, excellent students returned from overseas, and other scientific, technological and management talents from outside the defense-related science, technology and industry to take part in its building. In addition, the personnel employing mechanism and the distribution system should be reformed to raise the salaries and improve the conditions of those engaged in weaponry and equipment research, development and production.

Development of Civil Use Industry

China has made remarkable progress in putting military industrial technology to civil use in the past two years. In 2003, the output value of civilian products rose by 20% as compared with that of the previous year, accounting for more than 65% of the total output value of the defense-related science, technology and industry.

Nuclear power production is being industrialized. China's mainland now has nine nuclear power generating sets in operation, the total installed capacity of which is 7.01 million KW. Another two, each with an installed capacity of 1.06 million KW, are now under construction. In 2003, China's nuclear power production was 43.3 billion KWH, accounting for 2.3% of its total power production. Steady progress has been made in the construction of auxiliary projects for nuclear energy. A nuclear fuel production system tailored to nuclear power production has by and large taken shape, and the production of nuclear fuel has been technologically upgraded. Great importance is attached to the decommissioning of nuclear installations and the treatment of radioactive waste, and great efforts are made to enhance the awareness of environmental protection and ensure the safe disposal of all kinds of radioactive waste. The emergency response system for nuclear accidents has been gradually improved, and the response capability increased.

Major breakthroughs have been made in space technologies for civil use. Since October 1996, China has succeeded in 41 space launches. The successful launching of the "Shenzhou V" spaceship in October 2003 sent China's first astronaut into space. The key technological problems for the new generation of carrier rockets have been tackled. China has successfully launched various application satellites, including SSO (Sun Synchronous Orbit) and GEO (Geostationary Orbit) meteorological satellites, the HY-1 oceanographic satellite and CBERS (China-Brazil Earth Resource Satellite). The R&D of a DMEC (Disaster Monitoring and Environmental Control) satellite constellation, a large GEO satellite platform and a new generation of SSO meteorological satellites is going on smoothly. A lunar probe project was officially started in January 2004, and a lunar orbiting exploration is scheduled to be carried out by the end of 2007.

The aviation industry for civil use has made important headway in the R&D of feeder liners and general-purpose aircraft. ARJ21, a new jet feeder liner with 70 seats, is being independently developed, and is scheduled for delivery in 2008. The Y-12E general-purpose aircraft for use in high-temperature and plateau conditions and the Z-11 and Z-9 helicopters have all received airworthiness certificates and been put on the commercial market. The newly developed

"Xiaoying 500" general-purpose plane made its first flight in 2003. The ERJ145 jet feeder liner jointly manufactured by China and Brazil has been delivered to users. An agreement has been formally signed on the building of an assembly line in China for the EC120 helicopter jointly developed by China, France and Singapore. Subcontracting business for the manufacture of foreign aircraft parts has been developing steadily, and begun to be integrated into the large-scale circulation system of the international aviation industry.

The shipbuilding industry for civil use has witnessed sustained rapid growth, with an output ranking third in the world for many years. In 2003, China's accomplished shipbuilding output, newly received orders and on-hand orders amounted to 6.41 million DWT, 18.95 million DWT and 26.23 million DWT respectively, accounting for a world market share of 11.8%, 18.9% and 17.7% respectively. Products manufactured by the shipbuilding industry for civil use have been exported to more than 90 countries and regions. The R&D and designing capability of the shipbuilding industry for civil use has been remarkably raised. It can now build and repair large ships, and has made new breakthroughs in building high-tech ships.

Cooperation with Foreign Countries China's defense-related science, technology and industry take an active part in international exchanges and cooperation and opens wider to foreign countries. In the field of the military industry for civil use, China encourages military enterprises and institutions to develop both the international and domestic markets, utilize resources from both home and abroad, participate in the international division of labor, optimize the export product mix, and raise the international competitiveness of their products. China also encourages them to introduce advanced foreign technologies and management expertise, improve the use of foreign funds, expand the strategic cooperation with large multinational companies, and raise the technological level of the defense-related science, technology and industry. China attaches great importance to developing cooperation in defense technology with friendly countries, and promotes exchanges of and cooperation in defense technology in the international industrial community.

China's defense-related science, technology and industry takes a prudent attitude toward the export of military products and related technologies, and strictly complies with the policies and laws of the state on non-proliferation. On the export of missiles and other military products, it strictly abides by the Regulations of the PRC on the Export Control of Missiles and Related Items and Technologies, the Regulations of the PRC on the Export Administration of Military Products and the corresponding lists. China has invariably adhered to three principles concerning the export of military products: It should only serve the purpose of helping the recipient state enhance its capability for legitimate self-defense; it must not impair peace,

security and stability of the relevant region and the world as a whole; and it must not be used to interfere in the recipient state's internal affairs.

VIII. The Armed Forces and the People

China's national defense is the people's national defense, and China's armed forces belong to the people. It is an important responsibility and duty of the Chinese armed forces to take part in national construction and exert themselves in the service of the people. Strengthening unity between the PLA and the government and between the PLA and the people is an important political foundation for relying on the people to build national defense and the PLA.

Supporting the PLA and Giving Preferential Treatment to Families of Servicemen and Martyrs, and Supporting the Government and Cherishing the People

Maintaining unity between the military and the people and between the PLA and the government, supporting the PLA and giving preferential treatment to families of servicemen and martyrs, and supporting the government and cherishing the people: these are the fundamental principles consistently adhered to in the building of national defense and the PLA. Supporting the PLA and giving preferential treatment to families of servicemen and martyrs are activities carried out by the local people's governments at all levels, mass organizations and the masses to support the PLA and give preferential treatment to families of active-duty servicemen and revolutionary martyrs. Supporting the government and cherishing the people is the mass work carried out by the people's army focusing on support for the government and love for the people. These glorious traditions formed during the revolutionary wars demonstrated tremendous might in Chinese people's liberation cause.

Since the founding of New China, the work of supporting the PLA and giving preferential treatment to families of servicemen and martyrs has been gradually legalized and standardized. The State Council has, in succession, promulgated the Regulations on the Commendation of Revolutionary Martyrs, the Regulations on Compensation and Preferential Treatment for Servicemen and the Regulations on the Resettlement of Demobilized Conscripts. It has also formulated and issued policies and statutes on the resettlement of officers transferred to civilian work, on the employment of the accompanying spouses of officers, and on safeguarding the legitimate rights and interests of servicemen and their families. The Ministry of Civil Affairs and the PLA General Political Department jointly issue circulars on New Year's Day, the Spring Festival and Army Day every year on the arrangements for the work of supporting the PLA and giving preferential treatment to families of servicemen and martyrs and supporting the government and cherishing the people. In the past ten years and more, proper arrangements have been made for more than 600,000 officers transferred to civilian work, more than 7,000,000 demobilized enlisted men, more than 50,000 disabled enlisted men and more than

900,000 spouses. In addition, more than 100,000 retired military cadres and civilian employees have been given political status and material benefits they deserve, and children of servicemen enjoy preferential policies in education. In August 2004, the State Council and the CMC promulgated the newly revised Regulations on Compensation and Preferential Treatment for Servicemen, greatly raising the compensation standards, expanding the scope and increasing the items of social preferential treatment, and further improving the compensation and preferential treatment system for servicemen, which is suited to the conditions of China.

The people's governments at all levels have incorporated the work of supporting the PLA and giving preferential treatment to families of servicemen and martyrs into their economic and social development programs, and given active support to national defense building and the PLA. They have actively helped PLA units to accomplish tasks of education and training, performing combat readiness duties, conducting scientific research and testing, and carrying out the construction of military projects, by ensuring the requisitioning of sites and providing road support and material supplies. They have encouraged regular institutions of higher learning and scientific research institutions to provide the PLA with technological and intellectual support, and established bases for such purposes to help PLA units train personnel in different fields. They have organized non-governmental sectors to help PLA grass-roots units to improve their living conditions, supplied to them food, oil, water and electricity with priority, helped build barracks and living quarters, and set up food-production bases and cultural centers, and helped nearly one million families of servicemen to overcome their living, housing and medical care difficulties. Local governments at all levels have established working mechanisms for safeguarding the legitimate rights and interests of servicemen and their families, courts at the basic level have set up collegiate benches for cases involving servicemen, and judicial administrative organs in various places have set up legal assistance centers to solve and mediate in the legal problems of servicemen and their families. In the past two years or so, more than 300 cities (counties), more than 2,000 enterprises and institutions and more than 1,000 individuals have been commended by the Central Government and its relevant departments for their outstanding performance in supporting the PLA and giving preferential treatment to families of servicemen and martyrs.

Carrying forward its fine traditions, the PLA has persisted in taking it as an important part of its political work to support the government and cherish the people, and has included this in the overall plan for the building of its forces. The PLA's political organs at all levels have special departments responsible for organizing activities of supporting the government and cherishing the people, and for setting up mechanisms for coordinating the relations between PLA units and local people. The PLA consciously respects the local people's governments at all levels, and

assists them in their work. It strictly complies with the policies and statutes of the state, cherishes and respects the people, and helps them overcome their difficulties. In the past decade and more, the PLA has set up nearly 40,000 points of contact for helping the poor. Owing to its help, more than 3.7 million poor people have been enabled to get rid of poverty, more than 2,800 primary and secondary schools have been built in poverty-stricken areas, and more than half a million school drop-outs have returned to class.

Under the unified leadership of the local people's governments, the PLA and the PAPF grass-roots units jointly carry out mass activities with local grass-roots organizations to build socialist spiritual civilization. Throughout the country, more than 30,000 links for joint activities have been set up for such purposes. All grass-roots units of the PLA and the PAPF take an active part in local activities aimed at building "civic virtues" cities, villages, communities and trades. They open for free to the public military history exhibition halls, and honor rooms of heroic companies, and memorial halls in honor of heroes and models. They assist in areas inhabited by ethnic minorities to develop educational, cultural and health programs. Local governments help the PLA and the PAPF train servicemen competent in both military and civilian jobs, and help grass-roots units of the PLA and the PAPF improve and enrich the cultural life in barracks.

Participating in and Supporting National Construction

The PLA and the PAPF actively participate in and support all aspects of national construction besides fulfilling their assignments of education and training. They participate in the construction of national and local infrastructure projects, support agriculture, relieve poverty through development projects, transfer scientific and technological achievements, assist in tackling technological problems and training personnel, and support the development of the public welfare undertakings in both urban and rural areas. They have also vacated part of the land for military use and barracks and camp facilities, and opened some military airfields, harbors and docks and communication lines to civilian use.

The General Staff Headquarters and the General Political Department have specified that everyone in PLA units is obliged to devote an average of not less than eight days a year to national construction. Under the condition that military needs are met, PLA units may use some of their vehicles, machines, ships, planes and other equipment to support local economic construction. Organic units of the engineering troops may take part in the construction of national or local projects. The goldmine, forest, water conservancy and electric power, and transportation forces of the PAPF take a direct part in national economic construction.

In the past two years, the PLA has assisted in the construction of more than 490 key projects at the provincial level and above, and transferred more than 500 scientific and technological achievements to civilian sectors. More than 100 military hospitals have given support to corresponding local hospitals in remote and less-developed areas. PLA technical troops specializing in mapping, meteorology, water supply and so on have provided services in geographic survey, weather forecasts, water source exploration and other fields. Military institutions of education and research have helped train more than 100,000 personnel urgently needed in local construction. PAPF units have taken part in the construction of more than 100 key national and provincial projects, and made significant contributions in particular to the Three Gorges Project, the West-East Electricity Project, the West-East Natural Gas Project and the Qinghai-Tibet Railway Project, as well as to geological prospecting, forest fire prevention and highway construction.

Since the founding of New China in 1949, more than 3,500,000 military cadres have been transferred to civilian work, and they have taken an active part in all aspects of national construction. Among the 1,500,000 military cadres transferred to civilian work since the beginning of the reform and opening-up, more than 540,000 have been cited as model or outstanding workers, more than 10,000 have been chosen as outstanding entrepreneurs, and more than 330,000 have become leaders at or above the county or corresponding level, many of whom have even become provincial or ministerial leaders.

Participating in Emergency Rescue and Disaster Relief Operations

Taking part in emergency rescue and disaster relief operations is an important mission the state and the people have entrusted to the PLA and PAPF. In the course of these operations, the PLA and PAPF mainly undertake the following tasks: rescuing and evacuating disaster victims and people trapped in danger, eliminating or controlling major dangers and disasters, ensuring the safety of important targets, participating in the emergency rescue and transportation of important goods, conducting rush repairs of roads and bridges, carrying out underwater operations and rescue operations under nuclear, biological and chemical conditions, controlling major epidemic diseases↔providing medical aid, and assisting local people's governments in such tasks as disaster relief and post-disaster reconstruction. In normal time, the PLA and PAPF make a point of gathering information on disasters and dangers, set up a system of information exchanges with local governments, draw up rescue and relief plans, conduct rescue and relief training and exercises, and offer rescue and relief courses in military command colleges. In rescue and relief operations, PLA and PAPF troops receive orders from the joint military-civilian headquarters.

In the past two years, PLA and PAPF troops have taken part in fighting floods, typhoons, earthquakes, forest fires, epidemic diseases and other natural disasters on more than 120 occasions, and prevented economic losses totaling some RMB 10 billion. The PAPF alone put in more than 240,000 troops, rescued more than 230,000 people out of danger, and rush-transported more than 2.6 million tons of goods. In 2003, the PLA and PAPF offered all-out support to governments at all levels in the fight against SARS by sending 37,000 officers and men to help control the spread of the disease and sterilize on a large scale key places, sites and areas with a high incidence of SARS. Eighteen military hospitals provided meticulous medical treatment to 420 SARS patients. The Military Academy of Medical Science was the first to separate the SARS pathogen in China and develop a rapid-diagnosis reagent for SARS. A total of 1,383 medical personnel from different PLA units worked hard continually at the Beijing Xiaotangshan Hospital for more than 50 days to give meticulous treatment to 680 SARS sufferers.

Keeping Discipline in Relation to the Masses

The PLA's discipline in relation to the masses is the code of conduct that all officers and men must observe in their contacts with the masses of the people. Strict enforcement of discipline in relation to the masses is the guarantee for the PLA to win the support of the people.

In its early days, the PLA formulated the "Three Main Rules of Discipline" and "Eight Points for Attention," which clearly state: "Do not take a single needle or piece of thread from the masses," "Speak politely," "Pay fairly for what you buy," "Return everything you borrow," "Pay for anything you damage," "Do not hit or swear at people," "Do not damage crops," and so on. The newly issued Regulations on Routine Service of the People's Liberation Army and the Regulations on Discipline of the People's Liberation Army, along with a series of new statutes formulated by the CMC and the general departments of the PLA, stipulate that servicemen must conform to the required standards of bearing when they go out in uniform, and that they should not engage in trade or in paid services beyond their own jobs, or use their names or portraits for commercial advertising, thus enriching the content of discipline in relation to the masses.

All PLA units regard it as a constant and important task to strictly enforce discipline in relation to the masses. They conduct education in discipline in relation to the masses, inspect and supervise its observance, and strictly restrain the behavior of officers and men in social activities. The garrison headquarters of troops stationed in cities send out pickets to patrol the streets from time to time, and PLA units send out discipline inspection teams on major holidays or when their personnel go out to perform tasks. Regular visits are paid to civilian organizations in the

areas where PLA units are stationed, and when breaches of discipline are found, they will be dealt with in time. The PLA units stationed in areas inhabited by ethnic minorities strictly implement the state policies concerning ethnic groups and religions, and consciously respect the religious beliefs and customs of the ethnic minorities.

IX. International Security Cooperation

Adhering to the purposes and principles of the UN Charter, China persists in developing friendly relations and strengthening cooperation with other countries on the basis of the Five Principles of Peaceful Co-existence, and devotes itself to promoting international security dialogues and cooperation of all forms.

Strategic Consultation and Dialogue

In recent years, China has intensified bilateral and multilateral strategic consultation and dialogues with countries concerned in security and defense fields which contribute to better mutual trust and mutual exchange and cooperation.

With the strengthening of the strategic and cooperative partnership between China and Russia, the two countries have established a senior-level meeting mechanism to exchange views on major issues. They have also held consultations on major strategic issues between relevant departments. In 2003, China and Russia conducted a number of vice-foreign-ministerial level consultations on the nuclear issue on the Korean Peninsula, the questions of Iraq and the Middle East, and other international, regional and bilateral issues of common concern. In 2004, the two countries held a counter-terrorism working group meeting and consultation on strategic stability at the vice-foreign-ministerial level. The two militaries established a consultation mechanism in 1997, and the General Staff headquarters of the two militaries held the seventh and eighth rounds of strategic consultations in 2003 and 2004 respectively.

China and the United States maintain consultations on non-proliferation, counter-terrorism, and bilateral military security cooperation. In the past two years, the two countries held three rounds of consultations at the vice-foreign-ministerial level on strategic security, multilateral arms control and non-proliferation, the sixth Defense Consultative Talk, the third and fourth counter-terrorism consultations, and the second financial counter-terrorism consultation. The military maritime and air safety working groups under the Military Maritime Consultative Agreement held the third and fourth meetings in Hawaii and Shanghai respectively.

China has conducted extensive strategic consultations and dialogues with other countries. China and France established the relationship of strategic dialogue in 1997, and have since held six rounds of such consultation. China and the United Kingdom held two rounds of strategic security dialogue in October 2003 and March 2004 respectively, and established the Sino-British strategic security dialogue mechanism. The Chinese Ministry of National Defense and its South African counterpart signed an agreement on the establishment of a defense

commission in April 2003. The Seventh Sino-Australian Defense Strategic Consultation was held in October of the same year. The two militaries of China and Germany held their second round of strategic consultation in July 2004. China has also held fruitful security consultations and dialogues respectively with Canada, Mexico, Italy, Poland, New Zealand and other countries.

China attaches importance to security consultations with its neighboring countries. China and Pakistan held their second defense and security consultation in July 2003. The defense ministries of China and Thailand held their second defense security consultation in September of the same year. The Chinese Ministry of National Defense and Japanese Defense Agency held their fourth and fifth security consultations respectively in January and October 2004. In April this year, China and Mongolia held their first defense and security consultation. In September, the Chinese Ministry of National Defense held the second strategic consultations respectively with its counterparts of Kyrgyzstan and Kazakhstan. In October this year, China and Australia held their eighth Defense Strategic Dialogue, and the Chinese Ministry of National Defense held the third security consultation with its Thailand counterpart.

Regional Security Cooperation

China pursues a foreign policy of building a good-neighbor relationship and partnership with its neighbors, trying to create an amicable, secure and prosperous neighborhood, and vigorously pushing forward the building of a security dialogue and cooperation mechanism in the Asia-Pacific region.

Since its establishment more than three years ago, the Shanghai Cooperation Organization (SCO) has been evolving into an important mechanism for promoting regional security, stability and development. It has set up a relatively complete organizational structure and laid a sound legal basis, and successfully initiated cooperation in security, economic and other fields. The Shanghai Convention on Combating Terrorism, Separatism and Extremism and the Agreement of State Parties of the Shanghai Cooperation Organization on the Regional Counter-terrorism Agency took effect in 2003. In pursuance of the convention and agreement, the SCO held meetings of chief procurators and ministers of defense, and conducted joint counter-terrorism military exercises. The SCO Secretariat and regional counter-terrorism agency were formally inaugurated in Beijing and Tashkent in January 2004. The Tashkent Summit Meeting of the SCO signed the Tashkent Declaration and the Agreement on Cooperation in Combating Illegal Turnover of Narcotic and Psychotropic Substances and the Precursors Thereof in June 2004.

The SCO also set up the mechanism of regular meetings between security committee secretaries of its member states to strengthen security and cooperation.

China attaches great importance to the role of the ASEAN Regional Forum (ARF), and is devoted to its sound development. At the 11th ARF Foreign Ministers' Meeting in 2004, China proposed the following initiatives for the future development of ARF: to maintain its forum nature and adhere to the basic principles of decision-making through consensus, taking an incremental approach, and moving at a pace comfortable to all members so as to encourage the initiative and active participation of all members; to continuously strengthen and consolidate confidence-building measures (CBMs) while actively addressing the issue of preventive diplomacy, so as to gradually find out cooperative methods and approaches for preventive diplomacy that are suitable to the region and fitting the current needs; to increase participation of defense officials, promote exchanges and cooperation among militaries of the countries concerned and give full play to the important role of the militaries in enhancing mutual trust; to highlight cooperation in non-traditional security fields such as counter-terrorism and combating transnational crimes. As its co-chairmen, China and Myanmar hosted two intersessions in Beijing and Rangoon respectively on CBMs for the 2003-2004 Forum. China hosted the ARF Workshop on Drug-Substitute Alternative Development in September 2004 in Kunming, Yunnan Province, and the ARF Conference on Security Policies in November 2004.

In October 2003, the leaders of China, Japan and the Republic of Korea held their fifth meeting, and issued the Joint Declaration on the Promotion of Tripartite Cooperation Among the People's Republic of China, Japan and the Republic of Korea, which confirmed that the three countries would work together to intensify security dialogues and extend exchanges among defense and military officials in East Asia, and strengthen cooperation in the fields of disarmament and non-proliferation, and the realization of a nuclear-free Korean Peninsula.

Cooperation in Non-Traditional Security Fields

China attaches great importance to security cooperation in the non-traditional security fields with other countries, maintaining that in jointly combating non-traditional security threats, it is imperative to address both the symptoms and root causes and to adopt comprehensive measures.

Cooperation in non-traditional security fields within the frameworks of ASEAN and China (10 + 1) and ASEAN and China, Japan and the Republic of Korea (10 + 3) has developed gradually in recent years. In November 2002, leaders of China and ASEAN signed the Joint Declaration

Between China and ASEAN on Cooperation in Non-Traditional Security Fields. In April 2003, leaders of China and ASEAN held a special meeting in Bangkok, Thailand, on SARS and issued a joint declaration. In January 2004, the two sides signed the Memorandum of Understanding Between China and ASEAN on Cooperation in Non-Traditional Security Fields. China initiated and participated in the first ministerial meeting between ASEAN and China, Japan and the Republic of Korea on combating transnational crimes, held in Bangkok, Thailand, in January 2004, and submitted a concept paper. The meeting agreed to set up a cooperation mechanism between ASEAN and China, Japan and the Republic of Korea for combating transnational crimes, and adopted the first Joint Communiqué of the ASEAN Plus Three Ministerial Meeting on Combating Transnational Crimes.

China continued to strengthen its international counter-terrorism cooperation. It supported the UN, particularly the Security Council in playing a leading role in this regard, and seriously implemented Security Council resolutions on counter-terrorism issues, as was shown by its reports to the Council on the implementation of Resolution No. 1373. It has actively supported and participated in the drafting of the Comprehensive Convention on International Terrorism and the International Convention on the Suppression of Nuclear Terrorism. In January 2003, China put forward four proposals on deepening international counter-terrorism cooperation at the foreign ministers' meeting of the UN Security Council on counter-terrorism. China also conducted exchanges and cooperation with Russia, the United States, Pakistan, India, the United Kingdom, France and Germany in this regard.

The PLA has taken an active part in cooperation in non-traditional security fields such as joint counter-terrorism, maritime search and rescue, combating piracy, and cracking down on drug production and trafficking. The ministers of defense of China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the Memorandum of the Ministries of National Defense of the SCO Member Countries on Holding the "Joint-2003" Counter-terrorism Exercise in May 2003. The armed forces of the five countries successfully conducted the first multilateral counter-terrorism exercise in the vicinities of Ucharal in Kazakhstan and Yining in China's Xinjiang Uygur Autonomous Region within the framework of the SCO in August 2003. The armed forces of China and Pakistan conducted Friendship-2004, a joint counter-terrorism exercise, in the border area between the two countries in August 2004. The Chinese navy conducted joint maritime search-and-rescue exercises off the Chinese coast with visiting Pakistani navy in October and Indian navy in November 2003. It also held joint maritime search-and-rescue exercises with French navy in March, British navy in June, and Australian navy in October in 2004 in the Yellow Sea area.

Participating in UN Peacekeeping Operations

China has consistently supported and actively participated in the peacekeeping operations that are consistent with the spirit of the UN Charter. It maintains that the UN peacekeeping operations should abide by the purposes and principles of the UN Charter and other universally recognized principles governing peacekeeping operations. China will continue to support the reform of the UN peacekeeping missions, hoping to further strengthen the UN capability in preserving peace.

Since its first dispatch of military observers to the UN peacekeeping operations in 1990, China has sent 3,362 military personnel to 13 UN peacekeeping operations, including 785 military observers, 800 (in two batches) engineering personnel to Cambodia, 654 (in three batches) engineering and medical personnel to Congo (Kinshasa), 1,116 personnel in transportation, engineering and medical units to Liberia, and seven staff officers to the UN Department of Peacekeeping Operations. Since January 2000, China has sent 404 policemen to the peacekeeping operations in six UN peacekeeping task areas including East Timor. In 2004, China has sent 59 policemen to East Timor, Liberia, Afghanistan, Kosovo of Serbia-Herzegovina and Haiti, and a 125-member organic police detachment to Haiti to serve with MINUSTAH at the request of the UN. In the past 14 years, six Chinese servicemen lost their lives and dozens wounded in UN peacekeeping operations.

At present, 845 PLA personnel are working in eight UN peacekeeping task areas. They included 66 military observers, an engineering unit of 175 personnel and a medical unit of 43 personnel in Congo (Kinshasa), an engineering unit of 275 personnel, a transportation unit of 240 personnel and a medical unit of 43 personnel in Liberia, and three staff officers at the UN Department of Peacekeeping Operations.

Military Exchanges

The PLA conducts active military exchanges and cooperation with militaries of other countries, and has created a military diplomacy that is all-directional, multi-tiered and wide-ranging.

China has established military relations with more than 150 countries in the world. It has set up over 100 military attaché's offices in its embassies abroad, and 85 countries have set up military attaché's offices in China. Over the past two years, the PLA has sent high-level military delegations to over 60 countries, and played host to over 130 delegations of military leaders from over 70 countries. The military-to-military relations between China and Russia continued to strengthen and develop. The Chinese Minister of National Defense visited the United States in

October 2003, the first such visit in seven years. The Director General of the Japanese Defense Agency visited China in May 2003, after an interval of five years. The Indian and Chinese ministers of defense exchanged visits in April 2003 and March 2004 respectively, the first of its kind in many years. Meanwhile, military exchanges between China and European countries developed in depth. China also strengthened military relations with its surrounding countries, extended military exchanges with other developing countries, and continued to provide militaries of some countries such assistance as personnel training, equipment, logistical materials and medical treatment.

In October 2003, the PLA invited for the first time military observers from 15 countries to observe the joint exercise Northern Sword-0308U organized by the Beijing Military Area Command. In September 2004, it invited observers from foreign militaries to watch Exercise Dragon-2004 organized by the Chinese navy. In the same month, military leaders or observers from 16 neighboring countries and their military attachés stationed in China were invited to observe Exercise Iron Fist-2004 organized by the Jinan Military Area Command. In June 2004, China invited foreign naval attachés from 15 foreign embassies in China to observe a Sino-British joint maritime search-and-rescue exercise. Besides, the PLA sent delegations to observe military exercises in Russia and Japan, as well as joint military exercise by the United States, Thailand and Singapore. From October to November 2003, Chinese naval ships paid friendly visits to the US territory of Guam, Brunei and Singapore. Meanwhile, naval ships from the United Kingdom, Russia, the United States, Pakistan, India, France, Indonesia and other countries visited China. The PLA pursued active military academic exchanges with foreign militaries. The PLA Academy of Military Science and other Chinese research institutions had extensive academic exchanges with scientific research institutions of other countries. The PLA increased the number of military students sent abroad and received more overseas military students in China. In recent years, it has sent over 1,000 military students to more than 20 countries, and 19 military colleges and universities in China have established inter-collegiate exchange relations with their counterparts in 25 countries, including the United States and Russia. Over the past two years, 1,245 military personnel from 91 countries have come to study in Chinese military colleges and universities, and officers from 44 of these countries have participated in the fifth and sixth International Symposium Course hosted by the PLA National Defense University.

X. Arms Control, Disarmament and Non- Proliferation

In recent years, some positive progress has been made in the fields of international arms control, disarmament and non-proliferation, but the proliferation of weapons of mass destruction (WMD) and their means of delivery and other issues have become major factors affecting the international security situation. The Chinese government maintains that the international community should safeguard the international regime of arms control, disarmament and non-proliferation treaties, promote its universality and reinforce its effectiveness and authority; that it should persist in multilateralism and give full play to the role and influence of the multilateral arms control, disarmament and non-proliferation treaty organs; that it should strive to meet the challenges brought about by the proliferation of WMD through political and diplomatic means on the basis of the existing international laws; and that it should address both the symptoms and root causes and adopt comprehensive measures, which means that it should take into consideration security threats such as proliferation of WMD while not neglecting the social and economic root causes of such threats.

Committed to the Non-Proliferation Efforts

The proliferation of WMD and their means of delivery is detrimental to world peace and security, so is it to China's own security. Non-proliferation is in the common interest of all countries, including China, and it has become an international consensus.

China attaches great importance to non-proliferation. It pursues a policy of not supporting, not encouraging and not assisting other countries to develop WMD. It resolutely opposes the proliferation of WMD and actively participates in the diplomatic efforts of the international community to deal with non-proliferation issues. The Chinese government published a white paper entitled China's Non-Proliferation Policy and Measures in December 2003.

China has put in place a comprehensive legal system for non-proliferation export control, covering the exports of nuclear, biological, chemical, missile and other sensitive items and technologies. It has adopted the international export control measures, including export registration system, end-user and end-use certification system, licensing system, list control method and "catch-all" principle, and has stipulated corresponding penalties for breaches of these laws and regulations. China's non-proliferation export control measures are basically in conformity with the current international practice.

The relevant departments in China have adopted and will continue to adopt forceful measures to ensure the implementation of the relevant regulations and laws. China has set up an inter-

agency approval and coordination mechanism on export control and a national expert supporting system for export control. It has promulgated and implemented the Export Licensing Catalogue of Sensitive Items and Technologies. It is revising the related regulations on non-proliferation export control and the corresponding control lists, and has set up an emergency coordination mechanism in order to promptly and effectively handle proliferation contingencies. It imposes penalties on activities which violate the non-proliferation export control laws and regulations.

China has actively developed its relations with relevant multilateral export-control regimes. It has formally joined the Nuclear Suppliers Group and has applied for its accession to the Missile Technology Control Regime. China has established a dialogue mechanism with the Wassenaar Arrangement and kept contact with the Australia Group. It has also strengthened information exchanges and law-enforcement cooperation on non-proliferation with relevant countries.

China is in favor that the United Nations plays its due role in the non-proliferation field, and hopes that the UN Security Council Resolution 1540 on non-proliferation will be implemented effectively. In October 2004, China submitted a report on Chinese government's implementation of the Resolution to the Security Council's Non-proliferation Commission. China takes an open attitude toward all proposals that may help safeguard and strengthen the international non-proliferation regime, and is ready to have in-depth discussions with other parties in this regard.

Promoting the International Arms Control and Disarmament Process

At present, the key to pushing forward the international arms control and disarmament process is to break the deadlock at the Conference on Disarmament (CD) in Geneva. In August 2003, China announced that it accepted the amended mandate of the Ad Hoc Committee on the Prevention of an Arms Race in Outer Space (PAROS) in the Five Ambassadors' Proposal, and is ready to participate in reaching consensus through consultation on the Five Ambassadors' Proposal on the Program of Work. It hopes that the other parties concerned would give positive response.

China supports the Conference on Disarmament in its efforts to start substantive work on the following four topics: nuclear disarmament, the Fissile Material Cut-off Treaty (FMCT), security assurances to non-nuclear-weapon states, and prevention of an arms race in outer space.

China consistently stands for complete prohibition and thorough destruction of nuclear weapons. It always pursues a policy of no first use of nuclear weapons, and undertakes unconditionally not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-

weapon-free zones. China did not and will never engage in a nuclear arms race with any other country. It supports the international community in its efforts to start substantive discussions on nuclear disarmament.

The FMCT is of great significance to preventing the proliferation of nuclear weapons and facilitating the nuclear disarmament process. China supports an early conclusion of the treaty through negotiations.

In the current situation, the importance and urgency of providing security assurances for non-nuclear-weapon states has become more prominent. China supports the negotiation and conclusion of an international legally binding instrument on this issue. China is the only country among the five nuclear weapon states to commit itself not to use or threaten to use nuclear weapons against non-nuclear-weapon states or nuclear-weapon-free zones. China appeals to the four other nuclear weapon states to make the same commitment.

Outer space is the common property of mankind. China hopes that the international community would take action as soon as possible to conclude an international legal instrument on preventing the weaponization of and arms race in outer space through negotiations, to ensure the peaceful use of outer space.

China favors discussions on and settlement of issues such as "terrorism and WMD," "radioactive weapons" and "observance of international treaties on disarmament, arms control and non-proliferation" within multilateral arms control framework.

In the other international multilateral arms control processes, China has continued to play a constructive role. It has taken an active part in the multilateral efforts to enhance the effectiveness of the Biological Weapons Convention (BWC), thus assuming a positive role in maintaining and pushing forward the multilateral arms-control process in the biological field. China supports the efforts of the ASEAN countries, the Central Asian countries and other neighboring countries to establish nuclear-weapon-free zones and has reached agreement in principle with the ASEAN countries on the Protocol to the Southeast Asia Nuclear-Weapon-Free Zone Treaty, and participated in the consultations between the five nuclear weapon states and the Central Asian countries on the Central Asian Nuclear-Weapon-Free Zone Treaty and its protocol. It also participated in the First (Disarmament) Committee sessions of the UN General Assembly, the UN Disarmament Commission meetings, the preparatory committee sessions for the 2005 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear

Weapons (NPT), and the sessions of the Conference of the States Parties to the Chemical Weapons Convention (CWC) and its first review conference.

Fulfilling International Arms Control and Disarmament Obligations

China conscientiously honors the NPT, consistently stands for maintaining its authority and promoting its universality.

China supports and participates in the safeguards system of the International Atomic Energy Agency (IAEA). China was the first among the five nuclear weapon states to have completed the domestic legal procedures necessary for the entry into force of the Protocol Additional to the Agreement Between China and IAEA for the Application of Safeguards in China.

The Chinese government firmly upholds the Comprehensive Nuclear Test Ban Treaty (CTBT) and supports its early entry into force. Before the treaty becomes effective, China will stay committed to the moratorium on nuclear testing. China attaches great importance to the work of the Preparatory Commission for the Comprehensive Nuclear Test Ban Treaty Organization (CTBTO), and supports and takes part in its work.

China continues to earnestly fulfill its obligations under the CWC, and received 11 inspections by the Organization for the Prohibition of Chemical Weapons in 2003. The Hong Kong Special Administrative Region has started to implement China's obligations under the Convention, and the Macao Special Administrative Region has stepped up the relevant preparatory work. In the same year, China continued to submit report to the United Nations on its confidence-building measures in accordance with the BWC.

Today, large quantities of chemical weapons abandoned by Japan remain on Chinese soil, which pose a grave threat to the lives and property of the Chinese people and to the ecological environment. China urges Japan to earnestly fulfill its obligations under the CWC for the destruction of these weapons, and commence as soon as possible the substantive destruction process in accordance with the Memorandum of Understanding Between the Government of the People's Republic of China and the Government of Japan on the Destruction of the Chemical Weapons Abandoned by Japan in China.

Participating in Humanitarian Efforts in the Arms Control Field

China supports the leading role played by the United Nations in combating the illicit trade in small arms and light weapons (SALW), and attaches great importance to and conscientiously

implements the Program of Action adopted at the UN Conference on SALW. It supports the negotiation and conclusion of an international instrument on identifying and tracing illicit SALW, and participates in the negotiations with a constructive attitude. China signed the Firearms Protocol in 2002, and is now making preparations for the ratification of the protocol.

The Chinese government continues to support and take part in the work of the Group of Governmental Experts of the Convention on Certain Conventional Weapons, and has contributed to the progress made so far in the work. Having ratified the amendment to Article 1 of the Convention, China is now preparing to ratify the Protocol on Explosive Remnants of War.

China attaches great importance to the solution of the humanitarian issue arising from landmines. While strictly implementing the Amended Landmine Protocol, it is strengthening communications and exchanges with the states parties to the Ottawa Convention. China continues to provide assistance in international mine clearance efforts. After providing assistance to Eritrea in this regard in 2002, China sent another group of mine clearance experts to that country to give guidance on de-mining operations in 2003, trained a total of 120 mine clearance specialists for Eritrea, and provided Eritrea with de-mining equipment. China joined the Mine Action Supporting Group, headquartered in New York, in 2003. China and the Australian Network of the International Campaign to Ban Landmines (ICBL) co-sponsored the Humanitarian Mine/UXO Clearance Technology and Cooperation Workshop in Kunming, Yunnan Province, in April 2004.

Appendix I. Members of the CMC of the CPC

chairman
vice-chairmen
members

Appendix II. Leaders of the Four Headquarters/Departments of the PLA

Chief of General Staff, Deputy Chiefs of General Staff, Assistants to Chief of General Staff
Chief of General Political Department, Deputy Chiefs of General Political Department, Assistants to Chief of General Political Department
Chief of General Logistics Department, Political Commissar of General Logistics Department, Deputy Chiefs of General Logistics Department, Deputy Political Commissars of General Logistics Department
Chief of General Armaments Department, Political Commissar of General Armaments Department, Deputy Chiefs of General Armaments Department, Deputy Political Commissars of General Armaments Department

Appendix III. Major Military Exchanges with Other Countries (2003-2004)

Date	Outgoing Visits	Visits to the PRC
Jan. 19-25, 2003		Chief of Staff of the Army, Italy
Feb. 17-Mar. 12	Deputy Chief of General Staff to Argentina, Brazil and Chile	
Feb. 21-Mar. 13	Commander of the Air Force to Egypt and Sudan	
Mar. 7-12		Port call to Shanghai by a Spanish naval ship
Mar. 4-25	Deputy Chief of General Staff to ROK, Cuba and Trinidad and Tobago	
Mar. 31-Apr. 3		Chief of General Staff of the Armed Forces, Belarus
Apr. 7-12		Chief of General Department of Border, Mongolia
Apr. 20-May 1	Political Commissar of the Navy to Algeria and Mexico	
Apr. 19-25		Minister of Defense, Switzerland
Apr. 20-27		Minister of Defense, India
Apr. 21-23		First Vice-Chairman of the National Defense Commission, DPRK
Apr. 26-May 17	Chief of General Staff to Tanzania, South Africa and Morocco	
Apr. 27-May 4	President of the National Defense University to the U.S.A.	
May 2-7	Deputy Chief of General Staff to France	
May 24-28		Port call to Shanghai by British naval ships
May 26-30	Minister of National Defense to Russia	
Jun. 29-Jul. 1		Minister of Defense, France
Jul. 14-20		Chief of General Staff, Guinea
Aug. 13-28	Political Commissar of the Academy of Military Science to Egypt and Syria	
Aug. 17-23		Vice-Chairman of the State Peace and Development Council, Deputy Commander-in-Chief of Defense Services, Commander-in-Chief (Army), Myanmar
Aug. 18-22	Chief of General Political	

	Department to DPRK	
Aug. 21-29		Commander of the Joint Headquarters of the Armed Forces, Peru
Aug. 23-30		Chief of Staff of the Air Force, Nigeria
Aug. 25-Sep. 6	Political Commissar of General Armaments Department to Poland, Czech and Slovakia	
Aug. 26-Sep. 2		Chief of General Staff, Mozambique
Aug. 27-Sep. 2		Minister of Defense, the Congo (Brazzaville)
Aug. 31-Sep. 6		Commander of the Navy, Chile
Aug. 31-Sep. 7		Minister of Defense, Uganda
Sep. 1-4		Director General of the Defense Agency, Japan
Sep. 1-5		Deputy Prime Minister, Thailand
Sep. 2-16	Deputy Chief of General Political Department to Belarus and Hungary	
Sep. 4-20	Chief of General Staff to Pakistan, Brunei and Malaysia	
Sep. 5-11		Minister of Defense, Canada
Sep. 7-12		Minister of Defense, Bulgaria
Sep. 7-28	Political Commissar of General Logistics Department to Zambia, Tunisia and Zimbabwe	
Sep. 8-21	President of the Academy of Military Science to Mexico	
Sep. 12-20	Deputy Chief of General Staff to Finland and Greece	
Sep. 16-20		Vice-Minister of Defense, Italy
Sep. 20-24		Port call to Qingdao by a Russian naval ship
Sep. 22-26		Port call to Zhanjiang by a U.S. naval ship
Sep. 22-28		Vice-Premier and concurrently Minister of Defense, Croatia
Sep. 22-30		Minister of Defense, Tanzania
Sep. 23-27		Chief of Staff of the Armed Forces, France
Sep. 23-29		Minister of Defense, Australia
Oct. 8-16		Commander of the Air Defense Force, Egypt
Oct. 8-16		Commander of the Mobilization Force of the Revolutionary Guards, Iran
Oct. 12-18		Chief of National Defense General Staff,

		Greece
Oct. 12-19		Chief of Staff of the National Defense Forces, Guyana
Oct. 13-16		General Inspector of the Armed Forces, Germany
Oct. 13-18		Commander of the National Defense Forces, Surinam
Oct. 13-19		Minister of Defense, Ghana
Oct. 15-19		Port call to Qingdao by ROK's naval ships
Oct. 16-23		Minister of Defense, Romania
Oct. 18-21		Port call to Shanghai by Pakistani naval ships
Oct. 20-27		Chief of Staff of the Air Force, Pakistan
Oct. 22-25	PLA naval ships to Guam	
Oct. 22-29		Chief of General Staff of the Armed Forces, Mongolia
Oct. 25-Nov. 1		Deputy Commander-in-Chief of the National Defense Forces, Sweden
Oct. 26-Nov. 2		Chief of General Staff of the People's Army, Vietnam
Oct. 26-Nov. 2		Vice-Minister of Defense, Sierra Leone
Oct. 27-Nov. 2	Minister of National Defense to the U.S.A.	
Oct. 30-Nov. 16	Political Commissar of the Nanjing Military Area Command to Ethiopia, Uganda and Botswana	
Nov. 3-14	PLA naval ships to Brunei and Singapore	
Nov. 4-14	Chief of General Political Department to the U.K., Spain and Portugal	
Nov. 9-12		State Affairs Secretary of the National Security Council, Belarus
Nov. 10-14		Port call to Shanghai by Indian naval ships
Nov. 10-14		Chairman of the Joint Chiefs of Staff, ROK
Nov. 12-25	Commander of the Nanjing Military Area Command to the U.S.A. and Canada	
Nov. 12-28	Political Commissar of the Air Force to Russia and Greece	
Nov. 17-26		Deputy Commander-in-Chief of the Royal Armed Forces and concurrently Commander of the Army, Cambodia
Nov. 17-29	Political Commissar of the	

	Lanzhou Military Area Command to Croatia and Romania	
Nov. 18-22		Vice-Minister of the People's Armed Forces, DPRK
Nov. 18-25		Minister of National Defense, Kyrgyzstan
Nov. 20-25		Minister of Defense, Togo
Nov. 21-Dec.4	Assistant to the Chief of General Political Department to Tanzania and Egypt	
Nov. 22-26		Port call to Zhanjiang by French naval ships
Nov. 22-28		Commander of the Army, Thailand
Nov. 22-30		Minister of Defense, Brazil
Nov. 23-29		Deputy Defense Chief of Staff, Italy
Nov. 24-30		Commander of the National Defense Forces, New Zealand
Nov. 29-Dec. 13	Deputy Chief of General Staff to Australia, New Zealand and Singapore	
Nov. 30-Dec. 4		Minister of Defense, Kuwait
Nov. 30-Dec. 12	Commander of the Jinan Military Area Command to Thailand and the Philippines	
Nov. 30-Dec. 16	Deputy Chief of General Staff to Myanmar, Bangladesh and India	
Dec. 4-9		Minister of Defense, Sudan
Dec. 10-20	Political Commissar of the National Defense University to Hungary and Italy	
Dec. 13-22	Political Commissar of the Shenyang Military Area Command to Cuba	
Dec. 14-21		Commander of the Air Force, Egypt
Dec. 15-22	Minister of National Defense to Russia	
Dec. 15-Jan. 2, 2004	Assistant to the Chief of General Staff to Cyprus, Sudan and Kenya	
Jan. 13-15, 2004		Chairman of the Joint Chiefs of Staff, U.S.A.
Feb. 11-27	Deputy Chief of General Political Department to Brazil and Ecuador	
Feb. 16-22		Minister of Defense and Chief of General Staff,

		Macedonia
Feb. 16-Mar. 8	Deputy Chief of General Staff to Egypt, Zimbabwe and Vietnam	
Feb. 24-28		Port call to Shanghai by a U.S. naval ship
Feb. 28-Mar. 3		Commander of the Australian Theater, Australia
Mar. 22-Apr. 3	Minister of National Defense to Pakistan, India and Thailand	
Mar. 12-16		Port call to Qingdao by French naval ships
Mar. 14-21		Commander of the National Defense Forces, Zimbabwe
Mar. 27-Apr. 14	President of the National Defense University to Israel, Jordan and Ukraine	
Apr. 1-5		Commander of the Air Force, the Philippines
Apr. 7-14		Commander of the Air Force, Serbia-Montenegro
Apr. 11-28	Chief of General Political Department to Mexico and Cuba	
Apr. 11-28	Political Commissar of the Jinan Military Area Command to Egypt and Syria	
Apr. 14-17		Minister of Defense, Norway
Apr. 19-23		Chief of Defense, Finland
Apr. 20-22		Minister of Defense, Russia
Apr. 21-28		President of the National Defense University, ROK
Apr. 26-28		Minister of Defense, Kazakhstan
Apr. 26-29		Chief of Staff of the Air Self-Defense Force, Japan
May 10-15		Port call to Shanghai by an Indonesian naval ship
May 10-17		Chief of Staff of the People's Defense Forces, Tanzania
May 10-28	Deputy Chief of General Staff to Tanzania and Namibia	
May 11-29	Chief of General Staff to France, Romania, Russia and the U.K.	
May 15-29	Political Commissar of the Academy of Military Science	

	to Canada	
May 17-24		Chief of Naval Staff, Pakistan
May 22-Jun. 2	Political Commissar of General Armaments Department to Cuba	
May 23-Jun. 1	Deputy Chief of General Political Department to Slovakia, Czech and Poland	
May 24-29		Minister of Defense, Chile
May 24-Jun. 4		Director of the General Bureau of Logistics and Finance of the Ministry of Defense, Cambodia
May 31-Jun. 5		State Affairs Secretary and concurrently Chief of the General Ordnance Department, Romania
Jun. 6-12		Chief of Staff of the Air Force, Greece
Jun. 10-17		Chief of the General Political Department of the People's Army, Laos
Jun. 11-20		Port call to Qingdao and Shanghai by U.K. naval ships
Jun. 14-19		Chief of Army Staff, Nepal
Jun. 20-26		Minister of Defense, Nigeria
Jun. 26-29	Assistant to the Chief of General Staff to DPRK	
Jun. 28-Jul. 2		Port call to Shanghai by Chilean naval ships
Jul. 2-19	Political Commissar of General Logistics Department to Cuba and Venezuela	
Jul. 3-19	Political Commissar of the National Defense University to Germany and Poland	
Jul. 5-24	Vice-Chairman of the Central Military Commission to Russia, Egypt and South Africa	
Jul. 6-9		Port call to Shanghai by Malaysian naval ships
Jul. 6-17	Deputy Chief of General Staff to Norway and Portugal	
Jul. 12-14		Minister of the People's Armed Forces, DPRK
Jul. 19-26		Chief of Staff of the National Defense Forces, Barbados

Jul. 21-25		Commander-in-Chief of the Pacific Command, U.S.A.
Jul. 21-26		Director of the General Bureau of Border Defense, Kazakhstan
Jul. 21-28		First Secretary-General of the State Peace and Development Council of Myanmar and concurrently Director of the General Bureau of Air Defense of the Ministry of National Defense, Myanmar
Jul. 25-Aug. 1		Vice-Chairman of the Border Defense Committee, Tajikistan
Jul. 26-30		Deputy General Inspector of the Armed Forces, Germany
Jul. 31-Aug. 14	Commander of the Lanzhou Military Area Command to Zambia and Angola	
Aug. 11-15		Port call to Shanghai by Thai naval ships
Aug. 16-Sep. 1	Assistant to the Chief of General Staff to Cuba, Mexico and Trinidad and Tobago	
Aug. 20-Sep. 4	Political Commissar of the Air Force to Egypt and Tanzania	
Aug. 22-28		Commander of the Army, the United Arab Emirates
Aug. 22-28		Commander of the Air Force, Brazil
Aug. 23-28		State Affairs Secretary, Hungary
Aug. 23-Sep. 7	Commander of the Jinan Military Area Command to Chile and Uruguay	
Aug. 27-30		Port call to Shanghai by Canadian naval ships
Aug. 27-31		Commander of the National Defense Forces, Australia
Aug. 29-Sep. 4		Chief of General Staff, Niger
Aug. 29-Sep. 5		Chief of Staff of the Army, Tunisia
Aug. 30-Sep. 4		Minister of Defense, Lithuania
Sep. 3-9		Chairman of the Joint Chiefs of Staff, Jordan
Sep. 5-12		Minister of Defense, Guinea- Bissau
Sep. 6-15	Assistant to the Chief of General Staff to Germany and Italy	
Sep. 6-21	Political Commissar of the Lanzhou Military Area	

	Command to Russia and Hungary	
Sep. 15-18		Chief of Staff of the Army, Spain
Sep. 18-26		Chief of General Staff, Austria
Sep. 19-25		Minister of Defense, Egypt
Sep. 20-26		Commander of the Air Force, Uruguay
Sep. 20-Oct. 5	Political Commissar of the Nanjing Military Area Command to Romania and Croatia	
Sep. 21-29		Chief of Army Staff, Bangladesh
Sep. 22-24		Secretary of State for Defense, U.K.
Sep. 22-28		Chief of General Staff of the Armed Forces, the Philippines
Sep. 22-28		Commander of the Royal Armed Forces, Brunei
Sep. 22-Oct. 6	Commander of the Guangzhou Military Area Command to Jordan and Lebanon	
Sep. 24-27		Port call to Qingdao by U.S. naval ships
Sep. 25-30		Minister of Defense, Serbia-Montenegro
Oct. 4-27		Aerobatic Flight Team of the Air Force, France
Oct. 8-13		Chief of Staff of the Air Force, France
Oct. 10-14		Port call to Qingdao by Australian naval ships
Oct. 10-15		Commander of the Army, Chile
Oct. 11-29	Minister of National Defense to France, Belgium, Switzerland and Brazil	
Oct. 13-21	Commander of the Nanjing Military Area Command to Finland and Sweden	
Oct. 16-19	Deputy Chief of General Staff to Australia	
Oct. 18-22		Commander-in-Chief of the Royal Armed Forces, Cambodia
Oct. 18-22		Chief of Staff of the Air Force, Italy
Oct. 23-Nov. 1		Chief of Staff of the Army, Lebanon
Oct. 24-31	Deputy Chief of General Staff to Japan and Thailand	
Oct. 25-Nov. 13	Chief of General Staff to the U.S.A., Australia and New Zealand	

Oct. 30-Nov. 2		Vice-Minister of Defense, Italy
Oct. 30-Nov. 7		Chief of Staff of the Navy, New Zealand
Oct. 31-Nov. 6		Minister of Defense, Bolivia
Nov. 7-14		Minister of Defense, the Philippines
Nov. 10-16		Minister of Defense, Albania
Nov. 12-26	Deputy Chief of General Political Department to Zambia and Uganda	
Nov. 15-19		Chief of Staff of the Navy, UK
Nov. 17-28	Commander of the Shenyang Military Area Command to ROK and Brunei	
Nov. 22-27		Chief of Staff, Canada
Nov. 22-28		Commander-in-Chief of the Armed Forces, Columbia
Nov. 23-26		Vice-Minister of Defense, Belarus
Nov. 30-Dec. 6		Commander of Joint Headquarters, Ecuador
Nov. 30-Dec. 13	Deputy Chief of General Political Department to Thailand, Vietnam and Laos	
Dec. 1-5	Deputy Chief of General Staff to Myanmar	
Dec. 5-9		Commander of the Air Force, Australia
Dec. 8-11		Minister of Defense, Turkey
Dec. 12-15		Minister of Defense, Russia

Appendix IV. Participation in Security Consultations (2003-2004)

Date	Venue	Content
Jan. 20, 2003	Beijing	Sino-U.S. Strategic and Security Consultation at the Vice-Foreign-Ministerial Level
Feb. 7-9, 2003	Munich	Munich Security Policy Conference
Apr. 5-12, 2003	Pretoria	1 st Meeting of Sino-South African Defense Committee
Apr. 8-10, 2003	Hawaii	Annual Meeting on Sino-U.S. Military Maritime Consultative Agreement
May 2-7, 2003	Paris	6 th Round of Strategic Dialogue Between the Defense Ministries of China and France
Jul. 14-22, 2003	Beijing	2 nd Sino-Pakistani Defense and Security Consultation
Aug. 18-21, 2003	Hawaii	3 rd Meeting of Military Maritime and Air Safety Working Group under Sino-U.S. Military Maritime Consultative Agreement
Sep. 15-21, 2003	Beijing	2 nd Defense Security Consultation Between the Defense Ministries of China and Thailand
Sep. 16-20, 2003	Beijing	Dialogue Between the General Staff Headquarters of PLA and the French Armed Forces
Sep. 29-Oct. 4, 2003	Moscow	7 th Round of Strategic Consultation Between the General Staff Headquarters of PLA and Russian Federation Armed Forces
Oct. 13-17, 2003	Beijing	7 th Sino-Australian Defense Strategic Dialogue
Dec. 16-18, 2003	Munich	7 th Staff Talks Between China and Germany
Dec. 16-21, 2003	Athens	Consultation Between the General Staff Headquarters of PLA and the Hellenic Armed Forces
Jan. 8-10, 2004	Beijing	4 th Security Consultation Between the Ministry of National Defense of China and the Defense Agency of Japan
Jan. 11, 2004	Paris	Meeting of Sino-French Arms Control Working Group
Feb. 9-11, 2004	Beijing	6 th Sino-U.S. Defense Consultative Talk at the Vice Defense Ministerial Level
Feb. 10-12, 2004	Tokyo	9 th Security Consultation Between the Diplomatic and Defense Authorities of China and Japan
Mar. 5, 2004	Rome	1 st Staff Talks Between China and Italy

Mar. 9-11, 2004	Shanghai	4 th Meeting of Military Maritime and Air Safety Working Group under Sino-U.S. Military Maritime Consultative Agreement
Mar. 12, 2004	Beijing	14 th Meeting of the Diplomatic and Military Experts Group on Sino-Indian Border Issues
Mar. 15-19, 2004	Beijing	8 th Round of Strategic Consultation Between the General Staff Headquarters of PLA and Russian Federation Armed Forces
Mar. 22, 2004	Beijing	Sino-Australian Security and Disarmament Consultation
Apr. 21, 2004	Beijing	Sino-New Zealand Security and Disarmament Consultation
Apr. 25-27, 2004	Ulan Bator	1 st Sino-Mongolian Defense and Security Consultation
Jun. 30-Jul. 4, 2004	Beijing	7 th Round of Sino-French Strategic Consultation
Jul. 1, 2004	Beijing	Sino-Russian Consultation on Strategic Stability
Jul. 26-30, 2004	Beijing	2 nd Round of Strategic Consultation Between the Armed Forces of China and Germany
Sep. 3-10, 2004	Beijing	2 nd Round of Strategic Consultation Between the Armed Forces of China and Kyrgyzstan
Sep. 7-12, 2004	Beijing	2 nd Round of Strategic Consultation Between the Armed Forces of China and Kazakhstan
Oct. 17-18, 2004	Canberra	8 th Sino-Australian Defense Strategic Dialogue
Oct. 24-28, 2004	Tokyo	5 th Security Consultation Between the Ministry of National Defense of China and the Defense Agency of Japan
Oct. 28-31, 2004	Bangkok	3 rd Security Consultation Between the Defense Ministries of China and Thailand
Nov. 4-6, 2004	Beijing	1 st ARF Security Policy Conference

Appendix V. Joint Exercises with Foreign Armed Forces (2003-2004)

Date	Place	Name
Aug. 6-12, 2003	Border area of Kazakhstan and China	Multilateral joint counter-terrorism exercise of the armed forces of the SCO member states
Oct. 21, 2003	Shanghai	Sino-Pakistani joint maritime search-and- rescue exercise
Nov. 14, 2003	Shanghai	Sino-Indian joint maritime search-and- rescue exercise
Mar. 16, 2004	Qingdao	Sino-French joint maritime search-and- rescue exercise
Jun. 20, 2004	Qingdao	Sino-U.K. joint maritime search and rescue exercise
Aug. 6, 2004	Xinjiang	Sino-Pakistani joint counter-terrorism exercise
Oct. 10, 2004	Qingdao	Sino-Australian joint maritime search-and- rescue exercise

Appendix VI. Participation in UN Peacekeeping Operations

UN Peacekeeping Mission	Abbreviation	Date	Troops		Observers		Police	
			Current	Total	Current	Total	Current	Total
United Nations Truce Supervision Organization	UNTSO	Apr. 1990-present			5	75		
United Nations Iraq-Kuwait Observer Mission	UNIKOM	Apr. 1991-Oct. 2003				164		
United Nations Mission for the Referendum in Western Sahara	MINURSO	Sep. 1991-present			19	252		
United Nations Transitional Authority in Cambodia	UNTAC	Dec. 1991-Sep. 1993		800		97		
United Nations Operation in Mozambique	ONUMOZ	Jun. 1993-Dec. 1994				20		
United Nations Observer Mission in Liberia	UNOMIL	Nov. 1993-Sep. 1997				33		
United Nations Special Mission in Afghanistan	UNSMA	May 1998-Jan. 2000				2		
United Nations Observer Mission in Sierra Leone	UNOMSIL	Aug. 1998-present			3	36		
United Nations Mission of Support in East Timor	UNMISET	Jan. 2000-present					16	200
United Nations Mission in Ethiopia and Eritrea	UNMEE	Oct. 2000-present			7	28		
United Nations Mission in Bosnia and Herzegovina	UNMIBH	Jan. 2001-Jan. 2002						20
United Nations Mission in the Congo (Kinshasa)	MONUC	Apr. 2001-present	218	654	12	44		
United Nations Assistance Mission	UNAMA	Jan. 2003-present					1	2

in Afghanistan								
United Nations Mission in Liberia	UNMIL	Oct. 2003-present	558	1116	14	26	25	30
United Nations Operation in Cote d'Ivoire	UNOCI	Mar. 2004-present			3	5		
United Nations Mission in Kosovo	UNMIK	Apr. 2004-present					19	19
United Nations Stabilization Mission in Haiti	MINUSTAH	May 2004-present					133	133
United Nations Operation in Burundi	ONUB	Jun. 2004-present			3	3		
Total			776	2570	66	785	194	404

Appendix VII. Major Military Regulations Promulgated Since 2003

Title of Regulations	Promulgating Authority	Date of Promulgation
Regulations on General- Purpose Air Traffic Control	State Council (SC) and Central Military Commission (CMC)	Jan. 10, 2003
Regulations of the PLA on Security Work	CMC	Apr. 3, 2003
Regulations of the PLA on Family Planning	CMC	Apr. 3, 2003
Regulations on Military Rules and Regulations	CMC	Apr. 3, 2003
Regulations of the PLA on Measurement	CMC	Jul. 9, 2003
Outline for Armed Forces Building at the Grass-Roots Level	CMC	Aug. 8, 2003
Standards of Health Checkup for Citizens Eligible for Enlistment	Department of National Defense (approved by SC & CMC)	Sep. 1, 2003
Regulations on the Defense Mobilization of Civil Transportation Sources	SC & CMC	Sep. 11, 2003
Regulations of the PLA on Political Work	Central Committee of the Communist Party of China and CMC	Dec. 5, 2003
Provisions of the PLA on the Vacations and Home Leaves of Officers in Active Service	General Political Department (approved by CMC)	Dec. 11, 2003
Provisions on the Administration of Postdoctoral Personnel in the PLA	General Staff Headquarters, General Political Department, General Logistics Department, and General Armaments Department (approved by CMC)	Dec. 11, 2003
Regulations of the PLA on the Work of Crime Prevention	CMC	Dec. 11, 2003
Provisions on the Work of PLA Party Organizations in Recruiting Party Members	General Political Department (approved by CMC)	Feb. 10, 2004
Provisions on Handling Violations of the Discipline of the Appointment and Removal of Officers in Active Service	General Political Department and Commission for Discipline Inspection of the CMC (approved by CMC)	Feb. 13, 2004
Provisions on Strengthening the Education and Administration of	CMC	Feb. 13, 2004

High- and Middle-Ranking Cadres of the PLA		
Regulations of the PLA on Armaments Research and Development	CMC	Feb. 13, 2004
Regulations of the PLA on the Combating of Combined Brigades	CMC	Apr. 3, 2004
Regulations of the PLA on the Teaching Work of Colleges and Schools	General Staff Headquarters, General Political Department, General Logistics Department, and General Armaments Department (approved by CMC)	Apr. 3, 2004
Provisions on the Administration of the Employment of Service Personnel in the Armed Forces	General Staff Headquarters, General Political Department, General Logistics Department, and General Armaments Department (approved by CMC)	Apr. 5, 2004
Regulations on the Work of the PLA Committees of the Communist Party of China (for Trial Implementation)	CMC	Apr. 15, 2004
Provisions on the Management of Medical Expenses of Servicemen and Their Dependents	General Staff Headquarters, General Political Department, and General Logistics Department (approved by CMC)	May 14, 2004
Regulations of the PLA on the Combat Equipment Support of Combined Arms Forces	CMC	Jun. 30, 2004
Regulations on the Compensation and Preferential Treatment for Servicemen	SC & CMC	Aug. 1, 2004
Provisions of the PLA on the Home Leaves and Vacations of Non-commissioned Officers in Active Service	General Staff Headquarters (approved by CMC)	Aug. 18, 2004
Regulations of the PLA on Environmental Protection	CMC	Aug. 31, 2004
Regulations on National Defense Patents	SC & CMC	Sep. 17, 2004

Provisions on Economic Accountability Auditing of the Leading Cadres of the PLA	General Staff Headquarters, General Political Department, and General Logistics Department (approved by CMC)	Nov. 4, 2004
Measures of the PLA for the Implementation of Pharmaceutical Administration Law of PRC	SC & CMC	Dec. 9, 2004
Regulations of the PLA on the Preliminary Research of Armaments	CMC	Dec. 9, 2004

<부록 2> 16 차 당대회 장쩌민 보고서(2002. 11. 8)

Full text of Jiang Zemin's report at 16th Party congress

The following is the full text of Jiang Zemin's report delivered at the 16th National Congress of the Communist Party of China (CPC) on Nov. 8, 2002, entitled "Build a Well-off Society in an All-Round Way and Create a New Situation in Building Socialism with Chinese Characteristics":

(<http://app1.chinadaily.com.cn/highlights/party16/news/1118full.htm>)

Comrades,

Now I would like to make a report to the congress on behalf of the Fifteenth Central Committee of the Communist Party of China (CPC).

The Sixteenth National Congress of the CPC is the first of its kind held by our Party in the new century. It is a very important congress convened by our Party in the new situation in which we have begun to take the third step of the strategic plan for socialist modernization.

The theme of the congress is to hold high the great banner of Deng Xiaoping Theory, fully act on the important thought of Three Represents, carry forward our cause into the future, keep pace with the times, build a well-off society in an all-round way, speed up socialist modernization and work hard to create a new situation in building socialism with Chinese characteristics.

As human society entered the 21st century, we started a new phase of development for building a well-off society in an all-round way and speeding up socialist modernization. The international situation is undergoing profound changes. The trends toward world multipolarization and economic globalization are developing amidst twists and turns. Science and technology are advancing rapidly. Competition in overall national strength is becoming increasingly fierce. Given this pressing situation, we must move forward, or we will fall behind. Our Party must stand firm in the forefront of the times and unite with and lead the Chinese people of all ethnic groups in accomplishing the three major historical tasks: to propel the modernization drive, to achieve national reunification and to safeguard world peace and promote common development, and in bringing about the great rejuvenation of the Chinese nation on its road to socialism with Chinese characteristics. This is a grand mission history and the era have entrusted to our Party.

I. Work of the Past Five Years and Basic Experience of 13 Years

The five years since the Fifteenth National Congress of the CPC have been a period in which we have held high the great banner of Deng Xiaoping Theory and kept blazing new trails in a pioneering spirit, and a period in which we have continued to forge ahead triumphantly on the road to socialism with Chinese characteristics in spite of difficulties and risks.

At the Fifteenth National Congress, Deng Xiaoping Theory was established as the Party's guiding ideology, the Party's basic program for the primary stage of socialism was put forward, and the objectives and tasks for China's cross-century development were specified. Acting in the spirit of the congress, the Central Committee held seven plenary sessions at which it made decisions and plans on such major issues as agriculture and rural work, the reform and development of state-owned enterprises, the formulation of the Tenth Five-Year Plan (2001-2005) and the improvement of the Party's work style. Over the past five years, we have traversed an extraordinary course and scored tremendous achievements in reform, development and stability, domestic and foreign affairs and national defense and in running the Party, state and army.

The national economy has maintained a sustained, rapid and sound development. By pursuing the principle of stimulating domestic demand and adopting the proactive fiscal policy and the sound monetary policy in good time, we overcame the adverse effects the Asian financial crisis and world economic fluctuations had on China, and maintained a relatively rapid economic growth. The strategic adjustment of the economic structure has been crowned with success. The position of agriculture as the foundation of the economy has been strengthened. Traditional industries have been upgraded. High and new technology industries and modern services have gained speed. A large number of infrastructure projects in such areas as water conservancy, transportation, telecommunications, energy and environmental protection have been completed. Significant headway has been made in the large-scale development of China's western region. Economic returns have further improved. National revenue has kept growing. The Ninth Five-Year Plan (1996-2000) was fulfilled and the Tenth Five-Year Plan has seen a good start.

Reform and opening up have yielded substantial results. The socialist market economy has taken shape initially. The public sector of the economy has expanded and steady progress has been made in the reform of state-owned enterprises. Self-employed or private enterprises and other non-public sectors of the economy have developed fairly fast. The work of building up the market system has been in full swing. The macro-control system has improved constantly. The pace of change in government functions has been quickened. Reform in finance, taxation, banking, distribution, housing, government institutions and other areas has continued to deepen. The open economy has developed swiftly. Trade in commodities and services and capital flow have grown markedly. China's foreign exchange reserves have risen considerably. With its accession to the World Trade Organization (WTO), China has entered a new stage in its opening up.

Notable progress has been registered in improving socialist democracy and spiritual civilization. Continued efforts have been made to improve democracy and the legal system. New steps have been taken in political restructuring. The patriotic united front has grown stronger. Further

progress has been made in the work relating to ethnic, religious and overseas Chinese affairs. Fresh progress has been made in keeping public order through comprehensive measures. Science, technology, education, culture, health, sports, family planning and other undertakings have moved ahead. The media and publicity work as well as ideological and moral education have kept improving. The people's cultural life has become increasingly rich and colorful.

New strides have been taken in strengthening national defense and army building. Efforts have been redoubled to make the People's Liberation Army more revolutionary, modernized and regularized. Our national defense capabilities and the army's defense and combat effectiveness have further improved. The army, the armed police and the militia have played an important role in defending and building up our motherland.

On the whole, the people have reached a well-off standard of living. The income of urban and rural residents has gone up steadily. The urban and rural markets have been brisk, and there has been an ample supply of goods. The quality of life of the residents has been on the rise, with considerable improvement in food, clothing, housing, transport and daily necessities. There has been marked progress in building the social security system. The seven-year program to help 80 million people out of poverty has been in the main fulfilled.

Fresh progress has been made in the great cause of national reunification. The Chinese Government has resumed the exercise of sovereignty over Macao. The principle of "one country, two systems" has been implemented and the basic laws of Hong Kong and Macao special administrative regions have been carried out to the letter. Hong Kong and Macao enjoy social and economic stability. Personnel, economic and cultural exchanges across the Taiwan Straits have kept increasing. The fight against "Taiwan independence" and other attempts to split the country has been going on in depth.

New prospects have been opened up in our external work. In light of the developments and changes in the international situation, we have adhered to the correct foreign policy and related principles. We have carried out both bilateral and multilateral diplomatic activities extensively and taken an active part in international exchanges and cooperation. China's international standing has risen still further.

Party building has been strengthened in an all-round way. All the Party members have steadily intensified their study of Deng Xiaoping Theory. We have put forward and expounded the important thought of Three Represents. Good results have been produced in the intensive education in the need to stress study, political awareness and integrity and in the study of the "Three Represents". An all-out endeavor has been made to build up the Party ideologically, organizationally and in work style. Our ideological and political work has been strengthened. New steps have been taken in the reform of the personnel system. The endeavor to build a clean and honest government and combat corruption has been going on in depth and yielding fresh notable results.

Facts prove that the major policy decisions taken by the Central Committee at and since the Fifteenth National Congress are correct and accord with the fundamental interests of the overwhelming majority of the people. Our achievements are the outcome of the united endeavor

of the whole Party and the people of all ethnic groups of the country. They provide a more solid foundation for the future development of the cause of the Party and state.

We must be clearly aware that there are still quite a few difficulties and problems in our work. The income of farmers and some urban residents has increased only slowly. The number of the unemployed has gone up. Some people are still badly off. Things have yet to be straightened out in the matter of income distribution. The order of the market economy has to be further rectified and standardized. Public order is poor in some places. Formalism, the bureaucratic style of work, falsification, extravagance and waste are still serious problems among some leading cadres in our Party, and corruption is still conspicuous in some places. The Party's way of leadership and governance does not yet entirely meet the requirements of the new situation and new tasks. Some Party organizations are feeble and lax. We must pay close attention to these problems and continue to take effective measures to solve them.

Our achievements over the past five years have been scored through reform and opening up, especially through our practice since the Fourth Plenary Session of the Thirteenth Central Committee in 1989. These 13 years have witnessed a highly volatile international situation and a magnificent upsurge of China's reform, opening up and modernization. From the late 1980s to the early 1990s, there occurred serious political disturbances in China, drastic changes in Eastern Europe and the disintegration of the Soviet Union. Socialism in the world suffered serious setbacks. China was faced with unprecedented difficulties and pressure in its efforts to develop the socialist cause. At this crucial historical juncture bearing on the destiny of the Party and state, the Party Central Committee relied firmly on all the comrades in the Party and the Chinese people of all ethnic groups and unswervingly adhered to the line prevailing since the Third Plenary Session of the Eleventh Central Committee, and thus successfully brought the overall situation of reform and development under control and safeguarded the great cause of socialism with Chinese characteristics. After Comrade Deng Xiaoping made remarks on his tour of the South, the Fourteenth National Congress decided to establish a socialist market economy as the goal of reform, thus ushering in a new stage for reform, opening up and the modernization drive. To develop a market economy under socialism is a great pioneering undertaking never tried before in history. It is a historic contribution of the Chinese Communists to the development of Marxism. It has given expression to our Party's tremendous courage to persist in making theoretical innovation and keeping pace with the times. The shift from the planned economy to the socialist market economy represented a new historic breakthrough in reform and opening up and brought about entirely new prospects for China's economic, political and cultural progress. After the demise of Comrade Deng Xiaoping, we held high the great banner of Deng Xiaoping Theory and made pioneering efforts to advance the cause of socialism with Chinese characteristics into the 21st century in an all-round way.

Over the past 13 years, with clearly defined objectives, we worked with one heart and one mind and scored historic achievements. In 2001, China's GDP reached 9.5933 trillion yuan, almost tripling that of 1989, representing an average annual increase of 9.3 percent. China came up to the sixth place in the world in terms of economic aggregate. On the whole, the people made a historic leap from having only adequate food and clothing to leading a well-off life. As is universally recognized, the 13 years have been a period in which China's overall national strength has risen by a big margin, the people have received more tangible benefits than ever

before, and China has enjoyed long-term social stability and solidarity and had a good government and a united people. China's influence in the world has grown notably, and the cohesion of the nation has increased remarkably. The hard work of our Party and people and their great achievements have attracted worldwide attention and will surely go down as a glorious page in the annals of the great rejuvenation of the Chinese nation.

A review of these 13 years shows that we have traversed a tortuous course and that our achievements are hard won. We have responded confidently to a series of unexpected international events bearing on China's sovereignty and security. We have surmounted difficulties and risks arising from the political and economic spheres and from nature. We have gone through one trial after another and removed all kinds of obstacles, thus ensuring that our reform, opening up and modernization drive have been forging ahead in the correct direction like a ship braving surging waves. We have attained these successes by relying on the correct guidance of the Party's basic theory, line and program, on the high degree of unity and solidarity of the Party and on the tenacious work of the whole Party and the people of all ethnic groups around the country.

Here, on behalf of the CPC Central Committee, I wish to express our heartfelt thanks to the people of all our ethnic groups, the democratic parties, people's organizations and patriots from all walks of life, to our compatriots in the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan as well as overseas Chinese, and to our foreign friends who care about and support China's modernization drive!

The practice of the 13 years has helped us acquire a deeper understanding of what socialism is, how to build it, and what kind of Party to build and how to build it, and we have gained most valuable experience in this regard.

1. Uphold Deng Xiaoping Theory as our guide and constantly bring forth theoretical innovation. Deng Xiaoping Theory is our banner, and the Party's basic line and program are the fundamental guidelines for every field of our work. Whatever difficulties and risks we may come up against, we must unswervingly abide by the Party's basic theory, line and program. We should persist in arming the entire Party membership with Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory and using them to educate our people. We should continue to emancipate our minds, seek truth from facts, keep pace with the times and make innovations in a pioneering spirit. We should respect the creativity of the general public and test and develop the Party's theory, line, principles and policies in practice.

2. Keep economic development as the central task and solve problems cropping up on our way forward through development. Development is the fundamental principle. We must seize all opportunities to accelerate development. Development calls for new ideas. We should stick to the principle of expanding domestic demand and implement the strategy of national rejuvenation through science and education and that of sustainable development. While seeking speed, we should pay attention to structure, quality and efficiency, and while propelling economic development, we should take into consideration population, resources and the environment. On the basis of economic growth, we need to promote all-round social progress, constantly better people's lives and ensure that all the people share the fruits of development.

3. Persevere in reform and opening up and keep improving the socialist market economy. Reform and opening up are ways to make China powerful. We must press ahead with the reform in all areas resolutely. The reform must be promoted realistically, comprehensively and progressively with breakthroughs made in key areas and emphasis placed on institutional improvement and innovation. We should follow the orientation of reform toward the socialist market economy and make sure that the market forces play an essential role in the allocation of resources under the state's macroeconomic control. By both "bringing in" and "going out", we should actively participate in international economic and technological cooperation and competition and open wider to the outside world.

4. Adhere to the Four Cardinal Principles (*Note 1) and develop socialist democracy. The Four Cardinal Principles are the very foundation on which we build our country. We must uphold leadership by the CPC and consolidate and improve the state system—a people's democratic dictatorship and the system of political power - the people's congresses. We should uphold and improve the system of multiparty cooperation and political consultation led by the Communist Party and the system of regional ethnic autonomy. We should promote political restructuring, develop democracy, improve the legal system, rule the country by law, build a socialist state under the rule of law and ensure that the people exercise their rights as the masters of the country.

5. Attach equal importance to both material and spiritual civilization and run the country by combining the rule of law with the rule of virtue. Socialist spiritual civilization is an important attribute of socialism with Chinese characteristics. Basing ourselves on China's realities, we must carry forward the fine tradition of our national culture and absorb the achievements of foreign cultures in building socialist spiritual civilization. We should unceasingly upgrade the ideological and ethical standards as well as the scientific and cultural qualities of the entire people so as to provide a strong motivation and intellectual support for the modernization drive.

6. Ensure stability as a principle of overriding importance and balance reform, development and stability. Stability is a prerequisite for reform and development. We should take into full consideration the momentum of reform, the speed of development and the sustainability of the general public. Continued improvement of people's lives must be regarded as an important link in balancing reform, development and stability. We should press ahead with reform and development amidst social stability and promote social stability through reform and development.

7. Persevere in the Party's absolute leadership over the army and take the road of fewer but better troops with Chinese characteristics. The people's army is a staunch pillar of the people's democratic dictatorship. It should meet the general requirements of being qualified politically and competent militarily and having a fine style of work, strict discipline and adequate logistic support, with a view to enabling itself to win battles and never degenerate, paying attention to strengthening itself through science and technology and building itself into a more revolutionary, modernized and regularized army. We must ensure that the army is forever loyal to the Party, socialism, the motherland and the people.

8. Continue to unite with all forces that can be united with and increase the cohesion of the Chinese nation. We should hold high the banners of patriotism and socialism, strengthen the great solidarity of the people of all ethnic groups, and consolidate and develop the broadest possible patriotic united front. We need to strengthen our solidarity with the democratic parties and personages without party affiliation. We should handle well the work relating to ethnic minorities, religions and overseas Chinese. We should adhere to the principle of "one country, two systems" and bring into full play every positive factor in a common endeavor to accomplish the grand cause of national reunification and the great rejuvenation of the Chinese nation.

9. Pursue the independent foreign policy of peace, safeguard world peace and promote common development. We will, as always, attach paramount importance to our state sovereignty and security. We will develop friendly relations and cooperation with all other countries on the basis of the Five Principles of Peaceful Coexistence. We will oppose hegemonism and power politics and promote the establishment of a fair and rational new international political and economic order. In handling international affairs, we should observe and cope with the situation cool-headedly, adhere to the principle of mutual respect and seek common ground while shelving differences. We need to respect the diversity of the world, promote democracy in international relations and strive for a peaceful international environment and a good climate in areas around China.

10. Strengthen and improve the Party's leadership and propel the new great project of Party building. To run the state well, we must run the Party well first. To do this, we must be strict with the Party members. We must maintain the Party's nature and purposes, strengthen and improve Party building in the spirit of reform, enhance the Party's art of leadership and governance, increase its capability of fighting corruption and guarding against degeneration and risks and make unremitting efforts to combat corruption. The Party must keep its flesh-and-blood ties with the people as well as its progressiveness, purity, solidarity and unity.

The above-mentioned ten principles constitute the basic experience the Party must follow as it leads the people in building socialism with Chinese characteristics. This experience and the historical experience gained by the Party since its founding can be summarized as follows: Our Party must always represent the development trend of China's advanced productive forces, the orientation of China's advanced culture and the fundamental interests of the overwhelming majority of the Chinese people. They are the inexorable requirements for maintaining and developing socialism and the logical conclusion our Party has reached through hard exploration and great practice.

II. Implement the Important Thought of Three Represents in an All-Round Way

To open up new prospects for the cause of socialism with Chinese characteristics, we must hold high the great banner of Deng Xiaoping Theory and implement the important thought of Three Represents. As a continuation and development of Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory, this important thought reflects new requirements for the work of the

Party and state arising from the changes in China and other parts of the world today. It is a powerful theoretical weapon for strengthening and improving Party building and promoting self-improvement and development of socialism in China. It is the crystallization of the Party's collective wisdom and a guiding ideology the Party must follow for a long time to come. Persistent implementation of the "Three Represents" is the foundation for building our Party, the cornerstone for its governance and the source of its strength.

The important thought of Three Represents has been put forward on the basis of a scientific judgment of the Party's historical position. Having gone through the revolution, reconstruction and reform, our Party has evolved from a party that led the people in fighting for state power to a party that has led the people in exercising the power and has long remained in power. It has developed from a party that led national reconstruction under external blockade and a planned economy to a party that is leading national development while the country is opening to the outside world and developing a socialist market economy. Keeping in mind the past, present and future of China and other parts of the world, we must accurately comprehend the characteristics of the times and the Party's tasks, scientifically formulate and correctly implement the Party's line, principles and policies, and study and settle questions concerning the promotion of China's social progress and the improvement of Party building. We should neither approach questions out of their historical context nor lose our bearings, and we should neither fall behind the times nor skip the stages, so as to ensure that our cause will advance from victory to victory.

The implementation of the important thought of Three Represents is, in essence, to keep pace with the times, maintain the Party's progressiveness and exercise the state power in the interest of the people. All Party members must be keenly aware of this basic requirement and become more conscious and determined in implementing this important thought.

1. To carry out the important thought of Three Represents, the whole Party must maintain the spirit of keeping pace with the times and blaze new trails for the development of the Marxist theory. Upholding the Party's ideological line, emancipating the mind, seeking truth from facts and keeping pace with the times are decisive factors for our Party to retain its progressiveness and enhance its creativity. Keeping pace with the times means that all the theory and work of the Party must conform to the times, follow the law of development and display great creativity. Whether we can persist in doing this bears on the future and destiny of the Party and state.

Innovation sustains the progress of a nation. It is an inexhaustible motive force for the prosperity of a country and the source of the eternal vitality of a political party. The world is changing, China's reform, opening up and modernization drive are advancing and our people's great practice is progressing. All this urgently requires our Party to sum up new experience from practice, draw on the achievements of modern human civilization, broaden its fields of vision in theory and come up with new theses with the courage of the theory of Marxism. Only thus can our Party's ideology and theory guide the whole Party and the entire people forward and inspire them to push ahead the cause of building socialism with Chinese characteristics. Theoretical innovation based on practice precedes social development and changes. Bringing forth new ideas in institutions, science and technology, culture and other fields through theoretical innovation, exploring the way forward in practice, never becoming conceited and never

slackening our effort - these are the ways of running the Party and state, which we should follow for a long time to come.

Innovation requires emancipating our minds, seeking truth from facts and keeping pace with the times. There is no limit to practice nor to innovation. We will surpass our predecessors, and future generations will certainly surpass us. This is an inexorable law governing social advancement. We must adapt ourselves to the progress of practice and test all things in practice. We must conscientiously free our minds from the shackles of the outdated notions, practices and systems, from the erroneous and dogmatic interpretations of Marxism and from the fetters of subjectivism and metaphysics. While upholding the basic tenets of Marxism, we must add new chapters of theory to it. While carrying forward the revolutionary tradition, we must acquire new experience. We should be good at seeking unity in thinking through the emancipation of our minds and guiding our new practice with the developing Marxism.

2. To carry out the important thought of Three Represents, it is essential for the Party to give top priority to development in governing and rejuvenating the country and open up new prospects for the modernization drive. A Marxist ruling party must attach great importance to the liberation and development of the productive forces. Without development, it would be impossible to maintain the progressiveness of the Party, give play to the superiority of the socialist system and make the people rich and the country strong. The progressiveness of the Party is concrete and historical, and it must be judged by whether the Party promotes the development of the advanced productive forces and culture in present-day China and works to safeguard and realize the fundamental interests of the overwhelming majority of the people. In the final analysis, it must be judged by the Party's role in propelling history forward.

In China, a large developing country with a backward economy and culture, where our Party is leading the people in the modernization drive, a good solution to the problem of development has a direct bearing on the trend of popular sentiment and the success of our cause. Shouldering the historical responsibility to propel the Chinese society, the Party must always keep a firm grip on development -- the top priority for its governance and rejuvenation of the country. It must maintain its progressiveness and give play to the superiority of the socialist system by developing the advanced productive forces and culture and realizing the fundamental interests of the overwhelming majority of the people, speeding up all-round social progress and promoting the all-round development of people. So long as the Party firmly grasps this point, it will have thoroughly understood the aspirations of the people and the essence of the socialist modernization drive, and thus it will be able to keep implementing the important thought of Three Represents and consolidating its position as the ruling party and meet the requirement of making the country strong and the people rich.

Development requires that we always concentrate on economic growth, base ourselves on China's realities, conform to the trend of the times and continue to explore new ways to promote the progress of the advanced productive forces and culture. Development requires that we uphold and deepen the reform. It requires that we do away with all notions which hinder development, change all practices and regulations which impede it and get rid of all the drawbacks of the systems which adversely affect it. Development requires that we trust and rely on the people who are the motive force for pushing forward the advance of history. We will pool

the wisdom and strength of the people of the whole country and concentrate on construction and development.

3. To carry out the important thought of Three Represents, it is essential to bring all positive factors into full play and bring new forces to the great cause of rejuvenating the Chinese nation. The interests of the overwhelming majority of the people and the initiative and creativity of the whole society and the entire nation are always the most decisive factors for advancing the cause of the Party and state. In the process of profound social changes in our country and the rapid development of the cause of the Party and state, it is vitally important to properly balance the interests of all quarters and fully mobilize and rally all positive factors.

With the deepening of reform and opening up and economic and cultural development, the working class in China has expanded steadily and its quality improved. The working class, with the intellectuals as part of it, and the farmers are always the basic forces for promoting the development of the advanced productive forces and all-round social progress in our country. Emerging in the process of social changes, entrepreneurs and technical personnel employed by non-public scientific and technological enterprises, managerial and technical staff employed by overseas-funded enterprises, the self-employed, private entrepreneurs, employees in intermediaries, free-lance professionals and members of other social strata are all builders of socialism with Chinese characteristics. We should unite with the people of all social strata who help to make the motherland prosperous and strong, encouraging their pioneering spirit, protecting their legitimate rights and interests and commending the outstanding ones in an effort to create a situation in which all people are well positioned, do their best and live in harmony.

We must respect work, knowledge, competent people and creation. This should be an important policy of the Party and state to be conscientiously implemented in society at large. We need to respect and protect all work that is good for the people and society. All work that contributes to the socialist modernization drive in China, physical or mental and simple or complicated, is glorious and should be acknowledged and respected. All investors at home or from overseas should be encouraged to carry out business activities in China's development. All legitimate income, from work or not, should be protected. It is improper to judge whether people are politically progressive or backward simply by whether they own property or how much property they own. But rather, we should judge them mainly by their political awareness, state of mind and performance, by how they have acquired and used their property, and by how they have contributed to the cause of building socialism with Chinese characteristics through their work. It is necessary to foster notions and form a business mechanism in conformity with the basic economic system in the primary stage of socialism and create a social environment in which people are encouraged to achieve something and helped to make a success of their career, so as to unleash all the vitality contained in work, knowledge, technology, management and capital and give full play to all sources of social wealth for the benefit of the people.

In building socialism with Chinese characteristics, the fundamental interests of the people of the whole country are identical, on the basis of which concrete interest relations and internal contradictions can be adjusted. In the formulation and implementation of the Party's principles and policies, a basic point of departure is that we should represent the fundamental interests of the overwhelming majority of the people, and correctly reflect and take into account the interests

of different groups of people, enabling the whole people to advance steadily toward the goal of common prosperity. We should protect the vitality for further growth of the developed regions, strong industries and people who have become rich first through hard work and lawful business operations and encouraging them to create social wealth. More importantly, we must pay great attention to less developed areas and the industries and people in straitened circumstances and show concern for them. In particular, we must see to it that the people in financial difficulties have subsistence allowances, and we must take effective measures to help them find jobs and improve their living conditions so that they will truly feel the warmth of our socialist society.

4. To carry out the important thought of Three Represents, it is essential to push forward Party building in a spirit of reform and instill new vitality in the Party. Attaching vital importance to and strengthening Party building is a magic weapon with which our Party has grown from a small and weak force to a large and strong one, risen in spite of setbacks and matured gradually in surmounting difficulties. As the historical experience of the Party over the past 80 years and more shows, the most important point is that we must build up the Party according to its political line, central task and general goal for building it with a view to enhancing its creativity, cohesion and fighting capacity.

Persisting in self-examination in compliance with the requirements of the times and pursuing self-improvement in a spirit of reform are the fundamental guarantee that our Party will always remain a Marxist party, will never be divorced from the people and will be full of vitality. We must be good at both reviewing our useful experience and learning lessons from our mistakes. We must be good at both leading the people ahead by putting forward and implementing the correct theory and line and acquiring the motivation for progress from the people's creations in practice and their desire for development. We must be good at both understanding and changing the objective world and organizing and guiding cadres and other Party members to strengthen their efforts to change their subjective world in practice. Bearing these requirements in mind, we must integrate adherence to the basic tenets of Marxism with efforts for theoretical innovation, maintenance of the fine tradition of the Party with promotion of the spirit of the times, and consolidation of the Party's class base with expansion of its mass base so that the Party serves as a strong core of leadership that is consolidated ideologically, politically and organizationally and always stands in the forefront of the times leading the people forward in solidarity.

All in all, the important thought of Three Represents is always in a process of development and progress. The whole Party must continue to emancipate the mind, come up with new ideas in respect of theory and create something new in practice. It must carry out the important thought of Three Represents in all endeavors of the socialist modernization drive and in all aspects of Party building so that it always advances with the times and shares weal and woe with the people.

III. Objectives of Building a Well-off Society in an All-Round Way

Thanks to the joint efforts of the whole Party and the people of all ethnic groups, we have attained the objectives of the first two steps of the three-step strategy for China's modernization

drive, and by and large, the people have become well-off. This is a great victory for the socialist system and a new milestone in the history of the development of the Chinese nation.

We must be aware that China is in the primary stage of socialism and will remain so for a long time to come. The well-off life we are leading is still at a low level; it is not all-inclusive and is very uneven. The principal contradiction in our society is still one between the ever-growing material and cultural needs of the people and the backwardness of social production. Our productive forces, science, technology and education are still relatively backward, so there is still a long way to go before we achieve industrialization and modernization. The dual structure in urban and rural economy has not yet been changed, the gap between regions is still widening and there are still quite a large number of impoverished people. China's population continues to grow, the proportion of the aged is getting larger, and the pressure on employment and social security is mounting. The contradiction between the ecological environment and natural resources on the one hand and economic and social development on the other is becoming increasingly conspicuous. We still feel pressure from developed countries as they have the upper hand in such fields as the economy, science and technology. The economic structure and managerial systems in other fields remain to be perfected. There are still some problems we cannot afford to overlook in improving democracy and the legal system as well as the ideological and ethical standards. We need to work hard over a long period of time to consolidate and uplift our current well-off standard of living.

An overview of the situation shows that for our country, the first two decades of the 21st century are a period of important strategic opportunities, which we must seize tightly and which offers bright prospects. In accordance with the development objectives up to 2010, the centenary of the Party and that of New China, as proposed at the Fifteenth National Congress, we need to concentrate on building a well-off society of a higher standard in an all-round way to the benefit of well over one billion people in this period. We will further develop the economy, improve democracy, advance science and education, enrich culture, foster social harmony and upgrade the texture of life for the people. The two decades of development will serve as an inevitable connecting link for attaining the third-step strategic objectives for our modernization drive as well as a key stage for improving the socialist market economy and opening wider to the outside world. Building on what is achieved at this stage and continuing to work for several more decades, we will have in the main accomplished the modernization program and turned China into a strong, prosperous, democratic and culturally advanced socialist country by the middle of this century.

The objectives of building a well-off society in an all-round way are as follows:

-- On the basis of optimized structure and better economic returns, efforts will be made to quadruple the GDP of the year 2000 by 2020, and China's overall national strength and international competitiveness will increase markedly. We will in the main achieve industrialization and establish a full-fledged socialist market economy and a more open and viable economic system. The proportion of urban population will go up considerably and the trend of widening differences between industry and agriculture, between urban and rural areas and between regions will be reversed step by step. We will have a fairly sound social security

system. There will be a higher rate of employment. People will have more family property and lead a more prosperous life.

-- Socialist democracy and the legal system will be further improved. The basic principle of ruling the country by law will be implemented completely. The political, economic and cultural rights and interests of the people will be respected and guaranteed in real earnest. Democracy at the grassroots level will be better practiced. People will enjoy a sound public order and live and work in peace and contentment.

-- The ideological and ethical standards, the scientific and cultural qualities, and the health of the whole people will be enhanced notably. A sound modern national educational system, scientific, technological and cultural innovation systems as well as nationwide fitness and medical and health systems will take shape. People will have access to better education. We will make senior secondary education basically universal in the country and eliminate illiteracy. A learning society in which all the people will learn or even pursue life-long education will emerge to boost their all-round development.

-- The capability of sustainable development will be steadily enhanced. The ecological environment will be improved. The efficiency of using resources will be increased significantly. We will enhance harmony between man and nature to push the whole society onto a path to civilized development featuring the growth of production, an affluent life and a sound ecosystem.

The objectives set at this congress for building a well-off society in an all-round way are objectives of comprehensive economic, political and cultural development of socialism with Chinese characteristics, objectives well geared to the efforts to speed up modernization. They tally with the national conditions, the realities of the modernization drive and the people's aspirations. They are of great significance. In order to attain the Party's objectives for the new stage in the new century, it is imperative to come up with new ideas for development, make new breakthroughs in reform, break new ground in opening up and take new moves in all fields of endeavor. All localities and departments must proceed from their actual conditions and take effective measures to attain the objectives. Places where conditions permit may develop faster and take the lead in accomplishing modernization by and large on the basis of building a well-off society in an all-round way. We are sure that after attaining the objectives of building a well-off society in an all-round way, our motherland will become stronger and more prosperous, the people will live a better and happier life, and socialism with Chinese characteristics will further demonstrate its great superiority.

IV. Economic Development and Restructuring

In building a well-off society in an all-round way, it is of vital importance to take economic development as the central task and keep releasing and developing the productive forces. In light of the new trends in the economy, science and technology of the world and the requirements of our national economic development in the new period, we should undertake the following main tasks for economic development and reform in the first two decades of this

century: to improve the socialist market economy, promote strategic adjustment of the economic structure, basically accomplish industrialization, energetically apply IT, accelerate modernization, maintain a sustained, rapid and sound development of the national economy and steadily uplift the people's living standards. In the first decade, we will accomplish all the objectives set in the Tenth Five-Year Plan and for the years up to 2010 so as to bring the economic aggregate, overall national strength and the people's living standards up to a much higher level and lay a solid foundation for even greater development in the second decade.

1. Take a new road to industrialization and implement the strategy of rejuvenating the country through science and education and that of sustainable development. It remains an arduous historical task in the process of our modernization drive to accomplish industrialization. IT application is a logical choice if industrialization and modernization of our country are to be accelerated. It is, therefore, necessary to persist in using IT to propel industrialization, which will, in turn, stimulate IT application, blazing a new trail to industrialization featuring high scientific and technological content, good economic returns, low resources consumption, little environmental pollution and a full display of advantages in human resources.

We must press ahead to optimize and upgrade the industrial structure so as to bring about an industrial pattern with high and new technology industries as the leader, basic and manufacturing industries as the kingpin and the service industry developing in all areas. We must give priority to the development of the information industry and apply IT in all areas of economic and social development. We must develop high and new technology industries to provide breakthroughs in stimulating economic growth. It is necessary to transform traditional industries with high and new technology and advanced adaptive technology and invigorate the equipment manufacturing industry. We should continue to strengthen infrastructure. We should accelerate the development of the modern service sector and raise the proportion of the tertiary industry in the national economy. We must correctly handle the relationships of development between the high and new technology industries and traditional industries, between capital-and-technology-intensive industries and labor-intensive industries and between virtual economy and real economy.

In taking a new road to industrialization, we must give play to the important role of science and technology as the primary productive force and pay close attention to improving the quality and efficiency of economic growth by relying on scientific and technological progress and raising the qualities of labor force. We must strengthen basic research and research in high technology, promote key technological innovation and systems integration so that technology will develop by leaps and bounds. We must encourage scientific and technological innovation and acquire key technology and independent intellectual property rights in key areas and a number of domains in frontier science and technology. We must deepen the reform of the administration systems of science, technology and education, strengthen the integration of science, technology and education with the economy, improve the service system for the development of science and technology and quicken the pace of translating research achievements into practical productive forces. We must press ahead with the building of a national innovation system. We must give play to the role of venture capital and develop a mechanism of capital operation and human capital pooling for promoting scientific and technological innovation and start-ups. We must improve the system of intellectual property rights protection. We must give top priority to

sustainable development, adhere to the basic state policies of family planning and environmental and resources protection, keep the birthrate low and rationally develop and economically utilize all kinds of natural resources. We must lose no time in solving the problem of water shortages in some areas and build the south-to-north water diversion project. We should promote marine development and do well in the comprehensive improvement of land and resources. It is necessary to help the whole nation see the importance of environmental protection and do a good job of ecological conservation and improvement.

2. Make the rural economy flourish and speed up urbanization. A major task for building a well-off society in an all-round way is to make overall planning for urban and rural economic and social development, build modern agriculture, develop the rural economy and increase the income of farmers. We must strengthen the position of agriculture as the foundation of the economy, carry on the restructuring of agriculture and the rural economy, protect and raise the comprehensive grain production capacity, improve the system for ensuring the quality of farm produce and enhance the competitiveness of agriculture in the market. We must push forward the industrialized operation of agriculture, better organize farmers in their access to the market and improve the overall efficiency of agriculture. We must develop farm produce processing industry to boost the county economy. We must open up more rural markets and enliven the distribution of farm produce by improving its market system.

It is an inevitable trend of industrialization and modernization for surplus rural labor to move to non-agricultural industries and to cities and towns. It is essential to raise the level of urbanization gradually and persist in the coordinated development of large, medium and small cities and small towns along the path to urbanization with Chinese characteristics. We should develop small towns on the basis of existing county seats and of organic towns where conditions permit, make scientific planning and a rational layout, integrating their development with the expansion of township and village enterprises and the rural service sector. All the institutional and policy barriers to urbanization must be removed and the rational and orderly flow of rural labor guided.

We must adhere to the basic rural policies of the Party and keep stabilizing and improving the two-tier management system that integrates unified with separate management on the basis of household contract management. Wherever conditions permit, the transfer of the contractual right of land can be carried out according to law and on a voluntary and compensatory basis so as to develop scale operation step by step. We must respect farmer households as market players and encourage innovation in the rural management system. We must enhance the economic strength of the collectives. We should establish and improve a commercialized rural service system. We must invest more in agriculture, give it more support and accelerate the progress of agricultural science and technology and the building of rural infrastructure. We should improve financial services in rural areas. We must continue with the reform in tax and fee in rural areas to lighten the burdens of farmers and protect their interests.

3. Advance the development of the western region and bring about a coordinated development of regional economies. The implementation of the strategy for the development of the western region bears on the overall situation of national development, the ethnic unity and the stability in border areas. To lay a solid foundation and go ahead in a down-to-earth manner, we must give

priority to infrastructure and ecological environment improvement and strive for breakthroughs in a decade. We must develop industries with local advantages and propel the development of key areas. We should develop science, technology and education and train and make the best use of all human resources. The state should provide the western region with greater support in such areas as investment projects, tax policies and transfer payments, gradually build up long-term and stable sources of funds for its development, improve the investment environment, and guide foreign investment and domestic capital toward that region. People there should further emancipate their minds, enhance their self-development capabilities and explore a new path to accelerated development in reform and opening up.

The central region should redouble its efforts toward structural adjustment, giving impetus to industrialized operation of agriculture, transforming traditional industries, cultivating new economic growth points and speeding up industrialization and urbanization. The eastern region should quicken the pace of upgrading its industrial structure, develop modern agriculture, high and new technology industries and high value-added processing and manufacturing industries and further develop the outward-looking economy. We should encourage the special economic zones and the Pudong New Area in Shanghai to spearhead, among other things, institutional innovation and greater openness. We should support the northeastern region and other old industrial bases in accelerating their adjustments and transformation and support cities and areas mainly engaged in natural resources exploitation in their efforts to develop alternative industries. We should support the old revolutionary base areas and areas inhabited by ethnic minorities in expediting their development. The state should give more support to main grain producing areas. The eastern, central and western regions should strengthen economic exchanges and cooperation to complement one another and secure common development so as to form a number of distinctive economic zones and belts.

4. Stick to and improve the basic economic system and deepen the reform of the state property management system. In line with the requirements of releasing and developing the productive forces, we must uphold and improve the basic economic system, with public ownership playing a dominant role and diverse forms of ownership developing side by side. First, it is necessary to consolidate and develop unswervingly the public sector of the economy. Expansion of the state sector and its control of the lifeline of the national economy is of crucial importance in displaying the superiority of the socialist system and reinforcing the economic strength, national defense capabilities and national cohesion. As an important component of the public sector, the collective sector of the economy plays a significant role in achieving common prosperity. Secondly, it is necessary to encourage, support and guide the development of the non-public sectors of the economy. The non-public sector of self-employed, private and other forms of ownership is an important component part of the socialist market economy. They play an important role in mobilizing the initiative of all quarters of the society to quicken the development of the productive forces. Thirdly, we must stimulate the development of the non-public sectors while keeping the public sector as the dominant player, incorporating both into the process of the socialist modernization drive instead of setting them against each other. All sectors of the economy can very well display their respective advantages in market competition and stimulate one another for common development.

Continuing to adjust the layout and structure of the state sector and reform the state property management system is a major task for deepening economic restructuring. We should give full play to the initiative of both the central and local authorities on the precondition of upholding state ownership. The state should make laws and regulations and establish a state property management system under which the Central Government and local governments perform the responsibilities of investor on behalf of the state respectively, enjoying owner's equity, combining rights with obligations and duties and administering assets, personnel and other affairs. The Central Government should represent the state in performing the functions as investor in large state-owned enterprises, infrastructure and important natural resources that have a vital bearing on the lifeline of the national economy and state security while local governments should represent the state in performing the functions as investors with regard to other state property. The Central Government and the provincial and municipal (prefectural) governments should set up state property management organizations. We should continue to explore systems and modes for managing state property effectively. Governments at all levels must strictly abide by the laws and regulations concerning the management of state property, persisting in the separation of government functions from enterprise management and separation of ownership from management so that enterprises can operate independently, assume sole responsibility for their profits or losses and preserve and increase the value of state property.

State-owned enterprises are the pillar of the national economy. We should deepen the reform of state-owned enterprises and further explore diversified forms for effectively realizing public ownership, especially state ownership. We should promote institutional, technological and managerial innovations in enterprises. Except for a tiny number of enterprises that must be funded solely by the state, all the others should introduce the joint-stock system to develop a mixed sector of the economy. Sources of investment must be diversified. The controlling shares in lifeline enterprises must be held by the state. Large and medium state-owned enterprises must continue their reform to convert themselves into standard companies in compliance with the requirements of the modern enterprise system and improve their corporate governance. Monopoly industries should carry out reforms to introduce competition mechanisms. We should form large internationally competitive companies and enterprise groups through market forces and policy guidance. We should give a freer rein to small and medium state-owned enterprises to invigorate themselves. We should deepen the reform of collective enterprises and give more support and help to the growth of the various forms of the collective sector of the economy.

We must give full scope to the important role of the non-public sector of self-employed, private and other forms of ownership of the economy in stimulating economic growth, creating more jobs and activating the market. We should expand the areas for the market access of domestic nongovernmental capital and adopt measures with regard to investment, financing, taxation, land use, foreign trade and other aspects to carry out fair competition. We should strengthen the supervision and administration of the non-public sectors according to law to promote their sound development. We should improve the legal system for protecting private property.

5. Improve the modern market system and tighten and improve macroeconomic control. We should give a fuller play to the basic role of the market in the allocation of resources and build up a unified, open, competitive and orderly modern market system. We should go ahead with

reform, opening up, stability and development of the capital market. We should develop markets for property rights, land, labor and technology and create an environment for the equal use of production factors by market players. We must deepen the reform of the distribution system and introduce modern ways of distribution. We must rectify and standardize the order of the market economy and establish a social credit system compatible with a modern market economy. We must get rid of trade monopolies and regional blockades to allow free movement of goods and production factors on markets around the country.

We must improve the government functions of economic regulation, market supervision, social administration and public services, and reduce and standardize administrative procedures for examination and approval. We must stimulate economic growth, create more jobs, stabilize prices and maintain balance of international payments as the main macroeconomic control objectives. Stimulating domestic demand is an essential and long-standing factor underlying China's economic growth. We must stick to the policy of stimulating domestic demand and implement corresponding macroeconomic policies in light of actual needs. We must adjust the relationship between investment and consumption to raise the proportion of consumption in GDP gradually. We should improve the macroeconomic control system featuring the coordination of state planning and fiscal and monetary policies to give play to economic leverage. We should deepen the reform of the fiscal, taxation, banking, investment and financing systems. We should improve the budgetary decision-making and management system, step up the supervision of revenue and expenditures and intensify tax administration. We should carry out the reform steadily to deregulate interest rates to leave them to market forces, optimize the allocation of financial resources, strengthen regulation and prevent and defuse financial risks so as to provide better banking services for economic and social development.

6. Deepen the reform of the income distribution system and improve the social security system. Rationalizing the relations of income distribution bears on the immediate interests of the general public and the display of their initiative. We should adjust and standardize the relations of distribution among the state, enterprises and individuals. We should establish the principle that labor, capital, technology, managerial expertise and other production factors participate in the distribution of income in accordance with their respective contributions, thereby improving the system under which distribution according to work is dominant and a variety of modes of distribution coexist. We should give priority to efficiency with due consideration to fairness, earnestly implementing the distribution policy while advocating the spirit of devotion and guarding against an excessive disparity in income while opposing equalitarianism. In primary distribution, we should pay more attention to efficiency, bringing the market forces into play and encouraging part of the people to become rich first through honest labor and lawful operations. In redistribution, we should pay more attention to fairness and strengthen the function of the government in regulating income distribution to narrow the gap if it is too wide. We should standardize the order of income distribution, properly regulate the excessively high income of some monopoly industries and outlaw illegal gains. Bearing in mind the objective of common prosperity, we should try to raise the proportion of the middle-income group and increase the income of the low-income group.

Establishing and improving a social security system compatible with the level of economic development constitutes an important guarantee for social stability and long-term peace and

order in the country. We should stick to and improve the basic old-age pension and medical insurance systems for urban workers, combining socially pooled funds with personal contributions. We should improve the systems of unemployment insurance and subsistence allowances for urban residents. We should try various channels to raise and accumulate social security funds. Reasonable standards for social security benefits should be set in light of local conditions. We should develop social relief and welfare programs in urban and rural areas. Wherever conditions permit, we should try to establish systems of old-age pensions, medical insurance and subsistence allowances in rural areas.

7. Do a better job in opening up by "bringing in" and "going out". In response to the new situation of economic globalization and China's entry into the WTO, we should take part in international economic and technological cooperation and competition on a broader scale, in more spheres and on a higher level, make the best use of both international and domestic markets, optimize the allocation of resources, expand the space for development and accelerate reform and development by opening up.

We should expand trade in goods and services. We should implement the strategy of market diversification, bring into play our comparative advantages, consolidate our existing markets and open new ones in an effort to increase exports. We should sharpen the competitive edge of our goods and services for export by ensuring good quality. We should optimize our import mix and focus on bringing in advanced technology and key equipment. We should deepen the reform of the system of trade and economic relations with other countries, encouraging more enterprises to engage in foreign trade and improving relevant taxation systems and the trade financing mechanism.

We should attract more foreign direct investment and use it more effectively. We will open the service sector to the outside world step by step. We will utilize medium- and long-term foreign investment in many ways, combining it with the domestic economic restructuring and the reorganization and transformation of state-owned enterprises and encouraging multinational corporations to invest in agriculture and manufacturing and high and new technology industries. We should try to bring in from overseas large numbers of professionals and other intellectual resources in various areas. We should improve the environment for investment, grant national treatment to foreign investors and make relevant policies and regulations more transparent. Implementation of the strategy of "going out" is an important measure taken in the new stage of opening up. We should encourage and help relatively competitive enterprises with various forms of ownership to invest abroad in order to increase export of goods and labor services and bring about a number of strong multinational enterprises and brand names. We should take an active part in regional economic exchanges and cooperation. In opening wider to the outside world, we must pay great attention to safeguarding our national economic security.

8. Do everything possible to create more jobs and improve the people's lives. Employment has a vital bearing on the people's livelihood. The task of increasing employment is arduous now and will remain so for a long time to come. It is a long-term strategy and policy of the state to expand employment. Party committees and governments at all levels must take it as their major obligation to improve the business environment and create more jobs. We should open up more avenues for employment and develop labor-intensive industries. We should give policy support

to enterprises that increase jobs or reemploy laid-off workers. We should help the general public to change their mentality about employment, introduce flexible and diverse forms of employment and encourage people to find jobs on their own or become self-employed. We should improve the system of pre-job training and employment services and raise workers' skills for new jobs. We should strengthen employment management in accordance with law, safeguard the legitimate rights and interests of workers, pay great attention to safety at work and protect the safety of state property and people's life.

The fundamental goal of economic development is to uplift the living standards and quality of life of the people. As the economy develops, we should increase the income of urban and rural residents, expand the scope of their consumption and optimize the consumption structure so as to meet the people's multifarious material and cultural needs. Further efforts should be made to develop public service facilities, better people's living environment and expand community services in order to make life easier for the people. We should establish a medical service and health care system that meets the requirements of the new situation. We should improve medical and health conditions in rural areas and the medical and health care for urban and rural residents. We should build up various programs to help the handicapped. We should intensify our efforts to fight poverty through development, build on the achievements we have scored in this regard, strive to accomplish the task of providing adequate food and clothing for the impoverished rural population and gradually enable them to lead a well-off life.

Accomplishing the tasks set for economic development and restructuring is of decisive significance to accelerating our socialist modernization. So long as the whole Party and the people of all ethnic groups work hard with one heart and one mind, we will definitely establish a mature socialist market economy and maintain a sustained, rapid and sound development of the national economy at the new stage in the new century.

V. Political Development and Restructuring

Developing socialist democracy and establishing a socialist political civilization are an important goal for building a well-off society in an all-round way. Adhering to the Four Cardinal Principles, we must go on steadily and surely with political restructuring, extend socialist democracy and improve the socialist legal system in order to build a socialist country under the rule of law and consolidate and develop the political situation characterized by democracy, solidarity, liveliness, stability and harmony.

Our Party has always deemed it its duty to realize and develop people's democracy. Since the beginning of reform and opening up, we have pressed on with political restructuring and improved socialist democracy. The key to developing socialist democracy is to combine the need to uphold the Party's leadership and to ensure that the people are the masters of the country with the need to rule the country by law. Leadership by the Party is the fundamental guarantee that the people are the masters of the country and that the country is ruled by law. The people being the masters of the country constitutes the essential requirement of socialist democracy. Ruling the country by law is the basic principle the Party pursues while it leads the

people in running the country. The CPC is the core of leadership for the cause of socialism with Chinese characteristics. Governance by the Communist Party means that it leads and supports the people in acting as the masters of the country and mobilizes and organizes them on a most extensive scale to manage state and social affairs and economic and cultural undertakings according to law, safeguarding and realizing their fundamental interests. The Constitution and other laws embody the unity of the Party's views and the people's will. All organizations and individuals must act in strict accordance with the law, and none of them are allowed to have the privilege to overstep the Constitution and other laws.

Political restructuring is the self-improvement and development of the socialist political system. It must help enhance the vitality of the Party and state, demonstrate the features and advantages of the socialist system, give full scope to the initiative and creativity of the people, safeguard national unity, ethnic solidarity and social stability and promote economic development and social progress. We must always proceed from our national conditions, review our experience gained in practice and at the same time learn from the achievements of political civilization of mankind. We should never copy any models of the political system of the West. We must concentrate on institutional improvement and ensure that socialist democracy is institutionalized and standardized and has its procedures.

1. Uphold and improve the systems of socialist democracy. It is essential to improve the systems of democracy, develop diverse forms of democracy, expand citizens' participation in political affairs in an orderly way, and ensure that the people go in for democratic elections and decision-making, exercise democratic management and supervision according to law and enjoy extensive rights and freedoms, and that human rights are respected and guaranteed. We should uphold and improve the system of people's congresses and ensure that the congresses and their standing committees exercise their functions according to law and that their legislation and policy decisions better embody the people's will. We should optimize the composition of the standing committees. We should uphold and improve the system of multiparty cooperation and political consultation under the leadership of the Communist Party. We should uphold the principle of "long-term coexistence, mutual supervision, treating each other with all sincerity and sharing weal and woe", step up our cooperation with the democratic parties and better display the features and advantages of the Chinese socialist system of political parties. We will ensure that the Chinese People's Political Consultative Conference (CPPCC) plays its role in political consultation, democratic supervision and participation in and deliberation of state affairs. We will consolidate and develop the broadest possible patriotic united front. We will fully implement the Party's policy toward ethnic minorities, uphold and improve the system of regional ethnic autonomy, consolidate and enhance socialist ethnic relations of equality, solidarity and mutual assistance and promote common prosperity and progress for all our ethnic groups. We will implement the Party's policy toward the freedom of religious belief, handle religious affairs according to law, encourage the adaptability of religions to the socialist society and uphold the principle of self-administration and running religious affairs independently. We will conscientiously carry out the Party's policy toward overseas Chinese affairs.

Extending democracy at the grassroots level is the groundwork for developing socialist democracy. We will improve grassroots self-governing organizations, their democratic management system and the system of keeping the public informed of matters being handled,

and ensure that the people directly exercise their democratic rights according to law, manage grassroots public affairs and programs for public good and exercise democratic supervision over the cadres. We will improve self-governance among villagers and foster a mechanism of their self-governance full of vitality under the leadership of village Party organizations. We will improve self-governance among urban residents and build new-type and well-managed communities featuring civility and harmony. We will uphold and improve the system of workers' conferences and other democratic management systems in enterprises and institutions and protect the legitimate rights and interests of workers.

2. Improve the socialist legal system. We must see to it that there are laws to go by, the laws are observed and strictly enforced, and law-breakers are prosecuted. To adapt to the new situation characterized by the development of a socialist market economy, all-round social progress and China's accession to the WTO, we will strengthen legislation and improve its quality and will have formulated a socialist system of laws with Chinese characteristics by the year 2010. We must see to it that all people are equal before the law. We should tighten supervision over law enforcement, promote the exercise of administrative functions according to law, safeguard judicial justice and raise the level of law enforcement so that laws are strictly implemented. We must safeguard the uniformity and sanctity of the legal system and prevent or overcome local and departmental protectionism. We will extend and standardize legal services and provide effective legal aid. We should give more publicity to the legal system so that the people are better educated in law. In particular, we will enhance the public servants' awareness of law and their ability to perform their official duties according to law. Party members and cadres, especially leading cadres, should play an exemplary role in abiding by the Constitution and other laws.

3. Reform and improve the Party's style of leadership and governance. This is a matter of overall significance to improving socialist democracy. Leadership by the Party mainly refers to its political, ideological and organizational leadership. The Party exercises leadership over the state and society by formulating major principles and policies, making suggestions on legislation, recommending cadres for important positions, conducting ideological publicity, giving play to the role of Party organizations and members and persisting in exercising state power according to law. Party committees, playing the role as the core of leadership among all other organizations at corresponding levels, should concentrate on handling important matters and support those organizations in assuming their responsibilities independently and making concerted efforts in their work. We will further reform and improve the Party's working organs and mechanisms. Acting on the principle that the Party commands the overall situation and coordinates the efforts of all quarters, we will standardize relations between Party committees on the one hand and people's congresses, governments, CPPCC committees and mass organizations on the other. We will support people's congresses in performing their functions as organs of state power according to law, in ensuring that the Party's views become the will of the state and that candidates recommended by Party organizations become leading cadres of the organs of state power through legal procedures, and in exercising supervision over them. We will support the government in fulfilling its legal functions and performing its official duties according to law. We will support CPPCC committees in performing their functions by centering on the two major subjects of unity and democracy. We will strengthen the Party's leadership over trade unions, the Communist Youth League organizations, women's federations and other mass

organizations and support them in working according to law and their own constitutions and acting as a bridge between the Party and the people.

4. Reform and improve the decision-making mechanism. Correct decision-making is an important prerequisite for success in all work. We will improve the decision-making mechanism by which decision-makers will go deep among the people and get to know how they are faring, reflect their will, pool their wisdom and value their resources, putting decision-making on a more scientific and democratic basis. Decision-making organs at all levels should improve the rules and procedures for taking major policy decisions, establish a system of reporting social conditions and public opinion, a system of keeping the public informed and a system of public hearings on major issues closely related to the interests of the people, perfect the expert consulting system and implement a verification system and a responsibility system in making policy decisions with a view to preventing arbitrary decision-making.

5. Deepen administrative restructuring. We should further change the functions of the government, improve the methods of management, introduce e-government, uplift administrative efficiency and reduce costs so as to form an administrative system featuring standardized behaviors, coordinated operation, fairness and transparency, honesty and high efficiency. We should standardize the functions and powers of the Central Government and local authorities according to law and properly handle relations between the departments directly under the Central Government and the local governments. Following the principle of simplification, uniformity and efficiency and meeting the requirements of coordination in decision-making, execution and supervision, we will continue to promote the restructuring of government departments, standardize their functions in a scientific manner, rationalize their set-ups, and optimize their composition in order to delimit the structures and sizes statutorily and solve the problems of too many levels, overlapping functions, overstaffing, divorce between powers and responsibilities and duplicate law enforcement. We will reform the management system of institutions in accordance with the principle of separating the functions of government from those of institutions.

6. Promote the reform of the judicial system. A socialist judicial system must guarantee fairness and justice in the whole society. In accordance with the requirements of judicial justice and strict law enforcement, we should improve the setups of judicial organs, the delimitation of their functions and powers and their management systems so as to form a sound judicial system featuring clearly specified powers and responsibilities, mutual coordination and restraint and highly efficient operation. We should institutionally ensure that the judicial and procuratorial organs are in a position to exercise adjudicative and procuratorial powers independently and impartially according to law. We should improve judicial proceedings and protect the legitimate rights and interests of citizens and legal persons. We should solve the problem of difficult enforcement of judgments. We should reform the working mechanisms of judicial organs and the management system of their human, financial and material resources and gradually separate their judicial adjudication and procuratorial work from their administrative affairs. We will tighten supervision over the judicial work and punish corruption in this field. We will build up a contingent of judicial personnel who are politically steadfast and professionally competent, have a fine style of work and enforce laws impartially.

7. Deepen the reform of the cadre and personnel system. Efforts should be made to form a vigorous personnel mechanism under which we can gather large numbers of talented people, put them to the best use and get them prepared for both promotion and demotion, calling them to the service of the Party and state. In reforming and perfecting the cadre and personnel system and improving the system of public servants, we should focus on establishing a sound mechanism of selection, appointment, management and supervision, with a view to making it scientific, democratic and institutionalized. In the matter of cadre selection and appointment, Party members and ordinary people should have more right to know, to participate, to choose and to supervise. With regard to leading cadres of the Party and government, it is necessary to implement the system of fixed tenures, the system of resignation and the system of accountability for neglect of supervisory duty or the use of the wrong person. It is necessary to improve the system of giving cadres both positions and ranks and establish an incentive and guarantee mechanism for them. We should explore and improve the system of classified management of cadres and personnel in Party and government organs, institutions and enterprises. We should reform and improve the system of dual control over cadres. We should break with the notions and practices of overstressing seniority in the matter of selection and appointment, encourage the rational flow of trained people and create a sound environment which makes it possible for outstanding people to come to the fore in all fields.

8. Tighten the restraint on and supervision over the use of power. We should establish a mechanism for the exercise of power featuring reasonable structure, scientific distribution, rigorous procedures and effective restraint so as to tighten supervision over power in terms of decision-making, execution and other links and ensure that the power entrusted to us by the people is truly exercised for their benefits. We should focus on tightening supervision over leading cadres and especially principal ones, stepping up supervision over the management and use of human, financial and material resources. We should tighten internal supervision of leading groups and improve the procedures for deciding on important matters and the appointment or dismissal of cadres in important positions. We should reform and improve the system of Party discipline inspection and introduce and improve the system of inspection tours. We should give play to the role of judicial, administrative supervision and auditing organs and other functional departments. We should implement the system under which leading cadres report in various ways on their work and their efforts to perform their duties honestly, and improve the systems of reporting on important matters, of making inquiries and of democratic appraisal. We should conscientiously implement the system of making government affairs known to the public. We should tighten organizational and democratic supervision and give play to the supervisory function of the media.

9. Maintain social stability. To accomplish the heavy tasks of reform and development, we must have a harmonious and stable social climate for a long time to come. Party committees and governments at all levels should enthusiastically help the people solve practical problems they may confront in their work and life. They must carry out in-depth investigations and study, strengthen ideological and political work in light of different cases, and employ economic, administrative and legal means to handle the contradictions among the people properly, those involving their immediate interests in particular, so as to maintain stability and unity. It is essential to improve procuratorial, judicial and public security work, cracking down on criminal activities according to law, guarding against and punishing crimes committed by evil cult gangs

and eliminating social evils so as to ensure the safety of the lives and property of the people. We must combine punishment and prevention, with emphasis on the latter, take comprehensive measures to maintain law and order and improve social management so as to keep public order. We must strengthen state security, keeping vigilance against infiltrative, subversive and separatist activities by hostile forces at home and abroad.

Socialist democracy enjoys strong vitality and superiority. The CPC and the Chinese people have full confidence in the road to political development they have chosen and will press ahead with political development under socialism with Chinese characteristics.

VI. Cultural Development and Restructuring

To build a well-off society in an all-round way calls for major efforts to develop socialist culture and spiritual civilization. In the present-day world, culture is interactive with economic and political activities, and its status and functions are becoming more and more outstanding in the competition in overall national strength. The power of culture is deeply rooted in the vitality, creativity and cohesion of a nation. All Party members must fully understand the strategic significance of cultural development and make socialist culture develop and flourish.

1. Keep the orientation of advanced culture firmly in hand. In contemporary China, to develop advanced culture means to develop national, scientific and popular socialist culture geared to the needs of modernization, of the world and of the future so as to enrich people's mental world and reinforce their mental strength. We must uphold Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory as our guidelines in the realm of ideology and have the important thought of Three Represents in command of the development of socialist culture. We must keep to the orientation of serving the people and socialism and the principle of letting a hundred flowers blossom and a hundred schools of thought contend and highlight the themes of the times while encouraging diversity. We should continue to arm people with scientific theory, provide them with correct media guidance, imbue them with lofty ideals, and inspire them with excellent works of literature and art. We must exert ourselves to develop advanced culture and support healthy and useful culture, changing what is backward and resisting what is decadent. Literary and art workers should go deep among the masses and into the thick of life so as to contribute to the people more works worthy of the times. The press, publishing, radio, film and television must give correct guidance to the public, and Internet web sites should serve as important fronts for spreading advanced culture. Basing ourselves on the practice of reform, opening up and modernization and keeping abreast of the latest developments in world culture, we must carry forward the fine tradition of our national culture, draw on the strong points of other nations and make innovations in content and form so as to enhance the attraction and appeal of socialist culture with Chinese characteristics.

2. Continue to carry forward and cultivate the national spirit. National spirit is the moral kingpin on which a nation relies for survival and development. Without an inspiring spirit and lofty character, it is impossible for a nation to stand proudly in the family of nations. For more than 5,000 years, the Chinese nation has evolved a great national spirit centering on patriotism and

featuring unity and solidarity, love of peace, industry, courage and ceaseless self-improvement. This national spirit has been enriched in light of the requirements of the times and social development by the people under the leadership of our Party over along period of practice. Confronted with interaction of different thoughts and cultures in the world, we must take it as a crucial task in our cultural development to carry forward and cultivate the national spirit and incorporate it into our national education and the entire process of building spiritual civilization so that the entire people are always filled with an enterprising spirit.

3. Promote ideological and ethical progress. Ruling the country by law and ruling the country by virtue complement each other. It is necessary to establish a socialist ideological and ethical system compatible with the socialist market economy and the socialist legal standard and consistent with the traditional virtues of the Chinese nation. We must carry out intensive publicity and education in the Party's basic theory, line and program and in the important thought of Three Represents, and guide people in fostering a common ideal for socialism with Chinese characteristics, correct world outlook, views on life and values. We must carry out the Program for Improving Civic Morality, promote patriotism and, with serving the people at the core, collectivism as the principle and honesty as a priority, intensify education in social and professional ethics and family virtues and especially intensify the ideological and ethical improvement among youth so as to guide people in their pursuit of higher ideological and ethical standards on the basis of observing the basic code of conduct. We must strengthen and improve ideological and political work and encourage popular participation in building spiritual civilization.

4. Develop education and science. Education is the foundation for scientific and technological advancement and personnel training. Playing a vanguard role and having an overall bearing on the modernization drive, education must be placed on our development agenda as a strategic priority. We must carry out the Party's education policy that education should serve socialist modernization and the people and integrate itself with productive labor and social practice so as to train socialist builders and successors featuring an all-round development in morality, intelligence, physique and art. We should encourage innovation in education, deepen its reform, optimize its structure, allocate its resources rationally, raise its quality and management levels and promote quality-oriented education to cultivate hundreds of millions of high-quality workers, tens of millions of specialized personnel and a great number of top-notch innovative personnel. We should build up the ranks of teachers and raise their professional ethics and competence. We should continue to make nine-year compulsory education universal across the country, intensify vocational education and training, develop continued education and set up a system of life-long education. We should increase input in education, give more support to rural education, and encourage nongovernmental sectors to run schools. We should improve the state policy and system for aiding students in straitened circumstances. We should formulate a long-term program for scientific and technological development. We should step up the development of infrastructure for research. We should disseminate science and promote the scientific spirit. We must lay equal stress on social sciences and natural sciences and give full play to the important role of philosophy and other social sciences in economic and social development. It is essential to create an atmosphere in society at large favorable for respecting and promoting science, encouraging innovation and opposing superstition and pseudo-science.

5. Develop cultural undertakings and industry. In developing cultural undertakings and industry, it is imperative to meet the requirements of developing advanced culture and always place social effects in the first place. The state supports and protects public cultural undertakings and encourages them to enhance their vigor for self-development. We must continue to improve the policies and measures for the development of public cultural undertakings. We must give our support to the major news media and research institutions of social sciences of the Party and state, to the major cultural projects and art schools and troupes that are up to national standards and embody national characteristics, to the protection of major cultural heritage and outstanding folk arts, and to the cultural development in the old revolutionary base areas, areas inhabited by ethnic minorities, remote areas, impoverished areas and the central and western regions of the country. We should strengthen cultural infrastructure and boost various types of popular culture. We should promote the reform and development of health and sports undertakings and carry on the nationwide fitness campaign to improve the physique of the entire people. We should make the 2008 Olympics a success. Developing the cultural industry is an important avenue to enriching socialist culture in the market economy and to meeting the spiritual and cultural needs of the people. It is essential to improve policies toward the cultural industry, support its development and enhance its overall strength and competitiveness.

6. Continue to deepen cultural restructuring. It is necessary to push forward cultural restructuring in light of the characteristics of the development of socialist spiritual civilization and laws governing it and in response to the needs of the growing socialist market economy. We must lose no time in working out overall planning for cultural restructuring. We must integrate the deepening of reform with structural adjustment and promotion of development and straighten out the relationship between the government and cultural enterprises and institutions. We must build up a legal system concerning culture and intensify macro-control. We should deepen the internal reform of cultural enterprises and institutions and gradually establish a management system and operational mechanism favorable to arousing the initiative of cultural workers, encouraging innovation and bringing forth more top-notch works and more outstanding personnel. In compliance with the principle of both enriching culture and intensifying management, we should improve the system of markets for cultural products and their management mechanism to create a social climate favorable for a flourishing socialist culture.

The Chinese civilization, extensive and profound, and with a long history behind it, has contributed tremendously to the progress of human civilization. We will surely have a new upsurge in building socialist culture and create an even more splendid advanced culture in the great struggle of the Chinese people in the contemporary era.

VII. National Defense and Army Building

Strengthening our national defense is a strategic task in our modernization drive and an important guarantee for safeguarding our national security and unity and building a well-off society in an all-round way. We must uphold the principle of coordinated development of national defense and the economy and push forward the modernization of national defense and the army on the basis of economic growth.

The army must take Mao Zedong's military thinking and Deng Xiaoping's thinking on army building in the new period as the guide to action and fully implement the important thought of Three Represents. It must persist in taking the road of fewer but better troops with Chinese characteristics and become more revolutionary, modernized and regularized in compliance with the general requirements of being qualified politically and competent militarily and having a fine style of work, strict discipline and adequate logistic support and in close connection with the two historic objectives of being capable of winning battles and never degenerating.

The army should give first priority to ideological and political development in all its endeavors and retain the nature, quality and style of work worthy of a people's army. The Party's absolute leadership over the army is the eternal soul of the army. There must be no wavering in upholding the fundamental principle and system that the Party leads the people's army.

The army must implement the military strategic principle of active defense and raise its defense capabilities and combat effectiveness under high-tech conditions. In response to the trend of military changes in the world, it must carry out the strategy of building a strong army through science and technology and improve its qualities. It should attach strategic importance to education and training, carry on intensive science- and technology-related military training and strengthen the building of military academies and schools so as to bring up a large number of high-quality military personnel of a new type. It is necessary to innovate and develop military theories. Efforts should be made to accomplish the historical tasks of mechanization and IT application, thereby bringing about leapfrog development in the modernization of our army.

It is necessary to explore the characteristics and laws for running the army under the new historical conditions and press ahead with reforms in the building of national defense and the army. The formation and structure of the army must be optimized and the related policies and systems should be adjusted and improved. The army must be strict with itself and improve the system of military rules and regulations so as to raise the level of handling its affairs according to law. It is essential to persist in building the army through diligence and thrift and establishing and improving an integrated logistic support system for the three armed services, for both military and civilian purposes and for both peacetime and wartime. It is necessary to deepen the restructuring of defense-related science, technology and industry, combine military efforts with civilian support, establish and improve the mechanism of competition, appraisal, supervision and incentives and enhance the capabilities of independent innovation so as to speed up the development of defense-related science and technology as well as arms and equipment. It is necessary to improve the mobilization system for national defense, strengthen the militia and reserves and develop strategies and tactics of the people's war under high-tech conditions. The armed police should strive for all-round improvement and be loyal guards of the Party and the people forever.

Party organizations and governments at all levels and the people should be concerned with and support the building of national defense and the army. The army should support and take an active part in national construction. We should strengthen education in national defense to enhance the entire people's awareness of its importance. The government and the people should support the army and give preferential treatment to the families of servicemen and martyrs, and the army should support the government and cherish the people so as to

consolidate the solidarity between the army and the government and between the army and the people.

VIII. "One Country, Two Systems" and Complete National Reunification

To achieve complete reunification of the motherland is a common aspiration of all sons and daughters of the Chinese nation both at home and abroad. We have successfully resolved the questions of Hong Kong and Macao and are striving for an early settlement of the question of Taiwan and for the accomplishment of the great cause of national reunification.

The return of Hong Kong and Macao to the motherland has enriched the concept of "one country, two systems" in both theory and practice. Facts prove that "one country, two systems" is a correct policy and has strong vitality. We will resolutely implement this policy and act in strict accordance with the basic laws of Hong Kong and Macao special administrative regions. We will render full support to the chief executives and governments of the two regions in their work and unite with people from all walks of life there in a joint effort to maintain and promote the prosperity, stability and development of Hong Kong and Macao.

We will adhere to the basic principles of "peaceful reunification" and "one country, two systems" and the eight-point proposal on developing cross-straits relations and advancing the process of peaceful national reunification at the present stage. We will work with our compatriots in Taiwan to step up personnel exchanges and promote economic, cultural and other interflows between the two sides and firmly oppose the Taiwan separatist forces. The basic configuration and development trend of the cross-straits relations remain unchanged. The desire of our Taiwan compatriots for peace, stability and development is growing stronger day by day. The splitting activities by the Taiwan separatist forces are unpopular.

Adherence to the one-China principle is the basis for the development of cross-straits relations and the realization of peaceful reunification. There is but one China in the world, and both the mainland and Taiwan belong to one China. China's sovereignty and territorial integrity brook no division. We firmly oppose all words and deeds aimed at creating "Taiwan independence", "two Chinas" or "one China, one Taiwan". The future of Taiwan lies in the reunification of the motherland. To conduct dialogue and hold negotiations on peaceful reunification has been our consistent position. Here we repeat our appeal: On the basis of the one-China principle, let us shelve for now certain political disputes and resume the cross-straits dialogue and negotiations as soon as possible. On the premise of the one-China principle, all issues can be discussed. We may discuss how to end the cross-straits hostility formally. We may also discuss the international space in which the Taiwan region may conduct economic, cultural and social activities compatible with its status, or discuss the political status of the Taiwan authorities or other issues. We are willing to exchange views with all political parties and personages of all circles in Taiwan on the development of cross-straits relations and the promotion of peaceful reunification.

We place our hopes on the people in Taiwan for the settlement of the Taiwan question and the realization of the complete reunification of China. Our compatriots in Taiwan have a glorious patriotic tradition and are an important force in developing cross-straits relations. We fully respect their life style and their wish to be the masters of our country. The two sides should expand mutual contacts and exchanges and work together to carry forward the fine tradition of the Chinese culture. As the direct links of mail, air and shipping services, and trade across the Taiwan Straits serve the common interests of the compatriots on both sides, there is every reason to take practical and positive steps to promote such direct links and open up new prospects for cross-straits economic cooperation.

"One country, two systems" is the best way for the reunification between the two sides. After its reunification with the mainland, Taiwan may keep its existing social system unchanged and enjoy a high degree of autonomy. Our Taiwan compatriots may keep their way of life unchanged, and their vital interests will be fully guaranteed. They will enjoy a lasting peace. Taiwan may then truly rely on the mainland as its hinterland for economic growth and thus get broad space for development. Our Taiwan compatriots may join the people on the mainland in exercising the right to administer the country and sharing the dignity and honor of the great motherland in the international community.

The 23 million Taiwan compatriots are our brothers and sisters of the same blood. No one is more eager than we are to resolve the Taiwan question through peaceful means. We will continue to implement the basic principles of "peaceful reunification" and "one country, two systems" and act on the eight-point proposal. We will work in utmost sincerity and do all we can to strive for a peaceful reunification. Our position of never undertaking to renounce the use of force is not directed at our Taiwan compatriots. It is aimed at the foreign forces' attempts to interfere in China's reunification and the Taiwan separatist forces' schemes for "Taiwan independence". To safeguard national unity bears on the fundamental interests of the Chinese nation. We Chinese people will safeguard our state sovereignty and territorial integrity with firm resolve. We will never allow anyone to separate Taiwan from China in any way.

China will be reunified, and the Chinese nation will be rejuvenated. The Taiwan question must not be allowed to drag on indefinitely. We are convinced that with the concerted efforts of all sons and daughters of the Chinese nation, the complete reunification of the motherland will be achieved at an early date.

IX. The International Situation and Our External Work

Peace and development remain the themes of our era. To preserve peace and promote development bears on the well-being of all nations and represents the common aspirations of all peoples. It is an irresistible trend of history. The growing trends toward world multipolarization and economic globalization have brought with them opportunities and favorable conditions for world peace and development. A new world war is unlikely in the foreseeable future. It is realistic to bring about a fairly long period of peace in the world and a favorable climate in areas around China.

However, the old international political and economic order, which is unfair and irrational, has yet to be changed fundamentally. Uncertainties affecting peace and development are on the rise. The elements of traditional and non-traditional threats to security are intertwined, and the scourge of terrorism is more acutely felt. Hegemonism and power politics have new manifestations. Local conflicts triggered by ethnic or religious contradictions and border or territorial disputes have cropped up from time to time. The North-South gap is widening. The world is far from being tranquil and mankind is faced with many grave challenges.

No matter how the international situation changes, we will, as always, pursue the independent foreign policy of peace. The purpose of China's foreign policy is to maintain world peace and promote common development. We are ready to work with all nations to advance the lofty cause of world peace and development.

We stand for going along with the historical tide and safeguarding the common interests of mankind. We are ready to work with the international community to boost world multipolarization, promote a harmonious coexistence of diverse forces and maintain stability in the international community. We will promote the development of economic globalization in a direction conducive to common prosperity, draw on its advantages and avoid its disadvantages so that all countries, particularly developing countries, can benefit from the process.

We stand for establishing a new international political and economic order that is fair and rational. Politically all countries should respect and consult one another and should not seek to impose their will on others. Economically they should complement one another and pursue common development and should not create a polarization of wealth. Culturally they should learn from one another and work for common prosperity and should not exclude cultures of other nations. In the area of security, countries should trust one another and work together to maintain security, foster a new security concept featuring mutual trust, mutual benefit, equality and coordination, and settle their disputes through dialogue and cooperation and should not resort to the use or threat of force. We oppose all forms of hegemonism and power politics. China will never seek hegemony and never go in for expansion.

We stand for maintaining the diversity of the world and are in favor of promoting democracy in international relations and diversifying development models. Ours is a colorful world. Countries having different civilizations and social systems and taking different roads to development should respect one another and draw upon one another's strong points through competition and comparison and should develop side by side by seeking common ground while shelving differences. The affairs of each country should be left to the people of that country to decide. World affairs should be determined by all countries concerned through consultations on the basis of equality.

We stand for fighting against terrorism of all forms. It is imperative to strengthen international cooperation in this regard, address both the symptoms and root causes of terrorism, prevent and combat terrorist activities and work hard to eliminate terrorism at root.

We will continue to improve and develop relations with the developed countries. Proceeding from the fundamental interests of the people of all countries concerned, we will broaden the

converging points of common interests and properly settle differences on the basis of the Five Principles of Peaceful Coexistence, notwithstanding the differences in social system and ideology.

We will continue to cement our friendly ties with our neighbors and persist in building a good-neighborly relationship and partnership with them. We will step up regional cooperation and bring our exchanges and cooperation with our surrounding countries to a new height.

We will continue to enhance our solidarity and cooperation with other third world countries, increase mutual understanding and trust and strengthen mutual help and support. We will enlarge areas of cooperation and make it more fruitful.

We will continue to take an active part in multilateral diplomatic activities and play our role in the United Nations and other international or regional organizations. We will support other developing countries in their efforts to safeguard their legitimate rights and interests.

We will continue to develop exchanges and cooperation with political parties and organizations of all countries and regions on the principles of independence, complete equality, mutual respect and noninterference in each other's internal affairs.

We will continue to carry out extensive people-to-people diplomacy, expand cultural exchanges with the outside world, enhance the friendship between peoples and propel the development of state-to-state relations.

The world is marching toward brightness and progress. The road is tortuous, but the future is bright. The forces for peace, justice and progress are invincible after all.

X. Strengthen and Improve Party Building

In a large multi-ethnic developing country like ours, we must spare no efforts to strengthen and improve the Party's leadership and fully advance the great new undertaking of Party building if we are to rally the entire people to work heart and soul in building a well-off society in an all-round way and speed up the socialist modernization drive.

To strengthen and improve Party building, we must hold high the great banner of Deng Xiaoping Theory, implement the important thought of Three Represents in a comprehensive way and ensure that the Party's line, principles and policies fully reflect the fundamental interests of the people and the requirements of development of our times. We must adhere to the principle that the Party exercises self-discipline and is strict with its members, and further address the two major historical subjects of how to enhance the Party's art of leadership and governance and how to raise the Party's capacity to resist corruption, prevent degeneration and withstand risks. We must acquire an accurate understanding of social progress in contemporary China, and reform and improve the Party's way of leadership and governance and its leadership and working systems so that the Party will be full of vigor and vitality in its work. We must proceed

with Party building ideologically, organizationally and in work style in parallel with institutional improvement, not only ensuring a good performance of our day-to-day work, but also tackling prominent issues in good time. Unyielding efforts will be made to ensure that our Party is forever the vanguard both of the Chinese working class and of the Chinese people and the Chinese nation as well as the core of leadership in building socialism with Chinese characteristics and that it always represents the development trend of China's advanced productive forces, the orientation of China's advanced culture and the fundamental interests of the overwhelming majority of the Chinese people.

1. Study and implement the important thought of Three Represents intensively and raise all Party members' level of the Marxist theory. The rise in the Party's ideological and theoretical level is an ideological guarantee for continued progress of the cause of our Party and state. We must highlight the Party's ideological and theoretical building. We must continue to arm all Party members with Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory and usher in a new upsurge in the study and implementation of the important thought of Three Represents. Party members and cadres, particularly senior and middle-rank cadres, should take the lead in studying and acting on the important thought of Three Represents. They should play an exemplary role in studying diligently, using their brains, emancipating their minds, keeping pace with the times and boldly engaging in practice and innovation. We will carry out an intensive education among all Party members in the history of development of Marxism and promote the truth-seeking and pioneering spirit. We will deepen our understanding of the laws on governance by the Communist Party, on building socialism and on development of human society and constantly enrich and develop Marxism.

2. Build up the Party's governing capacity and improve its art of leadership and governance. Faced with profound changes in the conditions of governance and social environment, Party committees and leading cadres at all levels must, in response to the requirements of the new situation and new tasks, acquire new knowledge, accumulate new experience and develop new abilities in practice, thus living up to the mission assigned to them and the full trust placed on them. They must view the world with broad vision, acquire a correct understanding of the requirements of the times and be good at thinking on a theoretical plane and in a strategic perspective so as to improve their ability of sizing up the situation in a scientific way. They must act in compliance with objective and scientific laws, address promptly the new situation and problems in reform and development, know how to seize opportunities to accelerate development and enhance their abilities of keeping the market economy well in hand. They must correctly understand and handle various social contradictions, know how to balance the relations among different interests, overcome difficulties and go on improving their ability of coping with complicated situations. They must enhance their awareness of law and know how to integrate the adherence to Party leadership and the people being the masters of the country with ruling the country by law and improve their abilities of exercising state power according to law. They must base themselves on the overall interests of the work of the entire Party and the whole country, firmly implement the Party's line, principles and policies, work creatively in light of realities and keep enhancing their ability of commanding the whole situation.

3. Adhere to and improve democratic centralism and enhance the Party's vitality, solidarity and unity. Democratic centralism is a system that integrates centralism on the basis of democracy

with democracy under centralized guidance. Inner-Party democracy is the life of the Party and plays an important exemplary and leading role in people's democracy. We should establish and improve an inner-Party democratic system that fully reflects the will of Party members and organizations, starting with the reform of the relevant systems and mechanisms on the basis of guaranteeing the democratic rights of Party members and giving priority to improving the systems of Party congresses and of Party committees. The system of Party congresses with regular annual conferences should be tried out in more cities and counties. We should explore ways to give play to the role of delegates when Party congresses are not in session. In accordance with the principle of collective leadership, democratic centralism, individual consultations and decision by meetings, we should improve the rules of procedure and decision-making mechanism within Party committees in order to give fuller play to the role of plenary sessions of Party committees. We need to reform and improve the inner-Party electoral system. We should establish and improve inner-Party information sharing and reporting systems and the system of soliciting opinions concerning major policy decisions. The centralization and unity of the Party and state are where the fundamental interests of the people of all ethnic groups lie. The whole Party and the entire nation must maintain a high degree of unity with regard to the guiding ideology, line, principles and policies and major questions of principle. All Party members must consciously abide by the principle that individual Party members are subordinate to the organization, that the minority is subordinate to the majority, that lower Party organizations are subordinate to the higher ones and that all the constituent organizations and members of the Party are subordinate to its National Congress and Central Committee. They must safeguard the authority of the Central Committee and ensure that its decisions are carried out without fail. Party organizations at all levels and all Party members, leading cadres in particular, must strictly abide by Party discipline. Under no circumstances should they be allowed to go their own ways in disregard of orders and prohibitions.

4. Build a contingent of high-caliber leading cadres and form an energetic and promising leadership. It is a matter of vital importance for maintaining prolonged stability of the Party and state to build a contingent of high-caliber leading cadres capable of assuming heavy responsibilities and withstanding the test of trials and tribulations, and especially to train a large number of outstanding leading cadres for the mission of running the Party, state and army in accordance with the principle of bringing up more revolutionary, younger, better educated and more professionally competent cadres. We should conscientiously implement the regulations on the selection and appointment of leading cadres and make a point of testing and identifying cadres in the practice of reform and development so as to promote to leading positions in good time those who are accredited with ability, integrity and outstanding performance and enjoy popular support. We should make greater efforts to train and select outstanding young cadres, helping them cultivate their Party spirit, pursue theoretical study and gain practical experience so that they will improve in all respects. We should do a better job of training and selecting women cadres, cadres from among ethnic minorities and non-Party cadres. We should continue to do well the work related to retired cadres. We should turn the leading bodies of the Party at all levels into staunch collectives that firmly implement the important thought of Three Represents mainly by improving their qualities, optimizing their composition, refining their work style and enhancing solidarity. We should train more and more successors to the cause of socialism with Chinese characteristics so that the cause of the Party and people will be carried forward.

5. Build the Party well at the primary level, reinforce its class foundation and expand its mass base. The primary organizations of the Party constitute its foundation for doing all its work and building up its combat effectiveness. They should organize, motivate and practice the implementation of the important thought of Three Represents. We should, by focusing on the central task and serving the overall interests, broaden the fields of our endeavor, intensify our functions and expand the coverage of the Party's work so as to increase the rallying power and combat effectiveness of primary organizations. We should strengthen the building of village-level supporting organizations which rally around village Party organizations, and explore effective ways that will enable cadres to receive education regularly and farmers to get long-term tangible benefits. In order that state-owned and collective enterprises operate well, we must persistently rely on the working class wholeheartedly, and Party organizations in those enterprises should take an active part in the decision-making on major issues and give full play to their role as the political core. We should strengthen Party building in enterprises of the non-public sectors. Party organizations in enterprises must carry out the Party's principles and policies, and provide guidance to and supervise the enterprises in observing the laws and regulations of the state. They should exercise leadership over trade unions, the Communist Youth League and other mass organizations, rally the workers around them, safeguard the legitimate rights and interests of all quarters and stimulate the healthy development of the enterprises. We should attach great importance to Party building in communities, striving to bring about a new pattern in Party building in urban communities, with the focus on serving the people. We should intensify our efforts to establish Party organizations in mass organizations and intermediaries. We should fully carry out Party building in Party and government organs as well as schools, research institutions, cultural groups and other institutions.

Party members must play their vanguard and exemplary role, foster the lofty ideal of communism, fortify their conviction in socialism with Chinese characteristics and work hard to realize the Party's basic program for the current stage. We need to carry out Party-wide education to maintain the progressiveness of Party members mainly by putting the important thought of Three Represents into practice. We should recruit Party members mainly from among workers, farmers, intellectuals, servicemen and cadres, thus expanding the basic components and backbone of the Party. We should make a point of recruiting Party members from among those in the forefront of work and production and from among the prominent intellectuals and young people. We should admit into the Party advanced elements of other social strata who accept the Party's program and Constitution, work for the realization of the Party's line and program consciously and meet the qualifications of Party membership following a long period of test, in order to increase the influence and rallying force of the Party in society at large. We must, in light of the new situation, seek new mechanisms and methods for the management of Party membership.

6. Strengthen and improve the Party's style of work and intensify the struggle against corruption. The key to improving the Party's style of work lies in keeping the flesh-and-blood ties between the Party and the people. The biggest political advantage of our Party lies in its close ties with the masses while the biggest potential danger for it as a ruling party comes from its divorce from them. We must at all times and under all circumstances adhere to the Party's mass line, and to the purpose of serving the people heart and soul and regard the people's interests as the starting point and goal of all our work. We must carry forward the fine tradition and style of our

Party, bearing in mind the fundamental principle that the Party is built for the public and that it exercises state power for the people. We must make effective efforts to resolve the outstanding issues in respect of the way of thinking, study and work of our Party, its style of leadership and its cadres' way of life and especially to prevent and overcome formalism and bureaucracy by acting on the principle of the "eight do's" and "eight don'ts" (*Note 2) put forward by the Party Central Committee, by resorting to both educational and institutional means and by correctly conducting criticism and self-criticism. Closely following the new changes in social activities and carefully studying the new features of our mass work, we must strengthen and improve such work throughout the process of building the Party and political power. All Party members, primarily leading cadres at all levels, must do mass work well in light of the new situation and, by persuading, setting examples and providing services, unite and lead the masses in making progress.

To combat and prevent corruption resolutely is a major political task of the whole Party. If we do not crack down on corruption, the flesh-and-blood ties between the Party and the people will suffer a lot and the Party will be in danger of losing its ruling position, or possibly heading for self-destruction. Against the background of its long-term governance and China's opening up and development of the socialist market economy, the Party must be on full alert against corrosion by all decadent ideas and maintain the purity of its membership. Party committees at all levels must fully recognize the urgency as well as the protracted nature of the fight against corruption. They should enhance confidence, do a solid job, take a clear-cut stand and never waver in carrying on the fight in depth. We should work still harder to make sure that our leading cadres are clean, honest and self-disciplined, and see to it that major corruption cases are investigated and dealt with. Malpractices in departments and trades and services must be corrected. We must adhere to the principle of addressing both symptoms and root causes of corruption and taking comprehensive measures to rectify both while devoting greater efforts gradually to tackling the latter. We must strengthen education, develop democracy, improve the legal system, tighten supervision, make institutional innovation and incorporate counter-corruption in all our major policy measures so as to prevent and tackle corruption at its source. We must uphold and improve the leadership system and working mechanism against corruption and earnestly implement the responsibility system for improving the Party's work style and building clean government, in a concerted effort to prevent and punish corruption. Leading cadres, particularly senior ones, should play an exemplary role in exercising the power in their hands correctly. They must always be honest and upright and take the initiative to crack down on all forms of corruption. All corruptionists must be thoroughly investigated and punished without leniency.

So long as all Party comrades always maintain the vigor and vitality, dashing spirit and integrity as Communists and have the people at heart, the foundation of our Party's governance will remain rock solid.

Comrades,

To build a well-off society in an all-round way and create a new situation in building socialism with Chinese characteristics, it is essential, under the firm leadership of the CPC, to develop a socialist market economy, socialist democracy and an advanced socialist culture, keep the

coordinated development of the socialist material, political and spiritual civilizations, and bring about the great rejuvenation of the Chinese nation.

The CPC is deeply rooted in the Chinese nation. Since the very day of its founding, it has been the vanguard of the Chinese working class and also of the Chinese people and the Chinese nation, shouldering the grand mission of realizing the great rejuvenation of the Chinese nation. During the new-democratic revolution, our Party united and led the Chinese people of all ethnic groups in fulfilling the historic task of winning national independence and people's liberation, thus laying the groundwork for our great national rejuvenation. After the founding of New China, our Party creatively completed the transition from New Democracy to socialism, the greatest and most profound social transformation ever in China's history, and embarked on a socialist road and the historical journey to the great rejuvenation of the Chinese nation. Since the Third Plenary Session of its Eleventh Central Committee, our Party has found the correct road to socialism with Chinese characteristics, injecting new and greater vitality into our drive for national rejuvenation. Splendid prospects present themselves before the great cause of rejuvenation of the Chinese nation.

To build a well-off society in an all-round way, step up the socialist modernization drive and make socialist China a stronger and more prosperous country, thus contributing still more to the cause of human progress - this is a historical mission our Party must take on with courage. The fulfillment of this mission inevitably depends on the solidarity of the Party and that of the Chinese people of all ethnic groups. Solidarity means strength; solidarity means victory. After going through all the hardships and setbacks, our Party and people have gained rich experience and become increasingly mature. In the face of a world that is far from being tranquil and the formidable tasks before us, all Party members must be mindful of the potential danger and stay prepared against adversities in times of peace. We must be keenly aware of the rigorous challenges brought about by the ever-sharpening international competition as well as risks and difficulties that may arise on our road ahead. We must bear in mind the overall interests of our Party all the more deeply, cherish the solidarity all the more dearly and safeguard stability all the more firmly.

All Party comrades and the people of all ethnic groups of the country, let us rally closely around the Party Central Committee and work with one heart and one mind in a joint and unyielding effort to advance the cause of building socialism with Chinese characteristics and create a happier life and a better future for us all!

*Note 1 - The Four Cardinal Principles are: to keep to the socialist road and to uphold the people's democratic dictatorship, leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought.

*Note 2 - The "eight do's" and "eight don'ts" are:

1. Emancipate the mind and seek truth from facts; do not stick to old ways and make no progress.
2. Combine theory with practice; do not copy mechanically or take to book worship.
3. Keep close ties with the people; do not go in for formalism and bureaucracy.
4. Adhere to the principle of democratic centralism; do not act arbitrarily or stay feeble and lax.
5. Abide by Party discipline; do not pursue liberalism.
6. Be honest and upright; do not abuse power for personal gains.
7. Work hard; do not indulge in hedonism.
8. Appoint people on their merits; do not resort to malpractice in personnel placement.

<부록 3> 영문 10기 전국인민대표회의 정부 공작보고서(2004. 3. 5)

Full text of the government work report

Following is the full text of the Report on the Work of the Government delivered by Premier Jiabao at the Second Session of the Tenth National People's Congress on March 5, 2004.

(http://www.chinadaily.com.cn/english/doc/2004-03/14/content_314710.htm)

Fellow Deputies,

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

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

I. Review of the Past Year's Work

Achievements:

- We won a great victory in the fight against SARS.

- The economy grew rapidly. China's GDP increased by 9.1% over the previous year and reached 11.67 trillion yuan. Per capita GDP passed the important benchmark of US\$ 1,000, calculated at the current exchange rate.

-- China's financial strength grew noticeably. Total government revenue was 2.17 trillion yuan, 278.7 billion yuan more than the previous year.

-- Foreign trade expanded significantly. Total import and export volume was \$851.2 billion, 37.1% more than the previous year, raising China from fifth to fourth place in the world.

-- We created more jobs than planned

-- 8.59 million urban residents became employed and 4.4 million laid-off workers, reemployed.

-- People's incomes increased. Urban per capita disposable income grew by 9% in real terms, and rural per capita net income rose by 4.3% in real terms.

-- China's first manned spaceflight was a complete success. These achievements indicate that China's overall national strength has reached new heights. They have boosted the confidence and courage of all our people to continue forging ahead. The work we did over the past year was mainly in the following six areas.

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

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

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

We adhered to the policy of expanding domestic demand and continued to implement a proactive fiscal policy and a prudent monetary policy. We took measures to exercise macro-control over new developments as soon as they arose in the course of economic operation.

When the SARS outbreak hit, we worked unflinchingly to prevent and control it, while at the same time unwaveringly promoting economic development. We concentrated on strengthening key areas, stimulating industrial production and ensuring unimpeded flow of goods and materials. In addition, we promptly adopted such supportive policies as reducing or exempting taxes and administrative charges on industries that were worst hit by SARS and granting soft loans to them. We also enacted measures for increasing employment and rural incomes. All this helped minimize the impact of the SARS outbreak on economic development.

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

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

We stepped up the strategic restructuring of the economy and put greater efforts into a number of key projects vital to economic growth and economic restructuring. In particular, we sped up the launching and construction of water control, energy and transport projects. The second phase of the key water control project at the Three Gorges on the Yangtze River was completed successfully and work on the third phase began. The eastern section of the pipeline for transmitting natural gas from the west to the east was completed. Laying of track proceeded smoothly on the Qinghai-Tibet Railway trunk line. Transmission of electricity from the west to the east was increased. Construction of the eastern and central routes of the south-to-north water diversion project began. Large-scale development of the western region continued.

Implementation of the strategy to revitalize northeast China and other old industrial bases was begun.

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

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

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

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

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

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

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

4. Caring for people's well-being, creating more jobs and administering social security work well

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

To continue ensuring the "two guarantees" (guaranteeing that the living allowances for workers laid off from state-owned enterprises and that the pensions of retirees are paid on time and in full) and the "three-stage guarantee" for laid-off workers, the central government spent 70 billion yuan in 2003, 19.9% more than the previous year; of this sum, subsidies for subsistence allowances for the urban poor increased from 4.6 billion yuan in 2002 to 9.2 billion yuan in 2003. This allowed 22.35 million urban residents throughout the country to receive such benefits. In 2003, the central government began making annual allocations of special funds to help local governments assist ex-servicemen who are working in enterprises to solve their financial difficulties. Benefits were again raised for disabled revolutionary servicemen and other people who are entitled to special care by the government.

We further intensified efforts to alleviate rural poverty through development and we invested more to improve working and living conditions in underdeveloped areas. We made all-out efforts to fight disasters and ensure adequate disaster relief. Central budget funds totaling 8.03 billion yuan were spent on relief for people affected by floods, droughts, earthquakes or other disasters, up 63.9% over the previous year, and 2.79 billion yuan was invested in post-disaster reconstruction. As a result, proper living arrangements were made for people in disaster-

afflicted areas, production resumed and reconstruction proceeded in an orderly way. Governments at all levels took the problem of wage arrears for migrant rural workers very seriously, worked harder to resolve it and achieved initial results.

5. Pressing forward with institutional innovation and making significant progress in reform and opening up Institutional restructuring of the State Council was accomplished smoothly on the basis of the plan approved at the First Session of the Tenth National People's Congress and the adjusted and newly set up bodies are now operating normally. Significant progress was made in establishing a macro-control mechanism, restructuring the management of state assets and establishing a mechanism for oversight and management of the banking sector. We unified the mechanisms for administering domestic and foreign trade and improved monitoring systems for food and workplace safety. Institutional restructuring of provincial governments has been basically completed. The reform of the administrative examination and approval system was deepened.

Fresh progress was made in transforming state-owned enterprises into stock companies. Reforms of the electricity, telecommunications and civil aviation industries were accelerated. The economic returns of state-owned industrial enterprises and enterprises whose controlling stake was owned by the state increased substantially; they generated a total of 378.4 billion yuan in profits, 45.2% more than the previous year. The reforms of the banking, securities and insurance industries progressed steadily. We formulated and implemented a pilot plan to transform state-owned commercial banks into stock entities. The system for examining and verifying the issuance of securities was reformed. Remarkable progress was made in transforming state-owned insurance companies into stock companies. After several years of deliberation, we began a pilot project for reforming rural credit cooperatives in eight provinces and municipalities directly under the central government. The experimental reform of rural taxes and administrative charges was extended to cover the whole country. Policies and measures for promoting the development of the non- public sectors of the economy were further implemented. We deepened the rectification and standardization of the market order and cracked down on manufacturing and marketing of counterfeit and substandard goods, smuggling and other illegal and criminal activities. This improved the market climate and helped protect the legitimate rights and interests of both consumers and producers.

We worked conscientiously to fulfill the commitments we made for accession to the World Trade Organization (WTO). We continued to lower tariff rates and opened the service sector wider to the outside world. We further relaxed control over who could engage in foreign trade. We formulated and put into effect a plan for reforming the mechanism for export tax rebates; this will

gradually bring about a rational settlement of the longstanding problem of overdue export tax rebates. We intensified our work dealing with anti-dumping investigations made against China and settling trade disputes. The import and export mix was further improved. China utilized \$53.5 billion in foreign direct investment in 2003. State foreign exchange reserves reached \$403.3 billion at the end of the year, \$116.8 billion more than at the beginning. The exchange rate for the Renminbi remained stable. Last year, we signed the Closer Economic Partnership Arrangement with both Hong Kong and Macao, thereby strengthening economic ties between the mainland and the two regions.

6. Improving the legal system and maintaining social stability

We put great effort into improving government legislation. The State Council submitted five bills in 2003, including a draft law on oversight and management of the banking sector and a draft amendment to the Foreign Trade Law, and enacted 28 administrative regulations, including the Provisional Regulations Concerning the Oversight and Management of State-owned Assets in Enterprises. To solve problems in our handling of indigent migrants, we formulated and implemented the Measures for Assisting Vagrants and Beggars with No Means of Support in Cities together with supporting measures. The implementation of the Legal Assistance Regulations helped solve the difficulties people in financial straits faced in filing lawsuits.

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

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

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

In reviewing our work of the past year, we are clearly aware that many difficulties and problems remain on our way ahead, that there are still quite a few shortcomings in the government's work, that there remain areas our people are not satisfied with, and that it will take a long time to fundamentally eradicate longstanding and deep-seated problems. Rural incomes have grown too slowly; the task of increasing employment and improving social security is arduous; development in different regions of the country is not balanced; the income gap is too wide among some members of society; and pressure on resources and the environment is mounting. As economic growth has accelerated, a number of new problems have emerged. These include, among others, the excessively broad scale of investment, the serious problem of haphazard investment and low-level, redundant construction in some industries and regions, the strain between supply and demand in energy, transport and some raw and processed materials, the marked decrease in grain production, and the widespread illegal appropriation of farmland. The development of social undertakings lags behind, and people have strong complaints about the cost and availability of schooling and medical treatment. Many low-income residents in both town and country lead relatively difficult lives. Serious crimes have occurred in some places. Frequent serious accidents that inflict heavy loss of life and property have taught us a sobering lesson. We are also clearly aware that some government officials have a subjective, formalistic and bureaucratic style of work, and they are wasteful, extravagant and fraudulent, and sometimes even corrupt. It will be an arduous task for the government to rectify itself and fight corruption.

We must not evade these difficulties and problems but instead face them squarely; we must work hard to resolve them and not let them grow. The government will shoulder heavy responsibilities for years to come. We must remain sober-minded, become more aware of

potential problems and enhance our sense of historical responsibility. We must make up our minds to forge ahead in spite of difficulties and to work in a pioneering and creative spirit and in a down-to-earth manner. We must take on new tests with a fresh mental outlook and a new style of work, and we absolutely must not fail to live up to the expectations of the people.

II. Principal Domestic Tasks for 2004

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

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

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

economic structure and improving the quality and efficiency of economic growth and to devote more financial and material resources to promoting social development and strengthening weak links.

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

We must adhere to the policy of expanding domestic demand and continue to implement a proactive fiscal policy and a prudent monetary policy. The issuance of construction treasury bonds is an interim policy adopted during a period of insufficient demand. Their scale should be reduced gradually as the increase in nongovernmental investment accelerates. We plan to issue 110 billion yuan in construction treasury bonds this year, 30 billion yuan less than last year. As the issuance of treasury bonds is to be reduced year by year, it will be necessary to appropriately increase the investment from the central budget for regular construction annually in order to develop a regular government investment mechanism and stabilize the sources of funding. To begin with, we plan an increase of 5 billion yuan this year. The general idea is to appropriately increase investment from the central budget for regular construction each year for several years while systematically decreasing the issuance of treasury bonds, and at the same time ensuring that the size of the deficit remains at the current level. We will adjust the way funds from construction treasury bonds are used, concentrating them on promoting economic restructuring and ensuring all-round social development. This year, funds from the sale of treasury bonds will be directed toward rural areas, social undertakings, the western region, northeast China and other old industrial bases, ecological improvement, environmental protection, and ongoing bond-financed projects. We need to manage and use treasury bonds well and ensure the quality of the projects they finance and the efficient use of investment capital. We must continue to do our fiscal and taxation work well by working hard to increase revenue and reduce expenditure, collecting taxes in strict accordance with the law and guaranteeing funding for key items. We should make full use of the role of monetary policy, appropriately control the size of credit and optimize the credit structure to support economic growth while fending off inflation and financial risks. We will work to basically balance

international payments and keep the exchange rate for the Renminbi basically stable at a proper and balanced level.

One important task for macro-control this year is to appropriately control the scale of investment in fixed assets and firmly halt haphazard investment and low-level, redundant construction in some industries and regions. Guided by market forces, we will use a comprehensive range of measures, mainly economic and legal means supplemented by any necessary administrative measures, to strengthen guidance and control. First, industrial policies and planning should be improved and the information release system for industries should be improved to correctly guide nongovernmental investment. Second, we must quickly formulate and revise standards for admittance into industries and enforce market admittance strictly. Projects that do not meet standards for environmental protection, safety, energy consumption, level of technology or quality and have not yet been started should be blocked and those already under construction should resolve such problems, while those already completed should be upgraded within a specified time. Third, land-use management must be improved in accordance with the law. No land should be approved for projects that fail to meet the requirements of the state's industrial policies and standards for admittance into industries. We should continue clearing up problems relating to development zones and rectifying and standardizing the land market. Fourth, auditing and oversight of credit transactions must be strengthened. Financial institutions should not make any loans to new projects or rebuilding and expansion projects that do not meet the requirements for market access. Fifth, the taxation system must be tightened and the practice of introducing unauthorized tax privileges must be stopped and rectified. On the basis of these measures we will strive to optimize the investment structure, keep the overall investment volume at a reasonable level and improve returns on investment. In order to take a new road to industrialization, we must base the national economy and society on IT and upgrade the industrial structure. We will energetically promote the development of new and high technology industries capable of spurring economic growth and with proprietary intellectual property rights. We will accelerate the revival of the equipment manufacturing industry. We will energetically develop modern distribution, tourism, intermediary services and other aspects of tertiary industry, and gradually raise their proportion in the national economy.

To ensure stable and rapid economic development, we must alleviate the current disparities between supply and demand in energy, important raw and processed materials and transport capacity. On the one hand, we must increase the production of coal, electricity and processed oil while at the same time strengthen the regulation of economic activity to balance supply and demand in coal, electricity, oil, transport capacity and important raw and processed materials while meeting the needs of the people, important industries and key enterprises. We must

speed up the development of large coal mines, important power generating facilities and power grids, the exploration and exploitation of petroleum and other important resources, and the construction of major transport trunk lines and hubs. On the other hand, we must increase production and practice economy, with the emphasis on economizing. This is not only urgently needed to alleviate the current disparities between supply and demand, but is also a long-term strategy to alleviate the pressure on resources and the environment. The way the economy grows must change, and all industries must eliminate waste, reduce consumption of energy and raw and processed materials, and use resources more efficiently, to develop production and consumption patterns that conserve resources and build a conservation-minded society.

Balancing investment and consumption is an important aspect of this year's work for macro-control. Consumption occupies too small a proportion of China's GDP. This is not conducive to ensuring a stable increase in domestic demand, sustaining rapid economic growth and establishing a beneficial economic cycle. We must work hard to increase the incomes of both urban and rural residents and raise their purchasing power. Regulation of income distribution will be intensified to enable low- and middle-income people to consume more. Consumption on credit must be expanded, consumption policies must be optimized and the consumption climate must be improved. To adapt to changes in consumption patterns, we need to expand the consumption of services and improve the production and supply structure. The reform measures we take should enhance consumer confidence, so as to create positive consumer expectations and increase immediate consumption. We should gradually reduce the rate of investment in relation to the rate of consumption.

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

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

First, the overall grain production capability must be maintained and increased. The strictest possible system for protecting farmland will be implemented and control over the use of farmland will be strengthened in accordance with the law. We will resolutely put an end to illegal acquisition and use of farmland and rectify unauthorized changes in the use of primary farmland. Reform of the system for land expropriation and requisition will be accelerated, and the expropriation and requisition procedures and mechanisms for compensation will be improved to

ensure that the compensation for expropriated or requisitioned land is appropriate. The acreage sown in grain crops will be expanded, and the yield per unit area increased. Support will be focused on increasing production in major grain producing areas. Projects to industrialize production of high-quality grains will be undertaken. We will make primary farmland capable of producing stable, high yields. Second, we will promote strategic restructuring of agriculture and the rural economy. Great efforts will be made to develop high- quality, high-yield, cost-effective, eco-friendly and safe agriculture, to improve the quality of agricultural products and enhance their competitiveness. We will carry forward the development of industrial belts for producing competitive agricultural products and promote the industrialization of agriculture. We will energetically develop animal husbandry and prevent and control the spread of the highly pathogenic bird flu and other animal epidemics. We will encourage the development of industries that process agricultural products and other non- agricultural industries in rural areas and expand intra-county economies. We will steadily carry out the process of urbanization. We will improve the employment environment for rural workers in cities, provide them with more and better training and create more jobs for them in various ways.

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

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

Fifth, we will increase investment in agriculture and rural areas. Governments at all levels must invest more in agriculture, rural areas and farmers. This year, the central government will appropriate over 30 billion yuan for this purpose, at least 20% more than last year. Treasury bond funds should be invested mainly in the construction of six categories of small projects for

rural areas (water-efficient irrigation, potable water supplies, roads, methane production facilities, hydroelectric plants and pasture enclosure) and in construction of water control projects, in order to improve the living and production conditions of farmers. We will continue to aid the rural poor through development by increasing funding for poverty alleviation in various ways and giving people work in place of relief subsidies. Rural financial services will be improved. To assist rural residents expand production, rural credit cooperatives will extend more micro- credit loans to individual families and groups in rural areas.

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

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

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

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

primary-level cultural undertakings. We will encourage the development of economies with local characteristics and competitive industries and promote the development of key regions.

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

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

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

4. Continuing to implement the strategy of invigorating China through science and education and staying on the road of sustainable development

In the course of development, we will steadfastly give priority to education and devote more energy and financial resources to accelerating its development. We will adopt a fresh round of measures to implement the Action Plan for Reinvigorating Education, with the focus on

compulsory education, particularly in rural areas. This year we will begin to implement the plan to make nine- year compulsory education basically available throughout the western region and basically eliminate illiteracy among the adults there by 2007. The central government will spend 10 billion yuan on this work. The system for managing compulsory education in rural areas must be improved by shifting the main responsibility to county governments and increasing transfer payments from central, provincial and city (prefectural) governments for compulsory education in poverty-stricken counties. The central government will contribute 6 billion yuan to carrying out the second phase of the plan for renovating dangerous primary and secondary school buildings in rural areas. Both central and local governments will increase their investment to develop modern distance education in rural primary and secondary schools. We will work to optimize the education structure, take energetic and steady steps to develop higher education, and put more effort into developing vocational education and continuing education. Schools of all kinds and at all levels should fully implement the Party's education policy, emphasize competence-oriented education, deepen the reform of education and improve its quality. We will standardize and develop non-government funded education. Unauthorized collection of fees by educational institutions must be resolutely stopped to reduce the financial burden on students' families.

This year, we will continue to concentrate on formulating a medium- and long-range state plan for developing science and technology in order to define the strategy, objectives, tasks and policies in this field for the coming 15 years. Institutional reform and innovation in the field of science and technology should be continued. We will accelerate the establishment of a national innovation system and construction of the science and technology infrastructure, and effectively strengthen basic research. We will carry out a number of projects of major importance for overall economic and social development, promote the integration of science and technology with industry and encourage the application of new and high technologies in industrial production. We consider social and natural sciences equally important and will make full use of the important role of philosophy and social sciences in economic and social development.

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

We will vigorously implement the strategy of sustainable development and successfully carry out all work related to population, natural resources and the environment in line with the need to balance development of man and nature. We will keep the birthrate low and improve the health of newborns. We will improve the infrastructure and service system for family planning at the primary level and strengthen the management of family planning among the floating population.

Work related to senior citizens should be carefully conducted. We will implement the national plans for ecological and environmental protection and conservation conscientiously and implement a strategy for developing forestry focused on ecological conservation. We will intensify law enforcement to strengthen ecological and environmental control and monitoring. We will strictly control the discharge of major pollutants and work hard to eliminate environmental pollution that seriously threatens people's health and safety. We will energetically promote the recycling industry and clean production. We will protect our land and resources in accordance with the law and utilize them rationally. We will pay close attention to the development and protection of marine resources. We will better conserve our water resources and use them more economically. We will do a good job of disaster prevention and reduction.

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

We have three priorities in the area of health this year. The first is to strengthen the public health system. We will try to establish within three years a fully functioning system for disease prevention and control and for emergency medical aid that covers both urban and rural areas in order to increase our ability to deal with serious epidemic diseases and other public health emergencies. We need to maintain a high degree of vigilance and take firm and effective measures to control SARS, AIDS, schistosomiasis and other serious communicable diseases. The second priority is to improve medical and sanitation conditions in rural areas and carry out pilot projects on a new type of rural cooperative medical care system. We need to focus our medical and health efforts on rural areas, upgrade the medical and sanitation infrastructure and train more medical and sanitation personnel there to gradually alleviate the shortage of medical services and medicines there. We will press ahead steadily with the pilot projects for a new type of system for rural cooperative medical care and health services based on the actual conditions in different regions. Our objective is to establish a rural medical care system organized and guided by the government, based on mutual assistance of the participants, and with voluntary participation of local people and diverse sources of funding from individuals, collectives and the government, one which takes treatment of serious diseases as its main responsibility and ensures that the rural population benefits from it. The third priority is to vigorously promote the reform of the urban medical care and health service system. We will continue to reform the basic medical insurance system for urban working people, the medical care and health service system and the pharmaceutical production and distribution system. Medical institutions should be managed according to their type in order to ensure rational distribution and efficient utilization of the available health care resources. Community-based health care should be developed and medical and health services should be improved. At the same time, an extensive patriotic sanitation campaign should be carried out in both urban and rural areas.

The people's intellectual and cultural needs are constantly increasing along with the economic development and social progress in China, so we must attach greater importance to cultural development. It is necessary to energetically develop an advanced socialist culture. We will vigorously promote national spirit centered on patriotism and intensify the ideological and moral education of young people in particular. We must encourage the general public to participate in activities designed to promote spiritual civilization. We will strengthen basic-level cultural development in rural areas, urban communities and enterprises. We will spread scientific knowledge and promote a scientific spirit, a scientific and healthy lifestyle and good manners. We must further develop literature, art, the press, publishing, radio, film and television. We will follow a strategy of product excellence to provide more healthful, inspiring cultural works that people can enjoy. We will press ahead with formulating an overall plan for cultural restructuring and a program for cultural development. We should promote the reform of the system and innovation of the mechanisms of the cultural industry, give more support to non-profit cultural undertakings and improve our policy for the cultural industry to give a greater role to the market and ensure the simultaneous development of cultural undertakings and the cultural industry. We should do more to protect our cultural relics and archives as well as our natural and cultural heritage. We will continue to strengthen the development and management of the market for cultural products and the Internet, fight unremittingly against pornographic and illegal publications and actively conduct cultural exchanges with other countries. We will carry out extensive mass fitness programs and strive to raise the standards of our competitive sports. We will continue to work hard to prepare for the 2008 Olympic Games in Beijing and the 2010 World Exposition in Shanghai.

6. Seizing the opportune moment and deepening economic restructuring

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

We will deepen the reforms of the state asset management system and state-owned enterprises. We need to promptly improve legislation pertaining to oversight and management of state assets and methods for its implementation, conduct research to establish a budgetary system for state capital management and a performance evaluation mechanism for enterprises, and make sure that the responsibilities for state asset management are truly met. We should energetically work to transform state-owned enterprises into standard stock companies, optimize the structure of property ownership, improve corporate governance and encourage enterprises to change how they operate. We will vigorously develop a mixed ownership

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

We will vigorously promote the development of the non-public sector of the economy and actively guide it. Governments at all levels must promptly eliminate or revise regulations and policies that restrict the development of this sector and implement measures that relax market access. We will conduct further studies and formulate specific methods to encourage non-public enterprises to participate in the reorganization of state-owned enterprises and expand into infrastructure development, public utilities and other industries and domains. We will take measures to ensure that non-public enterprises receive the same treatment as other enterprises in investment, financing, taxation, land use and foreign trade. We will protect their legitimate rights and interests and improve government service to and oversight over them, so as to support and encourage qualified non-public enterprises in their efforts to grow stronger and larger. We will speed up the establishment of a modern system of ownership.

We will carry forward the reform of the financial system. We need to accelerate the reform of the wholly state-owned commercial banks, focusing on a pilot project to transform the Bank of China and China Construction Bank into stock enterprises. Other commercial and policy banks must also deepen their reform. We will press ahead with the trial reform of rural credit cooperatives and, on the basis of a review of that experience, gradually expand the reform to a wider area. We will continue to reform and open up the capital market and develop it steadily. We will allow the amount of bonds issued by enterprises to increase and the proportion of direct financing by enterprises to rise gradually. We will continue reforming the insurance industry and expand the insurance market. We need to improve the regulatory systems for banking, securities and insurance, coordinate these systems better, and tighten financial control to ensure sound operation of the financial sector.

We will carry forward the reform of the fiscal and taxation systems. We will focus on gradually shifting from a "production VAT" to a "consumption VAT" by reclassifying equipment investment as VAT-deductible to facilitate the technological upgrading of enterprises and enhance their capability for self-development. These reform measures will be tried out first in some industries

in northeast China this year. Supporting measures must be formulated quickly so that we can carry out the plan for reforming the export tax rebate system in earnest.

We will carry forward the reform of the investment system. Our main objectives are to reform the system of government oversight of enterprise investment and allow enterprises greater independence in making investment decisions in line with the principle that "the investor makes the investment decisions, reaps the profits and bears the risks." Another objective is to rationally define the government's investment functions, improve the management of government investment and establish an accountability mechanism for government investment. Finally, we want to establish a macro-control mechanism for investment and improve control methods and measures. These efforts will result in a new investment system under which investment is guided by the market, enterprises make their own investment decisions, banks examine credit worthiness independently, various forms of financing coexist, intermediary services are standardized and macro-control is efficient.

We need to quickly establish a system to ensure credibility in society. We need to make intensive efforts to put in place a system for collecting information on the credibility of enterprises and individuals, a system for overseeing the credit market, and a mechanism for penalizing those who lose their credibility. We should intensify our efforts to rectify and standardize the market order, giving priority to cleaning up markets that have a direct bearing on people's health and lives such as those for food and medicine. Producing and marketing counterfeit and shoddy goods, pyramid schemes and commercial fraud must be severely punished. Intellectual property rights must be protected more effectively and piracy and patent infringement must be punished in accordance with the law. We must severely crack down on tax evasion, tax fraud, money laundering, smuggling and other illegal and criminal activities.

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

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

We will strive to keep foreign trade growing at an appropriate rate. We should continue to follow the strategy of market diversification, emphasize the export of technology, compete on quality, optimize our export mix, and promote the transformation and upgrading of the processing trade. We should improve coordination among foreign trade entities, strive to overcome trade barriers

and minimize trade friction to create a fair trade environment for our enterprises. The foreign-related economic system must be further reformed. We will carry out the policy of allowing enterprises under all types of ownership to independently engage in importing and exporting. We should import more badly needed raw and processed materials, key technologies and important equipment and diversify our sources of important imports. More rational and appropriate use of foreign capital is necessary to raise the performance of foreign investment. We will continue to enforce policies and measures that encourage foreign investment and further improve our investment environment. We should speed up the implementation of the strategy of "going global" and better coordinate and guide Chinese investment abroad. Enterprises under all forms of ownership are encouraged to invest in overseas operations in various forms and expand their international market shares. We should energetically carry out bilateral, multilateral and regional economic cooperation. We will continue to conscientiously fulfill all our commitments for China's accession to the WTO.

8. Intensifying job creation and social security work to further improve people's lives

Doing everything possible to create more jobs is one of the major responsibilities of the government. Our targets for 2004 are to create 9 million jobs for urban residents and get 5 million laid-off workers reemployed. We will continue to follow an energetic employment policy, focusing on effectively implementing the policies of fiscal and credit support and tax cuts and exemptions. The central government will allocate 8.3 billion yuan in this year's budget to subsidize reemployment, 3.6 billion yuan more than last year. We will expand the avenues for employment and emphasize the development of labor-intensive industries, small and medium-sized enterprises and the non-public sector of the economy, promote flexible and diverse types of employment and encourage people to find jobs on their own or become self-employed. We need to develop a fully functioning reemployment assistance mechanism, giving people with difficulties in finding jobs on their own hiring preference in non-profit undertakings funded by the government. We will support efforts of large and medium-sized state-owned enterprises to separate their secondary lines of business from their core business, turn their secondary lines into independent companies, and reassign their redundant personnel to these new companies. We will focus our support on reemployment of laid-off workers in old industrial bases, cities and industrial and mining areas whose locally available natural resources have been exhausted, and the defense industry and the coal and logging industries. We will improve our system of employment services to provide better job training and guidance and assist people to find job opportunities. This year is another peak year for college graduates entering the job market and ex-servicemen being transferred to civilian jobs, so we need to work hard to provide them with effective employment guidance and services.

We need to build a social security network suited to China's conditions and the level of our economic development. This is an important yet demanding task. We will continue to ensure the "two guarantees" and better integrate the "three-stage guarantee." We will steadily integrate the subsistence allowances for these workers into the unemployment insurance system. The existing system of basic old-age pensions for workers will be improved by combining contributions from enterprises and institutions with personal accounts. We will expand the coverage of social security in accordance with the law. We will intensify efforts to collect social security contributions from all types of participating enterprises. Governments at all levels must put greater effort into law enforcement and inspection in this regard. We will do a better job in providing subsistence allowances for needy urban residents and establish standards and criteria for eligibility. We will continue to raise social security funds through a variety of channels and manage them properly. On the basis of a review of our efforts to improve the urban social security system in Liaoning Province, we will extend them to Heilongjiang and Jilin provinces. The central government will allocate 77.9 billion yuan this year in subsidies for the "two guarantees" and subsistence allowances for needy urban residents, up 11.3% over last year. Local governments will also spend more in this area.

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

We must promptly solve problems arising from the demolition of urban residential buildings and the expropriation of farmland. When demolishing urban buildings and relocating their occupants, we must ensure that overall urban development plans and short-term construction plans are strictly followed, that the area to be demolished is defined reasonably, and that the examination and approval procedures are properly applied. Furthermore, we must improve the policy for compensating and relocating displaced inhabitants, and intensify oversight and inspection. When expropriating farmland, we must strictly limit the area expropriated and follow the plan and proper procedures in accordance with the law. We must promptly give affected farmers reasonable compensation to ensure that their legitimate rights and interests are protected.

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

time. The State Council has decided to basically solve the problems of default on construction costs and wage arrears for migrant rural workers in the construction industry within three years. Clearing up such back payments should begin with government- invested projects, but different types of enterprises should also be urged to pay off their arrears as soon as possible. Enterprises and managers that refuse to pay back wages to migrant rural workers must be held accountable in accordance with the law. We need to develop a mechanism to ensure the timely payment of migrant rural workers' wages, thereby eliminating the root cause of wage arrears. All enterprises must pay wages on time and strictly obey the minimum wage regulations. We must ensure that all state organs and institutions pay salaries and retirees' pensions on time and in full. New arrears will not be allowed anywhere. Accounts for paying salaries must be placed under stringent oversight, and budgetary funds should be used to pay wages and salaries first.

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

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

We will continue to carefully carry out work related to ethnic minorities, religious groups and overseas Chinese. We must fully implement the Party's ethnic policy and consolidate and develop socialist ethnic relations based on equality, solidarity and mutual assistance. In order to promote common prosperity and progress for all our ethnic groups, we will increase support for economic and social development in ethnic minority areas and intensify training of ethnic minorities in all fields of work. We will fully implement the Party's policy on freedom of religious belief, handle religious affairs in accordance with the law, help religious organizations adhere to the principle of independence and self-governance, and actively guide religions to adapt to socialist society. We will improve our work concerning overseas Chinese, their relatives in China and returned overseas Chinese, and fully utilize their unique role in promoting the reunification of the motherland and the rejuvenation of the Chinese nation.

The legislative work of the government will be strengthened. We will place greater emphasis on legislation concerning social management and public service. Priority should be given to

legislation for dealing with emergencies, protecting farmers' rights and interests, safeguarding employment and social security and developing social undertakings. We will work hard to improve the quality of government legislation. We must solicit opinions from all sectors of society when drafting important laws and administrative regulations that affect the vital interests of the people. We will work to improve legal and notary services and carefully carry out legal assistance work. The legitimate rights and interests of women, minors and the handicapped shall be protected as prescribed by law. We will increase publicity and education concerning the law in order to create a good social environment in which the people study the law, understand the legal system and abide by the law.

The government is duty-bound to ensure peace and security for the people. We will further implement all measures to improve all facets of public security and press ahead with efforts to build a crime prevention and control system. We will severely crack down on crimes committed by Mafia-like gangs, violent crimes, frequent property-related crimes, and drug-related crimes. We will increase our efforts to deal with serious crimes and areas with serious security problems. The funding mechanism for procuratorial, judicial and public security organs will be improved in order to ensure their smooth operation. We take terrorism seriously and will intensify our battle against it. We will expand and deepen our battle against cults. To ensure public order and social stability, it is imperative that we correctly handle internal contradictions among the people as they crop up under changing circumstances, improve the mechanism for forestalling and resolving conflicts and disputes, and properly handle letters and complaints from the people.

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

Stepping up efforts to modernize our national defense and armed forces is an important guarantee for safeguarding national security and building a moderately prosperous society in all respects. We will strengthen the building of our armed forces in keeping with the general requirements of "being qualified politically and competent militarily and having an excellent style of work, strict discipline and adequate logistic support." We will energetically carry forward military reforms with Chinese characteristics and work hard to take efforts to modernize our national defense and armed forces to a higher stage of development. As part of our strategy of using science and technology to build strong armed forces, we will focus on developing new

and high technology weaponry and equipment, foster a new type of highly competent military personnel, and promote modernization of our armed forces with IT application as the main content and mechanization as the basis in order to enhance our overall defense capability under hi-tech conditions. We will adhere to the principle of running the army in accordance with the law and increase its standardization. We will continue to balance efforts to strengthen national defense and economic development and raise the overall effectiveness of efforts to strengthen defense. We will adhere to the principle of combining civilian and military production and letting military production reside in civilian production and vigorously promote the reform, adjustment and development of defense-related science, technology and industry to enhance our capability for independent innovation. We will work painstakingly to adjust and realign our military strength to ensure that the armed forces are reduced by 200,000 troops and that related tasks are completed by 2005. We will intensify our efforts to build and reform our military logistics apparatus and enhance our logistic support capability. We will make the People's Armed Police more proficient and more capable of responding to emergencies. Education in national defense among the people will be intensified to raise their awareness of its importance. We will vigorously support the strengthening of national defense and the armed forces and we will build up the reserve forces and the militia to develop a fully functioning national defense mobilization system that is highly effective and can respond rapidly. We will intensify activities to promote mutual support between the military and civilian sectors and their cultural and ethical programs to forge solidarity between the military and the government and between the military and civilians.

III. Government Self-improvement

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

First, we will further transform government functions. Governments at all levels must fulfill all of their responsibilities. While working to better regulate the economy and oversee the market, the

government must pay more attention to social administration and public service work. In particular, we need to speed up the establishment of emergency response mechanisms and improve the government's ability to deal with public crises. We must accelerate the separation of government functions from enterprise operations, turn over responsibility for more activities the government should not be engaged in to enterprises, nongovernmental organizations and intermediary agencies, and give greater scope to the basic role of the market in resource allocation. At the same time, we need to strengthen regulation and oversight of intermediary agencies. The government must perform all its functions well, and adapt methods and style of management to changing circumstances to improve the results of its administration and work.

Second, we will adhere to scientific and democratic policy-making. We need to improve the policy-making process by integrating public participation, expert evaluation and government decision-making to ensure that our policies are scientific and correct. We need to speed up the formation and improvement of systems for making collective decisions on major issues, for soliciting opinions from experts, for keeping the public informed and holding public hearings, and for accountability in policy-making. All major policies must be decided collectively on the basis of in-depth research, widely solicited opinions, and full evaluation by experts. These procedures must be closely followed as one of the long-term basic systems for government work.

Third, we will perform all our duties in accordance with the law. Governments at all levels must exercise their power and perform their duties within the scope of their authority defined by law and in accordance with legal procedures. All government employees must learn to deal with economic and social issues by legal means. The system of administrative law enforcement needs to be reformed so that the administrative right to grant licenses and impose penalties will be relatively concentrated. Experiments should be conducted on integrated law enforcement to solve problems of duplicate law enforcement and arbitrary imposition of fines. We need to increase oversight of administrative law enforcement to make it stricter, fairer and more courteous. We should institute an accountability system for law enforcement and a mechanism for investigating and prosecuting law enforcement improprieties, and improve and strictly implement a system of administrative compensation that holds those who exercise power accountable, places them under supervision and compensates those whose rights have been compromised. The Administrative Permission Law of the People's Republic of China will come into force officially on July 1, 2004. This is an important law for regulating government acts, and governments at all levels must strictly abide by it.

Fourth, we will consciously accept the oversight of the general public. All power of the government is bestowed by the people, so the government must be accountable to the people, act in their interests and accept their oversight. Only the people's oversight can prevent the government from being lax in its duties. Governments at all levels should consciously accept the oversight of the people's congresses and their standing committees at the corresponding levels and the democratic oversight of the committees of the People's Political Consultative Conference, and conscientiously listen to the opinions of the democratic parties, federations of industry and commerce, persons without party affiliations and mass organizations. At the same time, they should accept the oversight of the mass media and the general public. They must take seriously the people's oversight of government organs and employees through reconsideration of administrative decisions, administrative lawsuits and other legal channels. We should strengthen internal supervision by supporting supervision departments and audit offices in the conduct of their independent oversight in accordance with the law. To keep the people informed so they can oversee government work, we will introduce a system of public information concerning government work and increase the transparency of government work.

Fifth, we will improve the government's style of work and improve the overall quality of public servants. An important aspect of efforts to improve the government's style of work is for government employees to adopt a realistic and pragmatic approach, a scientific outlook on development and a correct attitude toward their own performance. Governments at all levels need to bear in mind China's current national conditions when acting and making decisions. We must always be realistic and act in accordance with objective laws. We need to work in an enterprising manner while working within our capabilities and stop the practice of blindly competing to outdo each other. We must persist in doing down-to-earth work, seek practical results, conserve manpower and refrain from building "vanity projects" that waste both money and manpower. We must determine the true state of affairs and tell the truth; we should not falsify reports or exaggerate achievements. We must make overall plans that balance the interests of different sectors and stay rooted in the present while having a long-term perspective, instead of blindly seeking quick success and instant benefits. We must continue to improve our work style, reduce the number of meetings and documents, and put more time and energy into going down to the primary level to do investigations and research. Everything we do must stand the tests of actual practice, people's acceptance and history.

The quality of public servants determines how well the government is managed and how efficient it is. It is imperative to build a contingent of public servants who are politically reliable, professionally competent and clean and honest and have a good work style. They should emancipate their minds, seek truth from facts and keep pace with the times. They should bear

in mind that public servants work for the interests of the people, maintain close ties with the people, and serve them wholeheartedly. They should abide by the Constitution and the law and have the ability to administer the government in accordance with the law. They should be dedicated, hard working and eager to learn. They should observe disciplinary regulations and professional ethics. They should be honest, clean, upright, impartial and devoted. Governments at all levels should be strict in enforcing disciplinary regulations and be fair in meting out rewards and punishments. Training public servants and evaluating their work is very important, and we must intensify our work in this area.

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

Fellow Deputies,

It is our unshakable goal to maintain the long-term stability and prosperity of Hong Kong and Macao. We will continue to uphold the principle of "one country, two systems," according to which " Hong Kong people administer Hong Kong" and "Macao people administer Macao" with a high degree of autonomy, and we will act in strict accordance with the basic laws of the Hong Kong and Macao special administrative regions. We will give our full support to the chief executives and governments of the two regions in their administration in accordance with the law. We will unite as broadly as possible people from all walks of life in Hong Kong and Macao and effectively implement the Closer Economic Partnership Arrangement between the mainland and Hong Kong and the mainland and Macao. We have full confidence in the future of Hong Kong and Macao.

We will adhere to the basic principle of "peaceful reunification and one country, two systems" and, during this current stage, to the eight-point proposal for developing relations across the Taiwan Straits and promoting the peaceful reunification of the motherland. We will vigorously expand visits of individuals across the Straits and economic and cultural exchanges and energetically promote establishment of the "three direct links" between the two sides. We will protect the legitimate rights and interests of our Taiwan compatriots on the mainland in accordance with the law and continue to pursue the resumption of dialogue and negotiations

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

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

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

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

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

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

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

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

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

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