Fellow Deputies:

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

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

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

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

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

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

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

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

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

Coal, 81,990,000 tons—2.6 times 1949;

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

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

Machine tools, 13,513—8.5 times 1949;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

as departments of communications and transport, posts and telecommunications, water conservancy, forestry and other departments engaged in capital construction. Commercial departments and administrative organizations of state-owned agriculture must also see to it that most of this task is carried out.

Agriculture in our country has made fresh advances since the land reform. The 1952 output of grain and cotton exceeded the peak annual level before liberation. In 1953, owing to some rather serious natural calamities, the plan for agriculture was not fulfilled. Nevertheless, the output of grain was still slightly higher than in 1952, and the output of cotton also surpassed the pre-liberation level. This year, because of serious floods in the areas along the Yangtse and Huai Rivers, agricultural production will again be unable to fulfil the plan. However, an abundant crop of wheat was harvested this summer, and the autumn harvest in most parts of the country promises well. Output of grain and cotton for the whole year will exceed that of 1953. The output of grain this year is expected to be 50 per cent higher and of cotton 180 per cent higher compared with 1949.

The growth of agriculture exerts a many-sided influence on the growth to industry. Many industries, especially the textile and food industries, depend on agriculture for raw materials. The idustral and urban populations depend on agriculture for staple necessities such as grain and edible oils and for other foodstuffs. The imported machinery needed by industry has to be paid for mainly by the export of agricultural produce. The principal markets for a great number of industrial products are in the countryside. For this reason, during the past few years, the Central People's Government has made great efforts

in the fields of finance, technique, and water conservancy to assist the development of agriculture. The peasants for their part have actively responded to the government's call to extend mutual aid and co-operation, to strive for increased output of grain and various industrial crops, and have enthusiastically supplied their produce to the state. In the last two years, our country has not only been able to conquer natural calamities, but has actually increased agricultural production, and thus consistently maintained market stability. For this, we cannot but express our thanks to the five hundred million peasants throughout the country.

But the expansion of agriculture obviously still lags behind the needs of the people and the state for agricultural produce. In order that agriculture may develop more quickly and in a more planned way, it is necessary gradually to bring about the socialist transformation of agriculture. That means gradually changing over from backward individual farming to collective farming by getting the peasants to organize themselves voluntarily into mutual-aid teams and co-operatives. The mutual-aid and co-operative movement among the peasants has shown unprecedented growth in the past year. Sixty per cent of all peasant households have already joined mutual-aid teams or co-operatives. The number of agricultural producers' co-operatives had reached 100,000 by August this year and is expected to increase by the time of spring sowing next year to 500,000, embracing ten million peasant households. We hope that, by the end of the First Five-Year Plan, over one-half of all peasant households in the country will have joined the agricultural producers' co-operatives, and that over half the cultivated land will be pooled in the co-operatives.

In order to ensure an increase in agricultural production to meet the beeds of our economic development as a whole, it is necessary for expansion of co-operatives to go hand in hand with systematic promotion of the use of new types of farm implements, water pumps, water wheels, improved seeds and better farming methods, an increased use of fertilizer, prevention of insect pests, and the greatest possible increase in the area under cultivation. It is also necessary to increase the acreage of cotton and oil-producing crops, so that the output of cotton meets industrial demands and that oil production quickly reaches and surpasses the peak record of pre-liberation years.

To solve difficulties arising from shortage of draught animals, meat supplies and fertilizer, as well as to increase production of furs and hides, efforts must be made to develop animal husbandry and poultry farming. Attention should also be paid to the fishing industry.

In the field of water conservancy, in the past few years the state has built a considerable number of large-scale water conservancy works, which did a great deal to lessen flood and drought damage, and to safeguard agricultural production, especially in this year's fight against floods. The Huai River harnessing project—not yet entirely completed—did even more than was anticipated in the prevention of floods. The Chingkiang Flood Detention Basin, the Kuanting Reservoir and the extension of the Tuliuchienho Canal to the sea have also helped, in varying degrees, to prevent flood devastation. The Yangtse and Huai floods this year were practically unparalleled in Chinese history and were far worse than those of 1931, when China was under Kuomintang rule. But the

people suffered much less than in 1931. Thanks to the efforts of the people in the flood-affected areas, and with the support of the people throughout the country, we were able to protect important cities like Wuhan, Nanking, Pengpu and Tientsin, the plains of north Kiangsu and north Anhwei and the Chingkiang dykes, and thus reduce damage to a vast expanse of farmland. About one-tenth of the farmland of the country—over 160 million *mou**— has been inundated. Drainage and steps taken to save or replant seedlings, however, have saved about half the flooded area from the threat of famine. Of the 80-odd million *mou* of farmland still flooded, 30 million *mou* cannot be drained in a short time. In the flooded areas the government is making sustained efforts to reduce the effect of the calamity, to drain the flood water and promptly replant the land. A drive to overfulfil the production quota is under way in unaffected areas, so as to compensate for the loss of crops in the flooded ones. The struggle against natural calamities is a protracted and arduous task for our people. Therefore, more and greater effort must be put into water conservancy. This year's floods have shown up many defects in our water conservancy work. For example, there was a general tendency to lower established standards for flood prevention works; individual projects were not safe enough; for a period, control of water-logging and irrigation were somewhat neglected. From now on we must continue harnessing the worst flood-producing rivers by making determined efforts to harness their whole courses, to co-ordinate what is expedient with fundamental measures, and to stress both flood prevention and drainage work. At the same time we

* A *mou* equals one-sixth of an acre.

must energetically extend farm irrigation work, so that calamities from flood and drought can be gradually reduced and eliminated, and an increase in agricultural production guaranteed.

Afforestation is of great importance, for it supplies the timber needed for building and to withstand flood, drought, sand-storms and hurricanes. China's present timber resources are not enough. Besides making greater efforts in afforestation and in the timber industry, we must turn our forests to account and use timber with forethought and economy. Moreover, a mass movement to protect and plant forests must spread throughout the country.

Handicraft industry, too, has an important part to play in our national economy. Like the peasants, handicraftsmen are rapidly forming producers' co-operatives among themselves. According to statistics available at the end of 1953, three hundred thousand handicraftsmen have been organized into over 4,800 producers' co-operatives. Such co-operatives should be actively developed from now on in a more planned way.

Communication, transport, post and telecommunication services have also been restored and have made great strides in the past five years. In 1949, 21,700 kilometres [13,454 miles] of railway trunk lines were in operation. This will reach 25,500 kilometres [15,810 miles] this year as a result of repairs and laying of new lines in the past few years. On the Paochi-Chengtu Railway, the section from Chengtu to Kuangyuan will be laid this year. On the Lanchow-Sinkiang Railway, a section will be laid as far west as Huaihsipao, northwest of Wuwei. A total of over 140,000 kilometres [86,800 miles] of highway will be in use this year. The Sikang-Tibet Highway, a high-

way unusually difficult to build but of great significance, will be opened to traffic within the year. Maritime and inland shipping have also developed. As regards posts and telecommunications, a network has been formed with Peking as its centre, which basically meets the needs of national construction and the people.

One of the main tasks of the communication and transport services is to bring about a constant rise in transport capacity to meet the rapidly growing needs of the national economy. Our rail passenger and freight traffic increases year by year, and it is estimated that this year it will be more than double that of 1950. To meet the daily increasing need for transport we must open new railway lines and improve transport facilities. We should improve management and tap latent forces in transport capacity. In particular, we should further cut the time taken in the turn-round of railway wagons and vessels. Moreover, proper co-ordination of water and land transport, gradual rationalization of such transport problems as the uneconomic long haul, or the contrary, the over-short haul, the wasteful carriage in opposite directions of the same type of article and other wasteful procedures will not only raise our total transport capacity, but greatly reduce costs. All economic departments concerned must make a common effort to meet this requirement.

Domestic and foreign trade has made tremendous strides in the past five years. In 1953, total retail sales increased to 325,000,000 million yuan, that is, 1.8 times that of 1950. Foreign trade also increased to 1.8 times that of 1950. State-operated commerce has already attained a position in which it can handle the whole or the greater part of all principal commodities

needed for the national welfare and the people's livelihood; it has in its charge the whole foreign trade. By the first half of this year supply and marketing co-operatives and consumers' co-operatives had over 31,000 primary branches with a membership of over 165,520,000. They have become powerful adjuncts to state-operated commerce. At present, state-operated and co-operative commerce handle about half the total retail trade of the entire country and about 80 per cent of the wholesale trade.

To remedy the lack of balance between supply and demand which arose from the fact that the increase in the people's purchasing power outstripped expansion of production of consumer goods, the Central People's Government introduced a system of planned purchase and supply of grain, edible oils and cotton cloth, as well as planned purchase of cotton. These measures, designed to regulate relations between supply and demand, to stabilize market prices, to safeguard the livelihood of the people and what the state needs for construction, are absolutely necessary and timely. They have safeguarded the interests not only of urban and rural consumers, but also of agricultural producers. They are disadvantageous only to a small number of profiteers. That explains why they have won the support of the people throughout the country.

This planned supply of principal consumer goods will not only continue to be carried out, but may be extended to include a wider range in a period when consumer-goods production has not yet sufficiently developed. As far as planned purchase of staple products is concerned, it will be gradually extended in line with the growth of the socialist sector of economy. Of course this is a complicated process, representing an enormous change in the life of the people and in

social economy. Hence, at the start, it is hardly avoidable that some passing defects in the work crop up and the people experience certain temporary inconveniences. But, if we do not want to suffer in future from soaring commodity prices, or from stagnation of production caused by speculations on the part of unscrupulous merchants; if we wish to have capitalist, speculative trade replaced by socialist trade which can ensure rational satisfaction of the needs of the whole population—then we must admit that planned purchase and supply is a measure which the state must take.

A fundamental change has taken place in the position of state-operated trade as a result of the extension of the scope of planned purchase and supply, the increase in the orders placed by the state with private enterprises for manufacturing and processing, and the marketing through state agencies of all products of private enterprises, and the purchasing by the state of part of their products. State-operated trade, which a few years back covered only a fraction of the market, has now grown to embrace the major part. It has become the leading force in every branch of trading activity throughout the country. It has now become necessary for the state trading administration to assume responsibility for planning and taking full charge of the whole home market. It should draw up plans for the circulation of commodities, decide what steps and measures should be taken to transform and handle the whole of private trade, bearing in mind the need to keep a balance between purchasing power, the volume of commodity production, and the relative proportions of trade handled by the state, co-operatives and private merchants, and the relationships between them. Our

state trading administration has not yet been able, however, to cope entirely with this vast change in the home market. As a result, it has often been unable to avoid being placed in a passive position. This defect in our trade administration and other drawbacks of our trading establishments, such as failure to make a thorough study of supply and demand, or the incurring of inflated administrative expenses, must be swiftly eliminated.

Socialist transformation of capitalist industry and commerce constitutes an important part of our fundamental task in the transition period. In the past few years we have already transformed a major section of capitalist industry into various forms of state-capitalist enterprise. Judging by the trend of events, the transformation of capitalist industry will be brought about chiefly through joint state and privately owned enterprises—the advanced form of state capitalism. In 1953, the value of output of industries jointly operated by state and private capital was over nine times as great as in 1949, and in 1954 it is expected to be more than double the 1953 figure. Of great importance, too, is the intermediate form of state capitalism, in which the state places orders with privately-owned enterprises for manufacturing and processing, and markets all their products. The importance of this lies in the fact that this form prepares the ground for joint operation by both state and private capital. Even greater successes have been registered in this direction. In the first half of 1954, in eight leading cities — Shanghai, Tientsin, Peking, Wuhan, Canton, Shenyang (Mukden), Chungking and Sian—the value of output of capitalist industrial enterprises which accepted government orders for manufacturing, processing, exclusive marketing

and partial purchasing accounted for about 80 per cent of the total value of output of all capitalist industrial enterprises in these cities. With the introduction of planned purchase and supply of grain, edible oils and cotton cloth, large numbers of private shops dealing in these goods have been turned into marketing agencies for state trading organizations. This makes for rapid growth of the state-capitalist sector in private commerce, and has opened the path for the transformation of capitalist commerce, one branch after another.

The transformation of capitalist industry and commerce is a process involving both struggle and education. To make a good job of it, we need to accumulate more experience. It should be pointed out here that in this process the transformation of capitalist enterprises and re-education of capitalists should be combined. This means: on the one hand, we have to transform capitalist enterprises finally into socialist enterprises, and, on the other, we have to remould the outlook of capitalists and their agents, so as to make them, as far as possible, play a positive and beneficial role in the process of socialist transformation.

In the past five years, the financial position of the state has undergone a marked change. From having a financial deficit, we rapidly changed to a position of balancing revenue and expenditure, and now possess a certain surplus each year to swell the state's credit funds. This balance between revenue and expenditure was reached under circumstances in which both our revenue and expenditure were greatly increased. The state's budgetary revenue of 1954, excluding the budget surplus of the previous year, is estimated to be 3.6 times that of 1950. At the same time, sources of revenue have changed greatly. From 1950 to 1954,

the percentage of taxes paid by the peasants dropped from 29.6 of the total national revenue to 13.4, while the percentage of taxes and profits paid to the state by the state-operated enterprises and co-operatives of socialist type increased from 34.1 to 66.1. Our financial outgoings also increased greatly, together with the increase in revenue. In the 1954 budget, the allocation for economic construction is 650 per cent that of 1950; the proportion of total estimated expenditure on economic construction to total financial outgoings has also increased—from 25.5 per cent in 1950 to 45.4 per cent in the 1954 budget. In the past five years, the state has allocated a total of 328,000,000 million yuan for economic construction, of which the figures for 1953 and 1954 account for 200,000,000 million yuan. This shows that by relying on the support of the people of the whole country, we have already accumulated the necessary funds for our industrialization. Imperialist prophets who malevolently asserted that we were incapable of overcoming financial difficulties have been completely discredited. In the 1954 budget, expenditure on culture, education, public health and social welfare amounts to 490 per cent of the 1950 figure. The proportion allocated to these items in budget expenditure also increased from 11.1 per cent in 1950 to 14.7 in 1954. At the same time, the proportion of expenditure on organs of state—that is, expenditure on state administration and national defence—to total expenditure, has been reduced from 60.8 per cent in 1950 to 30.7 in the 1954 budget. In detail, the allocation on national defence has dropped from 41.5 per cent to 21.1, and administrative expenditure from 19.3 per cent to 9.6. From this it is clear that our state budget is a budget of peace, a budget of a constructive nature.

Our immediate financial tasks are to continue to carry through a fair tax policy, encourage the people to bank their surplus capital or buy bonds with it, strengthen the financial management in enterprises, reduce state administrative expenditure, and enforce close financial supervision and financial discipline, so as to ensure that the necessary reserves are forthcoming for the period of economic construction. In a word, we must continue to make every effort to accumulate still greater reserve funds and employ them in a still more rational way for the sake of the industrialization of our country. In order to fulfil these tasks, we shall have to conduct a series of struggles. Our finance is the people's finance: in plain words, we "collect revenues from the people and spend them on the people." Both the National People's Congress and all local people's congresses have the duty and power to scrutinize our revenue and expenditure. We hope deputies will supervise the work of government workers and join with them in fighting against any possible waste of funds, against inflated government machinery, against any act which runs counter to our financial system, against any carelessness with state property, failure to practise rigid economy, failure to strive for the accumulation of funds, to fight against tax evasion, theft of state property, and corruption. To fight against all this is to uphold socialism, to fight for the early realization of a socialist society.

All our work is done in the interest of the people. All that we do in the fields of economy and finance is aimed, directly or indirectly, at improving their material and cultural life. Everyone can see what our work in these respects has accomplished.

In the past few years, one of the important successes we have achieved in improving the people's livelihood has been the stabilizing of the national finances and commodity prices. This brings stability to the people's livelihood. The state must continue its efforts in keeping prices stable so that further improvements in the people's livelihood can be brought about.

More and more people are finding employment every year as a result of the needs of national construction and increased production. In 1953, the number of workers and office employees in state-owned and private enterprises had risen to about 13,745,000. The severe unemployment inherited from old China has now been greatly reduced. The People's Government not only adopted a policy of taking over all personnel in the former Kuomintang government offices and workers and office employees of bureaucrat-capitalist enterprises, thus preventing a rise in unemployment; it also did a great deal to help the unemployed to find work. From July 1950 to the end of 1953, the labour bureaux alone helped find jobs for 2,070,000 people in various parts of the country. However, since our country's production has yet to be developed and since it has a large population, employment will remain a problem over a comparatively long period, and we shall continue the policy which has proved effective in the past few years to solve this problem step by step.

In recent years, the living standards of workers and office employees have shown great improvement. The statistics of five industrial departments under the central authority show that average wages in terms of money in 1953 registered an 84 per cent increase over 1950. Great improvements have also been made in working conditions and welfare facilities for work-

ers and employees. Labour insurance funds, medical expenses, grants for culture, education and recreation, and welfare funds paid out directly by the aforementioned industrial departments for workers and employees amount, on the average, to 17 per cent of the total wage-bill. In 1953, more than 4,800,000 workers and employees enjoyed benefits provided under the Labour Insurance Regulations; and more than 5,290,000 workers in government organizations and schools were entitled to free medical treatment. In most of the medium-size and small enterprises, the workers and employees have succeeded in getting the management to sign labour insurance contracts. In 1953, the state built housing for workers and employees with a total floor space of 12 million square metres [129,163,000 square feet]. There is also a steady expansion in welfare and cultural facilities sponsored by the management or trade unions of enterprises. The state has spent vast sums of money to improve safety and hygiene in industries and mines. As a result, the rate of accidents at work has been steadily decreasing from year to year.

Obviously, economic development in our country must find its parallel in the improvement of the people's livelihood, because the sole aim of socialist economy is to satisfy the people's material and cultural needs. Socialist economy must grow continuously if it is to fully satisfy these needs. It is wrong, therefore, to emphasize one at the expense of the other in any way. It is a manifestation of "economism" to raise wages and improve welfare measures too quickly or too high without taking into consideration the present level of production and so impair the long-term interests of the working class. On the other hand, it is a manifestation of bureaucratism to be indifferent to

the welfare and safety of workers and employees, to neglect, or to be unwilling to solve, their problems that must and can be solved. We must fight against both these erroneous tendencies at the same time.

Improvements have been made to the wages system during the past few years; but some confusion still exists, and, in many places, equalitarianism has not yet been overcome. Equalitarianism is a type of petty-bourgeois outlook which encourages backwardness and hinders progress. It has nothing in common with Marxism and a socialist system. It damps down the enthusiasm of workers and employees in acquiring technical skill and raising productivity; it harms the growth of our economic construction. We must, therefore, resolutely oppose equalitarianism. There is also considerable confusion, which must be put right, in regard to the system of merit grants in enterprises. In our government offices and certain state-owned enterprises, the wages system exists side by side with the supply system.* The supply system used to play an important part during the revolutionary wars; but it conflicts with both the principle "to each according to his work," and with business accounting. Today it does more harm than good. Therefore, we must work out an appropriate plan based on the requirements of socialist construction, in order to achieve within a few years a uniform and reasonable wages system and merit grants system for the whole country, and gradually replace the supply system by wages.

During the past few years the living conditions of the peasants have shown marked improvement as

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* A system of payment used widely before liberation under which the state provides food, housing, and all basic necessities to its employees and their families with a small cash payment.

regards clothing, food, housing and so forth. This is a result of the completion of land reform, the recovery and growth of agricultural production, the higher prices offered by the state for agricultural produce, the improvement in the agricultural tax system, and increases in agricultural loans and in the number of agricultural credit co-operatives. In 1953 the purchasing power of our rural population showed an increase of 76 per cent over the 1950 level. But because our agricultural production is backward and because the acreage under cultivation is still not large enough, the standard of living of our peasants is still rather low and, in times of natural disaster, they may run into severe difficulties. The aggregate of funds allocated by the state to relief purposes during the years 1950-1953 amounted to 8,000,000 million yuan, and a further 3,000,000 million yuan has been earmarked for the same purpose in 1954. The greater part of these funds goes to the rural areas. The People's Government must continue to help the peasants, including individual peasants, to further improve their living conditions, on the basis of actively extending the movement for mutual aid and co-operation in agriculture, and increasing agricultural production.

During the past few years we have carried out a nation-wide, popular public health and hygiene movement. As a result we not only defeated the bacteriological warfare waged by the American aggressors, but also wiped out epidemics, reduced the incidence of infectious diseases and improved the people's health. Our medical and public health services have made progress too. By the end of 1953, there were 3,068 hospitals under the Ministry of Public Health. The number of hospital beds throughout the country had increased 411 per cent, compared

with the peak figure before the liberation. Expansion of maternity and child welfare work has considerably reduced mortality rates among mothers and babies. But health work, particularly in our factories and mines, still falls far short of the needs of growing economic construction. We must strengthen these services and gradually put public health work in factories and mines under the unified leadership of local public health departments. Besides, there are several hundred thousand doctors of classical Chinese medicine all over the villages and cities of our country. Local public health departments must conscientiously draw them in, educate them, make use of their talents, and co-operate with them in re-evaluating and developing that part of Chinese medical science and experience which has proved useful.

Our school education, too, has made tremendous progress. Compared with the highest pre-liberation level, the number of students in institutes of higher learning throughout the country had increased by 40 per cent by the end of 1953; that is, the total enrolment is now more than 216,000 students; in technical secondary schools the number had increased by 75 per cent to 669,000 students; in secondary schools, by 96 per cent to more than 2,930,000 students; in primary schools, by 117 per cent (more than 51,500,000 pupils); and in kindergartens, by 226 per cent (425,000 pupils). Year by year, there are more students of worker or peasant origin in all grades of schools. We have also established short-term secondary schools for training intellectuals of a new type—intellectuals of worker or peasant origin. This year's enrolment in such schools is four times that of 1951. During the past few years, there have been considerable reforms in the system of school

education, in content and teaching methods. The successful carrying out of these reforms is related to the movement for ideological reform of vast numbers of our intellectuals. The work of ideological reform among intellectuals has yielded results. It should be continued in an appropriate manner and in accordance with practical needs. It is generally admitted that intellectuals who are armed with revolutionary ideas and scientific and technical knowledge now play a much more important role in the work of national economic construction.

To meet the needs of our national economic construction, our educational departments must, first of all, concentrate on the development and improvement of higher education. Primary and secondary education has made great strides in many respects. From now on, we should aim at better quality. Both primary and secondary schools must teach their pupils to respect work, so that many of them will, after graduation, take their places in our industry and agriculture.

In the past few years, important contributions and great advances have been made in the fields of science, culture and art in our country. In order that scientific research should be able to satisfy the various demands made on it and that cultural and artistic activities should be able to meet the growing needs of the masses, the government must greatly strengthen its leadership in these two fields.

In the matter of improving the people's material well-being and cultural life, the Central People's Government has paid special attention to areas inhabited by national minorities. We have consistently advocated and pursued a policy of helping the national minorities develop their economy and culture so as to enable them gradually to attain a real equality. In

the past few years, economic and financial departments have organized a number of trade fairs in minority areas, at which business was transacted at fair and reasonable prices, and have extended various kinds of loans in support of the agriculture, husbandry and herds of the national minorities. All these measures have played an important part in improving their economic life. Public health departments have sent a large number of medical workers to help the minority areas prevent or reduce the spread of epidemics, and have also established medical or health centres there. Three hundred and nine county hospitals were opened in the minority areas in 1953; there were 38 hospitals for national minorities in the country as a whole and more than 2,700 senior and junior medical workers belonging to the national minorities. In the field of education, taking the country as a whole, in 1953 the enrolment of national minority students was as follows: more than 2,546,000 primary school pupils, 163,000 secondary school students and 5,500 students in institutions of higher learning. More than 140,000 national minority personnel of government and public bodies have been trained either in schools or by other methods of education. These form an important force in the realization of regional autonomy for nationalities.

Fellow Deputies! As I said before, to gradually improve the material well-being and cultural life of the people is a fundamental task which calls for our constant endeavour, and, of course, what we have achieved is not enough. We must make still greater efforts. However, at the present time we must in the first place consider this question in relation to the work of socialist construction which is now under way. It is common knowledge that our country has

been a backward agricultural country, and it is now our great and arduous task to build and turn it into a strong, modern, socialist, industrialized country. There can be no doubt that we shall face many difficulties, both economic and financial, in carrying out this task, and we must not ignore them. What is our way to surmount these difficulties? Fundamentally, it is to rely on the united will, industry and strivings of our entire people. The people throughout our country must focus their attention on long-term interests at the present time when our country needs to concentrate its main strength on building heavy industry, that is, laying the foundation for socialism. We cannot see only the immediate interests and overlook long-term interests. For the happiness of generations and generations to come, we shall have to put up with many temporary difficulties, but we are completely confident that we can overcome all difficulties and hardships. We must make every effort to carry out the fundamental task of the state during the transition period as set out in the Constitution, the most essential thing being that each one of us should concern himself with raising the productive forces of our country. We must realize that to increase production is of decisive importance to our entire people and our country. Only by constantly increasing and constantly expanding production can we gradually end the poverty of our people, can we consolidate the victory of our revolution and assure ourselves of the happiness of our future. We shall not tolerate any breach of economic discipline, labour discipline, financial discipline or violation of public property and squandering of state funds. We must oppose all ideas and deeds which are concerned with personal interests but not with the common interest; which are concerned only with departmental

interests and not the general interest, only the immediate present and not the future, only with one's rights but not the fulfilment of one's duty, only consumption but not production. For all these things impede the development of production of our country and consequently mar the happiness of our future.

The growth of our country's economic construction and improvement in the life of the people could not have happened without the consolidation and growth of the people's democratic state power and without the strengthening of organs of state.

After the founding of the People's Republic of China, the Central People's Government quickly organized the various ministries and other central state organs, and set up local people's governments throughout the country. Except in Taiwan Province, which remains to be liberated, our people have established their own state power in 25 provinces, in the Inner Mongolian Autonomous Region, in the Tibet Region, in the Changtu Area, in three municipalities directly under the central authority, in 2,116 counties and administrative units of county level, in 163 municipalities, 821 municipal districts and 220,466 *hsiang*. Moreover, 65 organs of self-government at county level and above have been established in national autonomous areas. The Greater Area level of administration in the system of local state power played an important role in our work of the past few years. But because the state during the period of planned economic construction requires more centralized co-ordination and, therefore, a reduction in organizational levels so as to increase working efficiency, the Greater Area level of administration was abolished by decision of the Central People's Government in June this year.

Our organs of state belong to the people and serve them. They are, therefore, in essence, fundamentally different from those of old China which oppressed the people. Our organs of state are formed of the active elements drawn from various democratic classes, mainly active elements of the working people. The guiding principle of work in all our state bodies is democratic centralism, collective leadership and the mass line. Long-standing evil practices of the old bureaucratic bodies such as using position to satisfy individual selfish ends, corruption, extortion, nepotism and bullying people are utterly impermissible in our state bodies. The overwhelming majority of our government workers are free from such practices. For the first time the people see a government which is honest, sincere and hard-working, which is closely tied to the masses and shares all hardships and difficulties with them.

During the early years of the People's Republic of China, we adopted a transitional measure of people's representative conferences, while conditions were not yet ripe for convening people's congresses. This system of people's representative conferences was continuously enlarged and improved upon, so that these conferences gradually assumed the functions and powers of people's congresses and elected local people's governments. Since 1953, democratic elections on a large scale, such as had never been known in the history of China, were held in all parts of the country. There were altogether 323,809,684 registered voters from 214,798 primary electoral units, excluding a few areas where elections were temporarily postponed; 278,093,100 persons went to the polls—85.88 per cent of all registered voters. A total of 5,669,144 deputies were elected to the people's congresses at the

primary level; 84.01 per cent of all women voters registered went to the polls and 17.31 per cent of the deputies elected are women. The elections fully demonstrated the heightened level of the people's political enthusiasm and political consciousness, as well as their confidence in, and support for, the Chinese Communist Party and the People's Government.

Immediately after the elections at the primary level, local people's congresses met to elect their deputies to people's congresses at county level and above, and on this basis, to elect deputies to the National People's Congress. During these elections, the list of candidates put forward by the Chinese Communist Party, or jointly by the Chinese Communist Party, democratic parties and other groups concerned, won the support of the overwhelming majority of the electorate. The deputies to the National People's Congress and to the local people's congresses include representatives of the various nationalities, democratic classes, democratic parties and groups, and popular organizations. This shows that our organs of state power are fully representative, and that they reflect the character of a people's democratic united front. The broad masses of the Chinese people support the leadership of the working class and the Communist Party of China, the cause of socialist construction and socialist transformation. The alliance of workers and peasants in our country, and the people's democratic united front based on it, stand firm. That is the conclusion which we should draw from the results of the elections. It can be expected that the elections will prove a great stimulus to the work of our organs of state.

There are at present still some defects in the work of our organs of state. In the past five years, the

Central Committee of the Chinese Communist Party and the Central People's Government time and again drew the attention of organs of state throughout the country to the need of overcoming bureaucratism and commandism in their work, overcoming attitudes of superiority and complacency, and called on them to develop criticism and self-criticism, to strengthen their ties with the masses, to pay attention to overcoming departmentalism in their work, to observe state discipline and the principle of collective leadership. Furthermore, they led organs of state throughout the country in 1952 to wage a large-scale struggle against corruption, waste and bureaucratism, of which some members of the working personnel were found guilty. All this did much to consolidate and improve our organs of state, and today, corruption and waste in them have been very considerably reduced. Bureaucratism, commandism and departmentalism have diminished to a great extent as compared with the past. Nevertheless, it is a long-term task to consolidate and improve our organs of state. It should be pointed out that among our working personnel there are still some who violate the principle of democratic centralism and the principle of following the mass line. They often let individual leadership take the place of collective leadership. They often substitute bureaucratism, which isolates them from the masses, for democratic leadership. They often fail to concern themselves with the problems of the masses, and are reluctant to listen to criticisms made by them. They even come down on those who criticize them, or try to get their own back. They often do what they arbitrarily think is right, fail to respect the unified leadership of their superiors and do not bother to observe the system of seeking instructions and submitting reports. All these

tendencies, which are incompatible with our state system, must be thoroughly done away with. There are still occasional traces of extravagance and waste, and cases of bribery and corruption. We must continue to wage a struggle against such practices with a view to eliminating them once and for all. Only by so doing can our organs of state properly serve the cause of socialist construction.

After our country entered upon the period of economic construction, it has become more urgent than ever for our government workers to earnestly learn to do their jobs well, to study science, to go out to the masses and to acquaint themselves with their conditions, and substitute concrete, real leadership for formal, generalized guidance. We must oppose red tape that neither raises nor settles any problem. We must oppose meetings which are unprepared, tend to drag on, and reach no conclusion. We must oppose these styles of work: knowing only how to glue oneself to an office desk, sit at meetings and sign documents; not trying to learn to do the job well; not being familiar with the conditions; not checking and examining the results of one's work; and standing aloof from the masses. We must oppose redundant organization, inefficiency, lax discipline and lack of a clear-cut definition of responsibilities in some organs of state, because all this, in effect, is an indication of bureaucratism and runs completely counter to the requirements of our organs of state and the interests of the people's cause. The present Session of the National People's Congress has already adopted a number of important laws governing the organization of central and local organs of state. The various departments of the Central People's Government and local administrative organs, during their reorganiza-

tion in accordance with these laws, must bear in mind the aforementioned shortcomings and wage a resolute fight against them. We must strive to improve the work of our organs of state.

To practise democracy among the people and dictatorship over the people's enemies are two inseparable aspects of our people's democratic system. In the past few years, we have carried out a mass movement to suppress counter-revolutionaries. This dealt a severe blow to counter-revolutionary elements, made it possible for the people's justice to triumph, and consolidated revolutionary order and social security. But this does not mean that counter-revolutionary elements have since been completely eliminated. No! Lurking counter-revolutionary elements not only still exist, but resort to more underhand and vicious means to carry on their subversive activities. As long as imperialist encirclement and the class struggle within the country still exist, such counter-revolutionary elements cannot be entirely eliminated, nor will their subversive activities cease. Moreover, the greater the victory of our cause of socialism, the more intensified will be their subversive activities to undermine our victory. We must, therefore, continue to strengthen this unremitting struggle of ours against counter-revolutionaries. Certainly we must not relax at all.

The policy of our state towards counter-revolutionary elements is one of suppression coupled with leniency. That is to say, we rigidly suppress all those whose crimes are iniquitous and who are stubbornly hostile to the people, or are die-hards who refuse to repent. Towards ordinary counter-revolutionary criminals we adopt a policy of combining punishment with reform, to give them a chance of making a fresh start through the process of reform by work. In the reform

of counter-revolutionary criminals, we have achieved notable results in the past few years. According to statistics up to the end of 1953, more than 80 per cent of the criminals detained have been given work in industry or agriculture. In the course of reform through work, many criminals have gradually admitted their crimes, repented of them, and shown themselves willing to change into law-abiding citizens, and have, moreover, learned to work. Consequently, when released on completion of their sentences, they were able to take up proper occupations. Experience has proved that the policy of the state of reforming criminals through work not only does remould many of them, but also constitutes one of the important means of eliminating remnants of counter-revolution.

Apart from the subversive activities of counter-revolutionary elements which aim at jeopardizing our work of building socialism and social security, there are also various criminal deeds perpetrated by other criminals. For instance, lawless elements of the bourgeoisie resort to all sorts of ways to resist or sabotage socialist transformation. The dregs of society—swindlers, rogues, thieves and robbers—do not work but engage in evil practices, steal public property and are a menace to the social order. Among them are a handful of unmitigatedly lawless elements who work hand in glove with counter-revolutionaries to carry on subversive activities. In addition, some members among the working personnel of our organs of state have violated law and discipline because they are guilty of bribery, corruption, and self-seeking trickery which infringed the interests of the state and the people. All these law-breaking and criminal elements must be punished in accordance with law.

To defend our country's work of construction against subversive activities, it is essential to strengthen public security, procurators' and judicial organs and strengthen the legislative work and the revolutionary legal system of our state. Any idea which flouts or belittles the work of public security, and the work of the procurators' organs and the courts, as well as the work of legislation and the revolutionary legal system, is totally wrong. Our revolutionary legal system will steadily attain perfection, following the promulgation of the Constitution of the People's Republic of China. All personnel in organs of state must from now on abide strictly by the Constitution and the law, and set an example of obedience to law. It is, at the same time, essential to educate the people to observe the Constitution and the law, so as to ensure that the laws which express the will of the people may be enforced uniformly throughout the country. The more powerful our Constitution and laws, the more powerful our public security, procurators' and judicial organs, the greater the safeguard for the people's rights and interests, the heavier the blows that fall on the people's enemies.

To defend our country's work of construction against sabotage, it is also essential to strengthen national defence. As long as states openly hostile to the People's Republic of China are engaged in a frantic armaments drive and are intensifying their attempts to threaten the security of our country, we cannot but maintain powerful, modernized national defence forces. That is to say, we must have powerful land, air and naval forces capable of defending the territorial integrity of our country, our territorial air and territorial waters against encroachment.

Everyone can see that all our efforts are directed

towards building our country into a prosperous and happy socialist industrial state. We are going ahead with our peaceful work and we want a peaceful environment and a peaceful world. This basic fact determines the peaceful policy of our country in foreign affairs.

As far back as October 1, 1949, the day the People's Republic of China was founded, Chairman Mao Tse-tung formally proclaimed to the whole world: "This Government is willing to establish diplomatic relations with any foreign government which is willing to observe the principles of equality, mutual benefit and mutual respect for territorial integrity and sovereignty." In pursuance of this policy, our country has established or is establishing diplomatic relations with twenty-five countries and, in addition, maintains business relations with some other countries.

Our country has concluded a Treaty of Friendship, Alliance and Mutual Assistance with the Soviet Union, that great bulwark of peace. In a spirit of friendship and mutual assistance, the Soviet Union has returned to our country without claiming compensation the Chinese Changchun Railway which was formerly jointly operated by China and the Soviet Union, and the enterprises and other properties which the Soviet Union took over from the Japanese in Northeast China. To help the economic construction of our country, the Soviet Union has extended to us great material, financial, scientific and technical assistance, and, we must note, especially systematic economic and technical assistance in constructing one hundred and forty-one enterprises. This sincere cooperation between China and the Soviet Union lends greater and greater strength to safeguard peace in the Far East and throughout the world. The fact that we have written this friendship into the Preamble to

our Constitution shows that that friendship between China and the Soviet Union is lasting and unbreakable.

Fraternal friendship and political, economic and cultural co-operation are being daily consolidated and fostered between our country and the Polish People's Republic, the Czechoslovak Republic, the People's Republic of Hungary, the Rumanian People's Republic, the People's Republic of Bulgaria, the People's Republic of Albania, the German Democratic Republic, the People's Republic of Mongolia, the Democratic People's Republic of Korea and the Democratic Republic of Viet-Nam. The communique of July 25, 1954 on the talks between the Premiers of our country and the German Democratic Republic expresses the mutual concern and support of the Chinese and German peoples for the cause of peace.

The Chinese people and the people of the Democratic People's Republic of Korea have indissolubly cemented their friendship in the joint struggle against American aggression and in defence of peace in the Far East. The Sino-Korean Agreement on Economic and Cultural Co-operation of November 23, 1953 marks the growth of mutual help between the two countries.

The people of our country have always concerned themselves with the heroic struggle waged by the people of Viet-Nam and the peoples of other Indo-Chinese states against colonial war and for national independence. With the agreements reached on restoring peace in Indo-China, a great victory in this struggle has now been won. Henceforth, in striving for the thorough implementation of these agreements and in the rehabilitation of her national economy, the Democratic Republic of Viet-Nam will have the full support of the Chinese people.

In the past five years, our country has closely

united with our great ally, the Soviet Union, and the People's Democracies in a joint struggle to defend world peace against wars of aggression. Facts have proved that the unity and co-operation between the brother countries headed by the Soviet Union have brought about changes in the international situation favourable to the forces of peace and unfavourable to those of aggression. Henceforth, our country will continue to exert the greatest effort to consolidate and extend this unity and co-operation, and so strengthen the forces defending world peace.

The People's Republic of China has always attached importance to peaceful co-operation with the Southeast Asian countries and other neighbouring states, and to the efforts made in the cause of peace by such a large Asian country as India. In June 1954, the Chinese and Indian Premiers and the Chinese and Burmese Premiers held separate talks and unanimously affirmed in their respective joint statements that the five principles of mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence should be the basic principles guiding relations between China and India and between China and Burma. We believe that the friendly relations between our country and the Republic of Indonesia can also be extended on the basis of these fundamental principles. We also hold that the same five principles for peaceful coexistence should apply likewise to relations between our country and Ceylon, Pakistan and other Asian countries, as well as to international relations in general.

Contacts are being made with a view to establishing normal relations between China and Afghanistan as well as between China and Israel. Our country

is also ready to establish normal relations with Nepal.

The Geneva Conference agreements on the restoration of peace in Indo-China have guaranteed the independence of Laos and Cambodia, and at the same time, Laos and Cambodia have committed themselves in the agreements not to take part in any military alliance. This has made it possible for our country to establish normal relations with these two kingdoms.

Our country hopes to promote business relations with Middle and Near Eastern and African countries so as to improve mutual contacts and understanding and create favourable conditions for the establishment of normal relations.

The Chinese people deeply sympathize with the plight of the Japanese people under military occupation by the United States. To prevent the revival of Japanese militarism and to preserve the Japanese people from being involved in new military adventures, we hope that Japan can rid herself of foreign control and become an independent, democratic and peace-loving country. We hold that the common desire of the Chinese and Japanese people is to establish normal relations and promote trade between the two countries, and this conforms with the interests of peace in the Far East and Asia.

In the past few years our country has established normal relations with some Western countries, and is now establishing normal relations with others. Our relations with Finland, Sweden, Switzerland and Denmark are normal. But there are also certain Western countries which have taken a position incompatible with their recognition of the People's Republic of China. This has caused difficulties in the establishment of normal relations between those countries and China.

China's relations with Britain improved during the Geneva Conference owing to the efforts of the delegations of both countries. But the point at present is that Britain should, like our country, continue to make efforts to promote peaceful co-operation between China and Britain instead of creating new obstacles. Recently, following the United States, Britain participated in the Southeast Asia military alliance and further followed the United States in preventing our country attaining her proper status and rights in the United Nations. Are these not new obstacles to improvement of Sino-British relations?

Negotiations are proceeding for the improvement of relations between China and Norway and between China and the Netherlands.

The Government of the People's Republic of China is willing to establish peaceful and co-operative relations with any country in Europe, South and North America, and Australia, provided that it has the same desire and sincerity.

The People's Republic of China attaches importance to broadening economic and cultural contacts between nations, for this is extremely important in improving the economic conditions of the nations, in enhancing mutual understanding and promoting international co-operation. In the past five years, China's foreign trade has grown every year. The volume of her trade with Western countries grew considerably in 1950. But this trade suffered from artificial restrictions later because the United States coerced other Western countries into carrying out a policy of embargo and discrimination against China and instructed the traitorous Chiang Kai-shek gang to carry out piratical activities off Southeast China. Facts have shown that pursuit of this policy of embargo and discrimina-

tion produced a result exactly contrary to what its initiators desired. For it is not China which has been most hurt by the embargo, but the countries carrying out this United States policy. It is therefore entirely understandable why nowadays great numbers of far-sighted statesmen and people in industrial and commercial circles in all countries are opposed to the United States policy of embargo and discrimination.

There are some twelve million Chinese residing outside the country. They have for years lived amicably with the people of the countries in which they reside and have made certain contributions to local economic developments and prosperity. Overseas Chinese warmly love their homeland. Generally they do not take part in the political activities of the countries in which they live. For the past few years they have lived under very difficult conditions in the countries which are unfriendly to China. We hope these countries will not discriminate against overseas Chinese and will respect their proper rights and interests. For our part, we are willing to urge overseas Chinese to respect the laws of the governments and the social customs of the countries in which they live. It is worth pointing out that the question of the nationality of overseas Chinese is one which the reactionary governments of China in the past never tried to solve. This placed overseas Chinese in a difficult situation and often led to discord between China and the countries concerned. To improve this situation, we are prepared to settle this question, and are ready to settle it first with the Southeast Asian countries which have established diplomatic relations with us.

As mentioned above, the people and government of the People's Republic of China have made considerable efforts during the past five years to establish

diplomatic relations and extend economic and cultural contacts with all nations in order to defend world peace and promote international co-operation. During the same period, however, the aggressive international bloc headed by the United States has all along been hostile to our country and, disregarding the opposition of world public opinion and of the governments of many countries, has up to now arbitrarily and unreasonably deprived our country of its legal status and rights in the United Nations.

In June 1950, the United States Government launched a war of aggression against Korea and at the same time occupied China's province, Taiwan, leaving the Chinese people no alternative but to launch the great movement to resist American aggression and aid Korea. The victorious struggle waged by the Chinese People's Volunteers and the Korean People's Army compelled the United States in July 1953 to accept an armistice. Now more than a year has elapsed and the United States Government still refuses to settle the Korean question peacefully.

Because of the truculent policy of sabotage pursued by the United States Government and the Syngman Rhee clique, the Geneva Conference failed to reach agreement on the peaceful settlement of the Korean question. But the Korean question was not struck off the agenda. The peace-loving countries and peoples of the world will not permit the Korean question to remain long unsettled. We are of the opinion that, following the example of the settlement of the Indo-China question at the Geneva Conference, a conference with the participation of neutral Asian nations should be called to discuss once again the peaceful settlement of the Korean question, so as to achieve a speedy settlement of the question of peacefully unify-

ing Korea in line with the principles of respecting the national rights of the Korean people and contributing to the defence of peace in Asia and the world.

The Geneva Conference overcame the obstruction put in its way by the United States Government and finally reached agreement on the question of restoring peace in Indo-China. The agreements reached at the Geneva Conference and the recent rejection of the "European Defence Community" treaty by the French National Assembly signify victory for the forces of peace and defeat for the forces of war. This has brought about a further easing of international tension.

However, the United States and some Western nations have not given up their war policies. They unreasonably put forward pre-conditions on the European question, attempting to reject the proposals of the Soviet Union concerning the German question and the establishment of a European collective security system. Moreover, the United States and Britain are actively manoeuvring to drag West Germany into the military bloc of Western countries under another label. In Asia, the United States recently pulled together a conference of eight countries in Manila which concluded a so-called Southeast Asia collective defence treaty. This treaty shows that the purpose of the United States is to destroy the Geneva Conference agreements, organize a military alliance to split Asia, show its hostility to the People's Republic of China, interfere in the internal affairs of the Asian countries and create new tension. In my report on foreign affairs made on August 11, 1954 to the Central People's Government Council, I indicated to all states concerned that the Chinese Government firmly opposes the formation of the so-called Southeast Asian treaty organization by the United States aggressive group.

It should be pointed out that, with the exception of the three Asian countries which have concluded military aid agreements with the United States, none of the countries taking part in the so-called Southeast Asia collective defence treaty are Asian countries. Obviously what is established through this treaty is nothing but a military alliance of colonial powers. This military alliance not only supports the United States policy of making China the main object of hostility in the Far East, but also facilitates United States aggression against Asian countries from all directions. With this treaty, on the pretext of non-existent "communist aggression," the United States can create division in Asia by freely spreading fears and apprehensions and instigating some Asian countries to oppose others. With this treaty, on the pretext of preventing and countering what it calls "subversive activities," the United States can, whenever it likes, interfere in the internal affairs of Southeast Asian countries and suppress the national liberation movements in Asia. With this treaty, using the provisions for "economic measures," the United States can strip Southeast Asia of strategic materials, enslave the peoples there and build up its own colonial rule. With this treaty, on the pretext that the region is "threatened by any fact or situation which might endanger the peace of the area," the United States can freely name any area as coming under its "protection," so as to extend its armed intervention to other parts of Asia. In fact, not only is the alleged "danger of aggression" against Thailand, the Philippines and other countries of Southeast Asia by China a sheer fabrication, but the view that normal diplomatic relations cannot be established between China and Thailand and between China and the Philippines is groundless. They are only pretexts

used by the governments of these two countries to justify their action in serving the aggressive forces of the United States. From all this, it can be seen that through the military alliance formed under this treaty the colonialists are attempting to dictate the destiny of Asian countries and to trample upon the Asian people's right to self-determination. Such a treaty runs counter to the purpose and principles of the United Nations Charter. The chief countries of Southeast Asia, such as India, Indonesia, Burma and Ceylon, treasuring their freedom and independence, all refused to take part in the Manila Conference. The Government of the People's Republic of China fully supports the just stand taken by these four countries and firmly opposes this military alliance which aims at splitting Southeast Asia.

The states which signed the "Southeast Asia collective defence treaty," in an attempt to prevent the carrying out of the Geneva agreements on Cambodia, Laos and Viet-Nam, arbitrarily included Cambodia, Laos and the southern part of Viet-Nam in the area under their "protection." This attempt is fundamentally at variance with the commitments regarding Cambodia, Laos and Viet-Nam assumed by the states that participated in the Geneva Conference. It must be pointed out that all the countries which took part in the Geneva Conference on the restoration of peace in Indo-China are under obligation to guarantee strict implementation of the Geneva agreements. But soon after the conclusion of the agreements, the United States organized a military alliance aimed at splitting Southeast Asia and endangering collective peace. That is an open infringement of the Geneva agreements.

On September 14, 1954, the Ministry of Foreign

Affairs of the Soviet Government issued a statement on the question of the "Southeast Asia collective defence treaty," pointing out that the states participating in this military alliance should assume entire responsibility for their actions, which are in flagrant contradiction to the tasks of strengthening peace. This view is identical with that of the Chinese Government.

The policy of the colonial powers, to dictate the destiny of Asian countries, is incompatible with the independence and sovereignty of the Asian countries, and conflicts with the spirit of the Geneva agreements. What Asian countries need are peace and co-operation, not war and hostility. Asian countries should consult together and take every effective measure to promote collective co-operation and jointly strive to defend collective peace and security in Asia. This proposal of ours does not exclude any country outside Asia.

The American aggressive group, which is pursuing a war policy, has not only organized the Southeast Asia war bloc to intensify war preparations but is also trying hard to expand the war now in progress. They have tried to conduct armed intervention against China and menace Asia from three fronts—Taiwan, Korea and Indo-China. Now that the flames of war in Korea and Indo-China have been put out one after another, the United States aggressive group has intensified its use of the traitorous Chiang Kai-shek gang on Taiwan to enlarge the war of harassment and destruction against China's mainland and sea coast in an attempt to extend their intervention against China and their menace to Asia.

Directed and assisted by the United States aggressive group, the traitorous Chiang Kai-shek gang is using Taiwan as its base to conduct increasingly

desperate attacks against our coastal islands, bomb our coastal cities, rob our fishermen in the coastal areas, plunder and seize our merchant ships and vessels of countries trading with China, and to dispatch special agents to infiltrate into the mainland for subversive activities. This traitorous gang defrauds and victimizes overseas Chinese, loots their property and tricks their sons into serving as cannon-fodder. This traitorous gang is stepping up its extortions on Taiwan, robbing the people of their wealth, reorganizing its military forces, and clamouring to attack the mainland. It is bent upon provoking world war. That is why this gang is the public enemy not only of the Chinese people, but also of all peace-loving peoples in Asia and the world.

The United States Seventh Fleet is still occupying the Taiwan Straits. Recently, the United States Government declared its intention of using the Seventh Fleet to prevent the Chinese people from liberating Taiwan. The United States aggressive group is scheming to conclude a so-called bilateral mutual security pact with the traitorous Chiang Kai-shek gang. At the same time, it is trying to muster the reactionary forces in Japan, the Syngman Rhee clique in South Korea and the Chiang Kai-shek gang of traitors into a so-called Northeast Asian defence alliance and link it up with the "Southeast Asian treaty organization." This series of conspiracies of the United States aggressive group is obviously directed against the six hundred million people of China, and is a challenge to the Asian peoples and to international peace.

The Government of the People's Republic of China has repeatedly stated that Taiwan is China's sacred and inviolable territory and that no United States

infringement or occupation will be tolerated. Our compatriots on Taiwan, including the Kaoshan people, have always been members of the great Chinese family of nationalities and their enslavement by the United States will never be tolerated. The liberation of Taiwan is China's sovereign right and internal affair and no interference by any foreign country will be tolerated. Both the Cairo Declaration and the Potsdam Declaration, to which the United States is a signatory, affirm that Taiwan is Chinese territory and the perfidious violation of these solemn international agreements by the United States will not be permitted. Any pact signed between the United States Government and the traitorous Chiang Kai-shek gang holding on to Taiwan is illegal. In this connection it must be pointed out that all proposals to place Taiwan under United Nations trusteeship or under neutral mandate or to "neutralize" Taiwan or to create a so-called "independent Taiwan state" are attempts to carve up China's territory, enslave the Chinese people on Taiwan and legalize United States occupation of Taiwan. None of this will the Chinese people tolerate.

The Chinese people must liberate Taiwan. As long as Taiwan is not liberated, China's territory is not intact, China cannot have a tranquil environment for peaceful construction, and peace in the Far East and throughout the world is not secure. On August 11, 1954, the Central People's Government Council passed a resolution urging all Chinese people and the Chinese People's Liberation Army to redouble their efforts in all fields of work and strive to liberate Taiwan and eliminate the traitorous Chiang Kai-shek gang, so as to complete our people's sacred task of liberation. On August 22, all the democratic parties

and groups and people's organizations of China issued a joint declaration on the liberation of Taiwan in response to this call of the Central People's Government. This is a manifestation of the unshakable common will of the six hundred million people of China.

In order to further reduce international tension, in order to eliminate the threat of war and safeguard world peace, we maintain that the United States fleet occupying the Taiwan Straits must be withdrawn, the legal status and rights of the People's Republic of China in the United Nations must be restored, the proposals for collective peace in place of war blocs must be realized, the plans for reviving Japanese and German militarism must be stopped, and the universal desire of the people throughout the world to reduce armaments and prohibit the use of atomic, hydrogen and other weapons of mass destruction must be satisfied. All this is the common desire of the peace-loving peoples throughout the world.

Fellow Deputies! Our work of socialist construction and socialist transformation is a just cause. Our cause of liberating Taiwan, safeguarding the sovereignty and territorial integrity of our country and defending peace in the Far East and the whole world is also a just one. Comrade Mao Tse-tung has said that a just cause is invulnerable to any enemy. Our just cause is able not only to unite the people of the whole country, but also to rally the support of all international friends.

During the past five years, the Central People's Government, under the leadership of the Communist Party of China and Chairman Mao Tse-tung, has worked along the lines of the objectives laid down in the Common Programme and won the support of

the people of the whole country. It ought to be stated that our work has been victorious. This victory is a people's victory. The glory of this victory belongs to the people. Now the National People's Congress has adopted the Constitution of the People's Republic of China. We believe that the administrative organs of state which will shortly be formed by the first session of the National People's Congress can certainly fulfil their responsibilities and carry forward the various undertakings of our country to new and greater victories, along the lines of the objectives laid down in this great people's Constitution and with the support of the people of the whole country and the supervision of the National People's Congress.