



THE MARXIST

Theoretical Quarterly of the Communist Party of India (Marxist)

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South African Communist Party
In The Transition to
Democracy and Socialism**

**Communist Party of China,
Central Committee Decision on
Establishing Socialist
Market Economic Structure**

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Political Report of Mid-term
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Vol. XI No. IV
October - December 1993

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335.43 MAR

2055

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Printed by Harkishan Singh Surjeet at Progressive Printers, A-21
Jhilmil Industrial Area, Shahdara, Delhi-110095 and published by
him on behalf of the Communist Party of India (Marxist) from 14
Ashoka Road, New Delhi-110001.

Price : Rs. 10.00

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Introduction

1994 will witness elections in many countries. The results of these will determine the consolidation and advance of the Left forces in many countries. The most significant however are the elections being held in South Africa, signaling the end of the hated apartheid regime. The South African liberation struggle is finally culminating in the victory of the people. In this period of transition, the South African Communist Party, which is an important force in the African National Congress has and significant role to play. We are therefore bringing to our readers what the SACP considers as its tasks and tactics in this period of transition.

The success of the economic reforms in China and the concept of the socialist market economy that the Chinese Communist Party has put forward has generated a great deal of interest amongst Indian communists. We are therefore publishing the resolution of the Chinese Communist Party, adopted in its Central Committee meeting held in November 1993.

Finally, after decades the United States of America has lifted its economic embargo on Vietnam. Just before this; however, the Vietnamese Communist Party held a mid-term Congress and adopted a course of economic reforms. Extracts from the political report to this Congress are being published here for information also.

We hope that this material would be of interest and use to our readers.

The Role of The South African Communist Party In The Transition to Democracy and Socialism

Part I THE PARTY

Section Five of our party Manifesto (Building workers' power for democratic change) remains a valid, general guideline to the kind of SACP that we should be building.

The general theses in Section Five need, however, to be supplemented with:

- ★ a fuller assessment of our experience over the last two and half years of legal, party building;
- ★ further consideration of the path to socialism (and the kind of socialism we are hoping to build in our country and the implications these have for party building); and
- ★ consideration of changes within the working class in South Africa (and the implications these have for a party of the working class).

A. THE SACP SINCE JULY 1990

There are a number of very significant positive achievements that we have accomplished in the past two and a half years:

- ★ With a membership of over 40,000 our party is now considera-

bly larger than at any time in its history. We have fully launched 9 regions (with a further 3 launched districts on the way to forming regions). We have built up a communist presence in most of the major industrial complexes.

- ★ The recently released Markinor opinion poll (conducted in November 1992) showed that our party is performing extremely well in terms of popularity amongst the majority African population.
- ★ In the course of 1992 our party's catalysing role in the mass action campaign (particularly between June and August) was obvious, and led to a concerted anti-communist offensive by the regime and liberal media—a sure sign of our impact.

These achievements are particularly notable, considering that they have occurred against the backdrop of the most serious international crisis for socialism and the communist movement.

These achievements have much to do with the general character of our party's membership. Generally speaking we have a devoted, serious, and disciplined membership. Those joining our party are doing so out of ideological commitment, a conviction that our party has a principled ideological perspective.

But the past two and half years have also revealed many shortcomings and limitations.

In particular we have not been able to match our major increase in membership with an adequate organisational consolidation. This in turn relates to limitations, some of which are more or less objective, and others are the result of our own weaknesses.

The most obvious, objective difficulties relate to our extremely limited resources—material and, perhaps especially, human (in terms of availability). Many of our best party members are engaged full-time (or prioritise work) in the ANC, COSATU, etc.

What has been lacking from our side has been a realistic strategic perspective of the role of the SACP, not in general terms, but specifically, in terms of:

- ★ the concrete organisational alignment of progressive forces in our country in the present;
 - ★ the obvious possibility and need for a division of labour within the ANC-led alliance; and
 - ★ our own potential strengths and obvious objective limitations.
- We need to map out a few clear strategic tasks for the SACP.

These tasks need to relate to what we can do well, to what we specifically stand for, and to what we can perhaps do better than others.

All of this relates directly to:

B. OUR APPROACH TO SOCIALISM

What is socialism?

Socialism is a transitional social system between capitalism (and other systems based on class oppression and exploitation) and a fully classless, communist society.

The socialist transition may well be of long duration. The transition may also be marked by contradictions, stagnation and major reverses. History is never a smooth process, nor does it have a guaranteed outcome.

As a transitional system, socialism inevitably has a "mixed", contradictory character—whether in the ownership and control of the economy, or in all other spheres of society. The socialist transition is opened up at the point at which (as our party's *Manifesto* notes) there is a decisive "development of...popular democracy to a position of dominance in all spheres—political, economic, social and cultural." (p. 22).

In this regard the *Manifesto* lists:

- ★ "The development of a vast network of democratic organs of popular participation in both the economy and the political system under the leadership of the working class;
- ★ "The restructuring of the state so as to establish state apparatuses shaped to relate directly and continuously with popular structures; and
- ★ "A decisive increase of the sectors of economy under social control and subject to democratic planning. In other words, a decisive weakening of the capitalist economy which is driven by exploitation and by the pursuit of profit rather than the needs of the people." (p. 22)

In speaking of **social control** of the economy the *Manifesto* notes that:

- ★ "This democratic participation is compatible with various forms of ownership of the means of production. These include state, municipal, collective, co-operative and small-scale, non-

exploitative family owned enterprises. In other words, state ownership (or nationalisation) is neither sufficient, nor is it necessarily always the only or most effective form of socialist ownership."

There is no magic blueprint for socialism. Socialism is also not a foreign country. If we are to build socialism in South Africa, it will have to be rooted in our own realities, our own rich experience and traditions of revolutionary struggles.

But is socialism possible "in one country"?

Socialism in one country?

When the Bolsheviks began the socialist revolution in 1917, they saw their own revolution as a precursor, even as a holding operation, for a major socialist revolution that would sweep through the more advanced capitalist countries of western Europe in a matter of years, if not months. Traditionally, socialism had always been seen as an internationalist task.

When, by the early 1920s, it was clear that the revolution in the West had been rolled back, an isolated Soviet Union was faced with a terrible choice. Deepen the process of socialist democracy, with all the risks of possible defeat; or embark on a forced march of industrialisation to catch up (at least militarily) with the imperialist powers. It was this latter course that was chosen, not without an extended and bitter inner-Party (and indeed intra-Comintern) struggle.

This choice, and the circumstances under which it was taken, has much to do with the subsequent history of the former Soviet Union—the outstanding achievements and the terrible distortions and ultimate stagnation and collapse. Under the banner of "socialism in one country", and at huge cost, a backward feudal country was transformed, in decades, into the second world power.

We will not enter here into the debate about the desirability and/or inevitability of this particular process in the Soviet Union. The question we pose here is: Is the path of "socialism in one country" a possibility in South Africa?

We believe it is highly improbable. Among the major factors permitting a "socialism in one country" path of development in the former Soviet Union were:

- * its vast territory;
- * its massive, untapped natural resources;

* its huge population—over 200 million; and

* the major dislocation of the world capitalist system in the 1920s through to the mid-1940s.

These factors do not apply to South Africa, or to the world in which we live. This is not to say that we cannot make major revolutionary advances towards socialism within our own country. But the construction, deepening and defence of socialism is, at best highly improbable within our own country on its own. The cause of socialism is not advanced (it is discredited among the working masses) by premature announcements of its implementation.

This is not to preach passivism or defeatism. But it does point to the absolute necessity for an internationalist revolutionary perspective and practice. Despite its dominance and its resilience, the world capitalist system is presently in deep structural crisis. There are major dislocations between the so-called North and South. Within many of the main capitalist centres, internal structural contradictions are sharpening.

More and more capitalism shows itself to be without answers to (in fact, often as the cause of) the main crises facing humanity—hunger, the destruction of the environment, joblessness, massive and growing inequalities. The advance to socialism within our own country depends considerably on the regrouping and resurgence of left forces world-wide in the face of these challenges.

Our critique of bureaucratic socialism

In our Manifesto (and also in the earlier *Path to Power*) we rejected the administrative command economic systems of bureaucratic socialism.

We have also committed ourselves in our Manifesto and in our Constitution to:

- * multi-party democracy and regular elections;
- * a justiciable bill of rights;
- * “numerous independent mass democratic formations”;
- * both representative and participatory democracy, and the general empowerment of the people.

Our criticisms of distorted socialism and our positive commitments to certain democratic values will, however, simply remain piecemeal or, even worse, look like belated concessions, defensive attempts to “prove our democratic credentials”...UNLESS THEY

ARE RELATED TO a coherent approach to the kind of socialism we are trying to build.

Indeed, our criticism of the administrative command system, of bureaucratism and our support for representative and participatory democracy ARE implicitly part of a coherent approach to socialism. But we have not yet adequately developed this.

Positive lessons from the critique of bureaucratic socialism

It was precisely the existence of an administrative command system (and the equation of this with socialism) that meant in the Soviet Union and eastern Europe the withering away of any mass democratic movement (including effective trade unions). There is no place for wage bargaining, for instance, let alone trade union involvement in policy formation, if everything is centrally (and bureaucratically) planned.

In turn, the administrative command system went hand in hand with:

- * the one party state (and the disappearance of effective representative democracy);
- * bureaucratism;
- * which in turn spawned unconstitutionality and, in the Stalin years in particular, massive criminal abuses.

Our party has already condemned these errors and injustices. But our condemnation so far, has often tended to be a moral criticism. There is nothing wrong with a moral criticism, but clearly we need to carry through a more far-reaching Marxist analysis as well.

What are the implications of all of this for the socialism we should be trying to build in our country? Among the major implications are the following:

The socialism we should be building

- i) will not be (one) party-centred, or state-centred—which is not to deny the importance of both a Marxist party (or parties) and a socialist state.
- ii) that is, it will be rooted in working class and broad mass participation—both to make the socialist breakthrough, and to develop and deepen it.

- iii) therefore, socialism will be essentially fought for, developed and defended, not bureaucratically, but by a popular movement.

Specifically, in South African conditions this means:

- i) socialism will need to be, not an SACP monopoly, but a project which comes to be endorsed overwhelmingly from within the broad ANC and MDM;
- ii) that is, a more pluralistic notion of socialism becomes necessary. It is a project to which we seek to win a wide range of forces (civics, trade unions, churches, youth and students, rural people, cultural workers, other political formations, etc.). In relating to this wide range of forces, we also understand that we do not have a monopoly or a copyright on socialism. Many of these formations have deep roots in the South African working class.

There is much we can learn (perhaps even about socialism) from their diverse strengths.

The need for a more pluralistic approach to the struggle for socialism also relates to the character of the working class. The broad working class in South Africa is not homogeneous [see SOUTH AFRICAN WORKING CLASS below].

- iii) socialism is not so much a separate entity from the national democratic revolution, as a crucial part of, or stage in deepening and defending it.
- iv) therefore, in the course of the national democratic revolution we should continuously seek to create momentum towards socialism, capacity for socialism, and even elements of socialism. Amongst other things this means:

- * a reconstruction process that greatly increases the size and social weight of the employed and organised proletariat (this includes, amongst other things, major emphasis on job creation) [see RECONSTRUCTION PACT below];
- * empowering the working class (organisationally, economically, culturally)—this includes increasing working class influence within the state, and developing and strengthening institutions of participatory and direct democracy;
- * propagating an anti-capitalist, socialist perspective.

Implications of the above for party-building

- i) We are building a Communist Party within a broad ANC-led liberation alliance, and within a still broader mass democratic movement. The fact there is a major ANC-led NLM, and a mass democratic movement in our country, and that the SACP is deeply rooted within them, is an enormous strength in our revolutionary struggle for socialism. It is not some unfortunate historical legacy.

Within the context of this broad popular movement we need to avoid narrow, competitive duplication of functions. The SACP, for instance, needs to avoid trying to do everything the ANC does, only with a slightly more left inflection. Instead, we need to concentrate on well-planned, quality interventions.

The SACP is certainly the most effective, the most respected and the most coherent socialist political party in our country. But the fate of socialism in our country does not depend only on the fate of the SACP. Indeed, the evolution and developing character of the ANC and MDM are also critical to this outcome.

Either way, the evolving role of the SACP will also depend upon the development of the liberation alliance as a whole. Depending on different possible trajectories of this overall alliance, the SACP will need to adapt its own role and organisational character.

If national liberation struggle is successfully hijacked by some liberal project, or undermined by general chaos; if our NLM unity is broken and our national democratic strategic purpose is lost, the SACP may well need to assume a more autonomous character.

In such circumstances it might, for instance, be essential to focus on building a massive and independent electoral base for the SACP; to build the SACP as a major oppositional force to the elected government. But a situation in which this became a prime focus of our efforts would clearly be extremely unfortunate. It would represent a temporary (but perhaps long enduring) strategic defeat for our entire national liberation struggle. It is a possible, but far from necessary, medium-term outcome.

While we must not rule out such a possibility, and while we should have the capacity to survive it, nothing in what we do now should simply concede in advance such a major defeat—eg. a narrow, SACP “go it alone” attitude; or, loose, generalising and demoralised assumptions that the “ANC (in its entirety) has sold

out", etc.

There is, of course, a real and ongoing struggle within our entire NLM over strategic direction; over the class bias and character of the ANC; and against opportunism and its twin in careerism—demagogic populism. Conducting this internal struggle, in a transparent and constructive manner, from a principled socialist perspective is one of, perhaps even the most important of tasks for the SACP.

- ii) The party's vanguard role is more as a generaliser, a unifier and a strategist. It seeks to play this role by winning consent within the broad popular movement, the new historic bloc. We do not aspire to a monopoly of power, either in making the socialist revolution, or in an ensuring socialist state. We do not operate through manipulation of allied formations, nor do we act as though we had some superior knowledge "guaranteed by the inevitable outcome of history".
- iii) The size of the SACP is less critical than its strategic role within this broad social movement. Obviously the party needs to have a certain critical weight (win a membership of over 40,000 we already have such a weight). Quality cadre development is one critical area in which the party can make a difference.
- iv) Cadre development means, among other things, developing tens of thousands of working class activists who are capable of elaborating and sustaining the socialist perspective, in a non-dogmatic manner, through the length and breadth of the broad mass movement, and over the long haul of a difficult struggle.
- v) If the party is to play the role of a socialist vanguard by way of active relating and undogmatic engagement with range of social forces, then the party's own internal life needs to equip its membership for such a role. Amongst other things, this means open and dynamic debate needs to be encouraged within the party itself. It is important that we overcome the stifling effects of pseudo-Marxist dogmatism. The party needs to be built on a real unity, not a dogmatic unity. The party's theoretical positions need to be scientific (that is, open for debate and discussion), that is, living. Those who differ, either inside our party or outside of it are not, by definition, renegades, traitors, counter-revolutionaries, etc. (Which is not, of

course, to say that there are never any renegades or traitors!)

The character and tasks of the SACP should, then, be defined to a large extent by the kind of socialism we hope to build, and by the related perspective we have of the path to that kind of socialism.

But the nature and tasks of the SACP also need to be informed by the character of the class we hope to represent.

C. THE SOUTH AFRICAN WORKING CLASS

There has been major restructuring of the South African working class over the last 20 years:

* On the one hand **unemployment** has grown massively. Many workers have all but lost the chance of ever working in the formal wage sector of the economy. There are now some 7 million unemployed in our country.

* On the other hand, those workers who have kept their jobs, and especially unionised workers, have often gained materially from the restructuring. For many, but not all, skills have been upgraded, and there has been a rise in real wages. Faced with the double challenge of economic crisis and the growing power of the union movement, management has adopted the general strategy of re-trenching, while upgrading and paying higher wages to a smaller but more skilled work-force.

* At the same time, the employed black working class has itself become more stratified, with growing numbers moving into supervisory, lower white-collar, technical and semi-professional work.

Put another way, the major COSATU (and SACP) working class constituency (typically, semi-skilled industrial black workers) constitutes a strategically critical, but minority stratum of the South African working class. This stratum is flanked by:

* On the one hand, millions of more marginalised workers. These include non-unionised unskilled workers; most migrants; rural labourers; those employed in the informal sector; and the millions of unemployed. Together, these millions of relatives marginalised workers represent up to 70% of the working class in our country.

* On the other hand, there are clerical workers, artisans, semi-professionals, and the higher level professional and technical workers. In a trend that will continue and even accelerate, there are now increasing numbers of blacks in these categories (although

there is still a preponderance of whites).

At the same time the restructuring of the economy has also had a dramatic impact on white workers. Increasing numbers of white workers are unemployed, and in general they are experiencing a major deterioration in their living conditions.

The SACP needs to pay the closest attention to the differences and possible contradictions that can develop within the working and popular masses themselves—between employed and unemployed; between older and younger working people; between skilled and unskilled; between “professional” and non—“professional”; between industrial workers and others, including those working in the so-called informal sector; between unionised and non-unionised; between settled and migrant; between urban and rural workers; between men and women workers; and between workers with different cultural backgrounds.

Numerous differences can and do often result in real contradictions and real differences of interest. This fact underlines the importance of a pluralistic, multi-partite and participatory approach to national democratic and socialist transformation.

At the same time, a major restructuring of our economy and society, based on growth through redistribution, in which priority is given to job creation, housing, health-care, education and infrastructural development, is in the overall interest of all working people in our country. As a party seeking to represent the immediate and longer-term interests of the entire working class, the SACP needs at all times to underline the broader perspective, the overall picture.

Both the internal differences within the working class, and the broader unifying interest in major restructuring of our society are objective realities. We need to grasp the reality of both. We must not suppress or deny differences but nor should we allow such differences to overwhelm the broader, unifying project. These points are critical if we are to develop a socialist project around a broad movement centred on the working masses.

Implications for party-building

The character of the South African working class presents special challenges and difficult organisational-strategic choices for the SACP.

In 1990 we took the strategic decision to emphasise the build-

ing of our party in the main industrial centres, focusing on organised, industrial workers for recruitment. There were a number of reasons for this choice, including:

- * the obvious support we already enjoyed in these quarters;
- * the need to strengthen (and transform) the social character of our party, including its leadership, with a major influx of experienced proletarian cadres; and
- * the strategic importance of organised, industrial workers.

In the absence of a detailed party census it is impossible to have a fully accurate picture of how successful this recruitment emphasis has been in practice. But we suggest that the SACP's present geographical strength and its core cadreship is, in fact, largely drawn from this stratum of the working class.

The SACP, however, should seek to represent and defend the entire working class, not least those who are most desperate, those who are most marginalised. How do we best realise this requirement?

The marginalised 70% of the working class is, precisely, very often the most difficult to reach and the most difficult to organise, except perhaps in periodic mobilising drives; or through systematic developmental work (literacy training, co-operative projects, etc.). Industrial workers are partially organised and skilled by the (capitalist) production process itself. But the rural poor, unemployed youth, rural labourers, etc., are characteristically scattered, disorganised and unskilled.

How then, as a party, do we take up the challenge of work in this area?

If we go for the option of throwing all or most of our resources on organising these marginalised sectors into the SACP, do we not risk falling between two stools? We might dissipate our limited resources, and lose our core strategic cadreship.

An alternative emphasis would be to use the SACP to stimulate efforts in the direction of the marginalised working class. In other words, the SACP should struggle for an ANC, with all its resources, that is biased in this direction. We should be in the forefront of efforts to empower MDM structures and developmental efforts directed at the marginalised, without seeking to take over, or organise these ourselves. We should espouse, as a central component of democratisation, a reconstruction process that addresses the needs of the marginalised.

This is an argument about **emphasis** and about strategic allocation of SACP resources and efforts. We are certainly not arguing that the SACP should have no independent presence amongst the most marginalised strata of the working class. We are not arguing that we should never organise developmental programmes in the rural areas, or that we should never run literacy classes, as pilot projects and example-setters. We are arguing, in other words, for a strategic understanding of how best we serve the interests of all workers in our country, with the particular strengths and the particular limitations of the SACP.

Inner working class differences and anti-democratic projects

The inner differences and contradictions among the working masses also relate directly to real or potential counter-projects:

* On the one hand, there is the "liberal" project ("Low Intensity Democracy"), which seeks to detach organised, skilled and semi-skilled industrial workers from the broader popular masses. This project is connected to big business's version of a social contract/pact. An elite stratum of industrial workers would have improved work and social conditions in exchange for higher productivity and greater labour peace.

Change in South Africa would benefit a stratum of the working class, at the grave expense of the great majority of the more peripheralised, less skilled, less organised or simply unemployed working class (this is why such a project is sometimes referred to as a 70/30% solution—but 30/70% would be more accurate).

Such a project would hope to stabilise monopoly capital and a new black administrative/state middle stratum would also be drawn into the deal. (Our campaign for clean and democratic government, now and in the future, needs to be related to this question.) Politically, this would produce a kind of "neo-colonialism of a special type", N-CST.

There are some resemblances between this liberal project and social democratic dispensations in certain advanced capitalist countries. Without exaggerating or underrating the positive achievements of these dispensations elsewhere, in a country like South Africa, in which there is a massive "4th world" population, social democratic-style pacts hold out very little hope for any enduring

resolution of our enormous social and economic crisis—apart their sheer injustice.

* There is also the possibility of a right-wing counter-revolutionary project. Likely active, organisational centres for such a project are fairly obvious—reactionary elements from the SADF and SAP, elements from bantustan administrations, the organised neo-fascist extreme right groups, etc. But for such a project to have any enduring potential, it would need to have a broad social base as well.

This social base would need to be drawn, amongst other things, from among the broader working class. In this case, the target would tend to be largely at the other end of the working class spectrum from those workers targeted in the Low Intensity Democracy/N-CST project.

In the counter-revolutionary project, the social base would be sought for among the most peripheralised, the most disorganised and desperate—the unemployed, migrants, anarchistic youth, refugees, rural people (here the examples of Unita, MNR, and our own local experience with vigilante forces of all kinds are instructive).

These two anti-democratic projects (the liberal and the ultra-right) underline the need, from our side, for a politics that is neither blind to the real differences within the working class, nor neglects the crucial need for a pluralistic, working class and popular unity. Both the neglect of differences and the neglect of unity building can open up space within the popular masses for “liberal” and right-wing projects.

A NEW HEGEMONIC BLOC

It is in developing a hegemonic project that the working class will best be able to unify itself and counter alternative anti-democratic projects.

In part, this means that the SACP and broader workers' movement must avoid confining themselves to mere denunciations of the evils of the capitalist system—although such denunciations are, of course, essential. We must also avoid confining ourselves to purely rearguard struggles in defence of workers' interests—although, again, such struggles are important. If, however, the workers' movement limits itself to denunciation and

defence it risks isolating itself, locking itself into a restricted and unmanoeuvrable position.

The SACP must, with all allied formations, seek to develop the working class in our country as the hegemonic, the leading class. In other words, we seek to develop the working class as a force which is capable of leading our society in every respect, capable of solving the crisis that reaches into every aspect of our society's fabric—economically, culturally, morally and politically.

Amongst other things this means that, in a situation such as our own, in which the South African capitalist system is in deep crises, the workers' movement needs to be, not a factor for dissolution, but the leading force for reconstruction and renewal along lines that open the road for a socialist transformation. We must reject "the worse the better" type notions. Socialist oriented development will not spring from the total collapse of the capitalist economy.

We must intervene in the crisis of capitalism not to rescue capitalism, but in such a way as to develop the leading role of the working class, building around it a bloc of social forces, giving South Africa a new political leadership and initiating a process of profound renewal and transformation.

It is around a major reconstruction process, driven jointly by a national democratic state, the NLM and by a wide range of mass democratic formations, anchored among the broad working masses of our country, that the correct way forward can be charted.

Part II

A RECONSTRUCTION PACT

The South African economy and the wider social fabric are in deep crisis. A wide range of forces agree that major restructuring (economic, political and social) is required. Already the present white and capitalist dominated ruling bloc is endeavouring to manage a process of restructuring that will stabilise the situation from their own point of view. Although they may succeed in imposing this project, it will be based on the perpetuation of major inequalities in our society, and, partly for that reason, it will have little prospect of success, even on its own limited terms.

It is imperative that the broad liberation movement advances a coherent alternative. But this alternative needs to be more than a

set of policies on paper. The manner in which this alternative is elaborated, fought for and defended is absolutely critical to its success. The elaboration of the alternative must itself be democratic, multi-partite, mobilising, and working class-powered. It must emerge from the broad mass movement and it must in turn become a critical factor in deepening the unity and mobilisation of that movement.

A reconstruction pact is not a traditional tri-partite, social contract signed by trade unions, capital and the state.

* It must involve the entire, broad MDM, and not just trade unions representing organised, employed workers.

* The pact is the basis for a broad national democratic alliance, an alliance between the MDM and a future national democratic state.

Obviously those forces involved in this alliance will have to interact with other forces, including capital (both local and international). These interactions may themselves result in negotiated agreements (and even perhaps pacts/accords) of all kinds, but the interactions must at all times be guided and strengthened by the institutional and policy framework of the reconstruction pact.

It is in this context that the elaboration of a RECONSTRUCTION PACT must be understood and encouraged. A reconstruction pact should be approached with the following broad perspectives:

* It is, in the first place, a pact between the major, mass-based, democratic, sectoral formations and the ANC as the likely dominant political formation within a new, democratic government. From the side of the MDM formations this means, in practice, that COSATU, in particular, and SANCO will have to take a leading role. But many other MDM formations (women, rural, youth, educational, religious, cultural, etc.) need to be brought into the process. So do many NGOs/service organisations in an advisory capacity.

* The reconstruction pact needs to be seen as a process, rather than a once-off contract negotiated between the main players. The detail and depth of the reconstruction pact need to be enhanced over the years.

* However, it is also imperative to have at least agreed upon and set in place the major framework of the reconstruction pact before any national, democratic elections. The pact needs, in part,

to become the basis for a broad, popular electoral platform.

Where does the SACP fit in?

The SACP will have a critical facilitating and theorising role in this process. The present process leading up to our consultative conference needs to be seen centrally in this light. In fact the SACP has the capacity, given both the ANC and COSATU, as well as its own inherent mobilising and theorising potential, to make a crucial difference between success and failure.

Indeed, already in the unfolding discussion that has begun to occur on the Reconstruction Pact, it is becoming clear that the SACP has important contributions to make in a number of areas:

Within the trade union movement (where discussion on this topic was pioneered and where discussion is most advanced) there are tendencies to conceive the pact largely, if not exclusively, as a macro-economic programme, or even as a kind of economic/civil society CODESA. There are very serious limitations in these tendencies:

* In the first place, these are essentially economistic tendencies. The question of state power is ignored. Or, insofar as the future state is considered, these approaches tend to prepare the MDM for a defensive or even largely oppositional role. By contrast, we need to ensure that the transformation of state structures is integral to the reconstruction process. We need to include, crucially, discussion and programmes on the transformation of the armed forces and the state bureaucracy in the whole Reconstruction Pact process;

* We also need to guard against a tendency to conceive of the Pact as a narrow process of economic distribution. This kind of conception tends to marginalise the core question—the empowerment/self-empowerment of the popular masses.

In some of the discussions around the Reconstruction Pact there are also tendencies to marginalise the broader Southern African regional questions. The SACP's internationalism needs to be brought to bear. There can be no stable reconstruction within South Africa, while our region is racked with starvation, economic collapse, huge refugee problems and civil war. The legacy of apartheid is not a purely domestic legacy. Reconstruction itself is, therefore, broader than our country.

These are just some specific areas where it is already apparent that the SACP's specific socialist, working class, internationalist input is required to strengthen the Reconstruction Pact process.

An institutional and policy dimension

The reconstruction pact needs to embrace both an institutional and a policy dimension.

* Institutionally the pact needs to elaborate a whole range of institutions of participatory and direct democracy. Already some of these are in place, or in the process of being put in place—a national economic forum, a housing forum, an education forum, etc. The pact must commit its signatories to taking seriously these forums, and to help to develop and enhance them.

These forums will not replace or displace the institutions of representative democracy. Prime among the institutions of representative democracy will be the new, democratic parliament, which should be the supreme authority (although, obviously, its decisions should always be within the constitutional framework and open to challenge by mass action, protests, etc.). The institutions of participatory and direct democracy should supplement those of representative democracy. These forums need to be at all levels—national, regional and local.

The success of any attempt at reconstruction depends, ultimately, on the organised power of all sectors of the oppressed masses that stand to benefit from broad reconstruction. We need to ensure that the people are organised on as broad a basis as possible, and on every level that is necessary to secure these goals.

The pact must commit the participants to the recognition that crucial areas of governance (economic development, housing, education, etc.) shall be subject to negotiations by the main, relevant players within civil society in the appropriate forum before being passed in the national parliament, or at the regional or local government, or at the regional or local government level.

The pact must also commit a future democratic state to meeting some of the financial needs of these participatory democratic forums. Such financial support must not, however, undermine the autonomy of these forums.

Institutionally, the reconstruction pact must also envisage a lean but effective state. The success of the pact depends upon

effective and coherent implementation, and in this respect a trim but capable democratic state will be critical.

* Policy—the reconstruction pact must be based on the macro-economic and social policy of growth through redistribution. Without ignoring the need to develop the export sector of our economy, the main thrust of this redistribution should be large-scale inward industrialisation, expanding and widening (through rising employment) the domestic and sub-continental market. The emphasis must be on housing, education and electrification and infrastructural development to promote employment, stimulate the manufacturing sector and redistribute resources including skills, to urban and rural communities.

Potential difficulties and weaknesses

A reconstruction pact is not a magic blueprint. Its successful elaboration and implementation will encounter many obstacles and much resistance.

Some of the potential problems lie on our side. The pact is based upon a strong MDM but, apart from COSATU, many of the major MDM sectors are in a weakened state. We need to be realistic about the actual capacity of the main MDM formations to develop and sustain a pact. Of course, we must not be fatalistic about MDM weaknesses, we need to strengthen the MDM and we also need to use the pact itself to help this strengthening.

The Reconstruction Pact will provide a broad ANC-led MDM alliance with a strategic programme for the immediate and medium-term future. But, needless to say, its implementation will meet with varying degrees of opposition from other forces, both local and international. However, this opposition need not be absolute and total. Just as with the political negotiations around a new constitutional dispensation, there is both a degree of cross-class consensus (making multi-party negotiations and a transitional arrangement possible) as well as different hegemonic agendas.

Major sectors of South African and international capital recognise the need for significant restructuring and reconstruction. They recognise the need to overcome at least some of the socio-economic legacy of apartheid. Their motivation for this is, of course, to stabilise capitalism in our country and our region, and return the

system to profitability. Their motivation is not the empowerment of the working people of our country, or the democratisation of the economy.

But this partial (and certainly limited) cross-class consensus is an asset, which must neither be exaggerated nor ignored. The implementation of the reconstruction process will require both negotiation and struggle with other forces. Over-reliance on one or the other could spell defeat.

The probability of a power-sharing, transitional government arrangement in the coming period, underlines the above point. Reconstruction must proceed as rapidly as possible, even within this transitional period. It must not wait for a full, majority-rule dispensation.

However, the ability of a multi-party government to deliver will almost certainly be restricted. We need to win as much broad consensus as possible for reconstruction, but we will also, inside and outside of government, have to struggle against, and publicly expose, those who block democratic reconstruction. Our mass forces will need to check and balance tendencies within government to water down programmes. Above all, through mass organisation and struggle we will need to defend and strengthen the hand of our own governmental representatives.

Communist Party of China Central Committee Decision on Establishing Socialist Market Economic Structure

*(Adopted by the 14th Central Committee of the CPC at Its
Third Plenary Session on November 14, 1993)*

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

I. THE NEW SITUATION AND NEW TASKS IN CHINA'S EFFORTS TO REFORM ITS ECONOMIC STRUCTURE

1. Great changes have occurred in China's economic system through reforms over the past dozen years guided by the theory of building socialism with Chinese characteristics put forward by Comrade Deng Xiaoping. A situation with the publicly owned economic sector constituting the mainstay while various other economic sectors develop simultaneously has taken initial shape. The economic restructuring in the rural areas continues to develop

in depth, state-owned enterprises are shifting to new management mechanisms, the role of the market in the distribution of resources is rapidly expanding, economic and technological exchanges and cooperation with other countries are conducted widely, and the structure of planned economy is gradually being replaced by the socialist market economic structure. Reform has emancipated and developed the social productive forces, and promoted to a new height the country's economic construction, the people's living standards and overall national strength. China's socialist system has shown great vitality in a situation marked by abrupt changes in the international arena. The reform and opening to the outside world which have been adopted by the Party and people on the basis of conscientious summing up of historical experience constitute a strategic policy decision that conforms with the law of social and economic development and is the necessary path for the China to achieve modernization.

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

2. The socialist market economic structure is linked with the basic system of socialism. The establishment of this structure aims at enabling the market to play the fundamental role in resource allocations under macro-economic control by the state. To turn this goal into reality, it is necessary to uphold the principle of taking the publicly owned sector as the mainstay, while striving for a simultaneous development of all economic sectors, to further transform the management mechanism of state-owned enterprises, and to establish a modern enterprise system which meets the requirements of the market economy and in which the property rights as well as the rights and responsibilities of enterprises are clearly defined, government administration and enterprise management are separated and scientific management is established. It is necessary

to establish a nationwide integrated and open market system to closely combine the urban market with the rural market and link the domestic market with the international market, so as to optimize the allocation of resources. It is necessary to transform the government's functions in economic management and establish a sound macro-economic control system in which indirect means form the mainstay so as to ensure the healthy operation of the national economy. It is necessary to establish an income distribution system which takes the principle of "to each according to his work" as its mainstay, gives priority to efficiency while taking fairness into account so as to encourage some localities and people to become prosperous first while adhering to the road to common prosperity. It is also necessary to establish a multi-layered social security system and provide both urban and rural people with a degree of security commensurate to China's reality so as to promote economic development and social stability. All these major links comprise an organic entity, inter-related and mutually conditioning, together forming the basic framework of the socialist market economy. It is necessary to establish a legal system in line with and corresponding to these major links, and to adopt down-to-earth measures to push the overall reform forward actively step by step and promote the development of the social productive forces.

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

In the process of establishing the socialist market economic structure, we must under the guidance of the Party's basic theory and line, decide on the various steps of reform and judge their success or failure by always adhering to the basic criterion of whether they help develop productive forces of the socialist society, enhance the overall strength of the socialist state and improve the people's living standards. Attention should be paid to the

following points :

—Emancipating the mind and seeking truth from facts. It is necessary to change the traditional concepts of planned economy and advocate active exploration and bold experiment. Therefore, it is necessary, on the one hand, to inherit our fine traditions and, on the other, to break away from outmoded conventions and, proceeding from the realities of China, learn from those experiences of all countries, including the developed capitalist countries, that reflect the general laws of social production and market economy. It is necessary to be on the alert against Right tendencies, but mainly to guard against "Left" tendencies.

—With economic construction as the central link, reform and opening to the outside world, economic development and social stability promote one another and form a single entity. Development is an essential criterion. Only by seizing the favorable opportunities, conducting reform in depth, expanding the opening to the outside world and accelerating the pace of development, can we consolidate China's political stability and unity. Only by, on the one hand, upholding the four cardinal principles and, on the other hand, paying attention to fostering both material progress and cultural and ideological progress and maintaining social and political stability can we effectively guarantee the smooth progress of reform and opening to the outside world and the development of China's economy. In making active efforts to develop the economy and implementing reform and opening to the outside world, it is imperative we should take care to be steady and discreet and steer clear of massive losses and social upheavals.

—Respecting the pioneering spirit of the masses and attaching importance to their personal interests. It is necessary to sum up in time the experience the masses create in practice, show respect for the wishes of the people and to properly guide and protect their initiative so as to give it full play. In the process of deepening the reform will the people learn to properly handle the relationship between accumulation and consumption, between overall and partial situations and between long-term and short-term interests, and to effect continuous improvement in the people's living standards, so as to establish a broad and deep popular basis for our reform.

—Combining package reform with breakthroughs in key areas. It is a correct policy decision conforming to China's realities to

start the reform from the countryside and gradually extend it to the cities, to combine urban reform with rural reform, keep micro-economic reform in step with macro-economic reform, and ensure that the enlivening of the domestic economy and the opening to the outside are closely related to and promote each other. In accordance with differing situations, for some major reform measures, plans can be drawn up first and conducted coordinately in related areas of the economic system, while some others should be tried out in selected localities or areas then extended after experience has been gained. It is necessary both to pay attention to the gradual progress of the reform as a whole and to miss no opportunity of making breakthroughs in key areas that spur the overall reform.

II. CHANGING THE OPERATION MECHANISM OF STATE-OWNED ENTERPRISE SYSTEM

4. A modern enterprise system with public ownership as its mainstay is the foundation of the socialist market economic structure. Over the past dozen years or more, state-owned enterprises have been invigorated through such measures as expanding their power to make decisions regarding management and changing the mode of management, thus laying the initial foundation for their entry into the market. To continuously deepen enterprise reform, it is necessary to tackle some deep-seated contradictions, focus on innovations of the enterprise system, further emancipate and develop the productive forces and bring the superiority of the socialist system into full play.

Establishing a modern enterprise system is a necessary requisite for developing socialized mass production and the market economy, and it represents the orientation of reform of China's state-owned enterprises. Its basic features are; First, the property rights relationships are clearly defined, the ownership of state-owned assets in the enterprises belongs to the state, the enterprises, as legal entities, possess all rights over the asset formulated by investments from various sources, including the state, and become legal entities that enjoy rights and shoulder responsibilities under civil law. Second, the enterprises use all the resources to which legal entities are entitled to conduct management independently and shoulder sole responsibility for gains and losses according to law, pay taxes in line with related stipulations, and assume the responsibility of maintaining and increasing the value of the assets

in the interests of the investors. Third, the investors enjoy, commensurate with their shares of capital investment, their rights and interests as part owners of the enterprises, that is, the rights of dividend and the right to take part in strategic decisions and choice of managements. Should the enterprises go bankrupt, the investors only shoulder limited liability for the debts of such enterprises according to the amount of their capital investment. Fourth, the enterprises organize production and management according to market demand and aim at raising the productivity of labour and the economic returns of the enterprises. The government does not directly interfere with the managerial activities of the enterprises. Those which have been in losses for a long time and whose assets cannot cover the debts should apply for bankruptcy according to law, the successful enterprises prosper and those which fail are eliminated in the market competition. Fifth, it is necessary to establish a scientific enterprise leadership structure and organizational management system, regulate the relations between the owners, managers, the workers and staff, and build a management mechanism which combines incentives and restraints. All enterprises should work hard toward this direction.

5. To establish a modern enterprise system is an arduous and complicated undertaking, it requires the accumulation of experience and creation of the necessary conditions and should be conducted step by step. At present, it is necessary to continue to implement the law concerning industrial enterprises owned by the whole people and regulations on changing the management mechanism of industrial enterprises owned by the whole people, and to really unreservedly extend to the enterprises the various rights and responsibilities pertaining to their own management. It is necessary to strengthen supervision and control over the state-owned assets possessed by the enterprises and reach the aim of maintaining and increasing the value of the state-owned assets. It is necessary to quicken the pace of the change of the management mechanism and readjustment of the organizational structure of state-owned enterprises. Unwarranted pooling of funds, arbitrary requisition of donations and exaction of fees from enterprises must be resolutely stopped. It is necessary to reduce the financial burden the enterprises have to bear in supporting social undertakings. It is necessary to, step by step, make an inventory of and check the stockpiles and capital of enterprises, define the property rights,

clarify debts receivable and debts payable, evaluate the assets to verify the amount possessed by the enterprise legal entities. It is necessary to create conditions in all respects for state-owned enterprises to shift steadily to the modern enterprise system.

6. Large and medium-sized state-owned enterprises are the mainstay of the national economy, to introduce the modern enterprises system is of great importance for heightening their managerial expertise and competitiveness, and for enabling them to better play their leading role. Modern enterprises may have varying organizational patterns according to the composition of their assets. For state-owned enterprises, it is useful to experiment with the corporate system. Standardized corporate can effectively accomplish separation between the ownership of the investors and the rights of enterprises, as legal entities, over their assets, this is conducive to separating government administration from enterprise management, changing the management mechanism, and enabling the enterprises to get rid of reliance on administrative organizations and enabling the state to get away from its unlimited responsibility for the enterprises, and it is also conducive to raising funds and diversifying risks. The corporate can be of various types. Among large and medium-sized state-owned enterprises with the necessary conditions, those whose investments come from a single source can be reorganized into wholly owned companies according to law, and those with investments from several sources can be turned into limited liability companies or limited liability stock companies according to law. Limited liability stock companies whose shares are listed should be of a small number and they must be strictly examined and approved beforehand. What amount of shares in the companies should be suitably held by the state can vary according to the different industries and the different degrees of distribution of the shares. Companies that turn out special-category products and those producing armaments should be held by the state alone. In key enterprises in "backbone" and basic industries, the state should have controlling shares and at the same time bring in non-state capital, so as to expand the leading role and scope of influence of the state sector of the economy. Introduction of the corporate system does not simply mean a change of names, neither is its aim simply the pooling of funds, the important thing is the shifting of mechanism. It should be adopted in a gradual manner after experiments, it must not be done for show, or rashly

on a mass scale. It is necessary to guard against indiscriminately changing enterprises without the necessary conditions into companies. The existing companies should be reshuffled to conform to required norms.

In line with the demands of the modern enterprise system, existing national corporations covering entire industries should be changed step by step into holding companies. It is necessary to establish a number of large enterprise groups—trans-regional and embracing several trades—that have public ownership as their mainstay and are linked mainly by property rights, and to bring into play their important role in promoting structural readjustment, raising returns through an economy of scale, accelerating the development of new technology and new products and enhancing competitiveness in the international market.

As for the small state-owned enterprises, the management of some can be contracted out or leased, others can be shifted to the partnership system in the form of stock sharing, or sold to collectives or individuals. Incomes from selling such enterprises or equity in them can be diverted by the state to industries which are urgent to develop.

7. Reforming and perfecting the organizational and managerial systems of enterprises. It is necessary to adhere to and improve the system of responsibility of factory director (manager), and to ensure that the directors (managers) carry out their rights and responsibilities according to law. Enterprises which adopt the corporate system must establish internal organizations that accord with related laws and regulations. Party organizations in enterprises should play the role of the political core and supervise and guarantee the implementation of the principles and policies of the Party and state. We should wholeheartedly rely on the working class. The trade unions and workers' congresses should organize the workers and staff to take part in democratic management of the enterprises, and uphold the legitimate rights and interests of the workers and staff. It is necessary to improve the competence of the ranks of the workers and staff, and create a contingent of entrepreneurs. It is also necessary to set up a mechanism of clearly delineated rights and responsibilities inside the enterprises which promotes unity and cooperation as well as provides mutual checks and can mobilize the initiative of all groups.

The enterprises should, in line with the requirements of the

market economy, improve and straighten out their internal management, enforce labor discipline, strengthen their work in technological development, quality control, marketing, finance and information, raise their decision-making ability and improve their quality and economic returns. It is necessary to elevate enterprise culture and foster fine professional ethics and the spirit of love for one's own profession and factory, observance of law, faithfulness to one's word, and readiness for new explorations and innovations.

8. Strengthening control over state-owned property in enterprises. For state-owned property in enterprises, the system will be for unitary ownership by the state, supervision by governments at various levels and independent management by the enterprises. In line with the principle of separating the socio-economic control function of the government from its function as the owner of state-owned property, appropriate channels will be actively sought to control and manage state-owned assets. It is necessary to strengthen organizations specializing in the control of state-owned assets both by the central authorities and by the governments of the provinces, autonomous regions and municipalities directly under the central government. The current defective control over state-owned assets and serious losses of state-owned assets warrant serious attention. The departments in charge of supervising state-owned assets in enterprises should assume their responsibility and perform their duty, when necessary, they may set up boards of supervisors and send their members to enforce supervision over the work of maintaining and increasing the value of state-owned assets in enterprises. It is strictly forbidden to convert state-owned assets into shares and sell them at low prices, still less distribute them to individuals without compensation. It is necessary to improve the system to plug the loopholes in all respects, so as to ensure that the state-owned assets and its rights and interests are not infringed upon.

9. Adhering to the principle of taking public ownership as the mainstay and effecting a simultaneous development of all economic sectors. While striving actively to promote the development of the state and collective economy, it is necessary to encourage the development of the individually-owned, privately-owned and foreign-invested economic sectors, and to strengthen control over them according to law. With the fluidity and reshuffling of property rights, there are more and more economic entities with mixed

ownership, this will bring forth a new structure of ownership. Nationwide, public ownership should be the mainstay in the national economy but it may vary in different places and trades. The position of public ownership as the mainstay in the national economy manifests itself chiefly in the advantageous position the state-owned and collectively-owned sectors occupy in the totality of social assets, and in the fact that the state-owned economy controls the lifeline of the national economy and plays the leading role in economic development. The publicly owned sector, and especially the state-owned sector, must take an active part in market competition and grow and develop in the competition. The state should create conditions for economic sectors under different kinds of ownership to compete in the market on equal terms, and should deal with the various types of enterprises without discrimination. It is also necessary to strengthen the property rights in existing urban collective enterprises, and they may be turned into share-holding cooperatives or partnership enterprises as indicated by different conditions. Those with the necessary conditions can also be organized into limited liability companies. A small number of them, which are large in size and have good economic-returns, can also be turned into limited liability companies or enterprise groups.

III. CULTIVATING AND EXPANDING THE MARKET SYSTEM

10. Giving effect to the basic role of the market mechanism in the allocation of resources requires the cultivation and expansion of the market system. Currently, the emphasis should be on developing the production factors market, standardizing market activities, breaking the barriers and blockades between regions or departments, opposing unfair competition and creating an environment for competition on equal terms, so as to form a unified, open, competitive and orderly integrated market.

11. Pushing forward price reform and establishing a mechanism in which the prices are formed mainly by the market. Although the prices of most commodities have already been decontrolled, the double-track price system still exists for some capital goods, the degree of application of market prices for production factors is relatively low, and the mechanisms for price formation and regulation are still not completely sound. The main tasks in

deepening price reform are : on the premise of keeping the general price level relatively stable, to decontrol the prices of competitive commodities and services, adjust government-set prices for some commodities and services to reasonable levels, abolish the dual-pricing system for capital good as quickly as possible, accelerate the marketization of prices of production factors, and establish and improve a sound system of stockpiling a small number of important commodities that have a great bearing on the national economy and people's livelihood, thereby stabilizing market prices.

12. Reforming the existing commodity circulation system and further developing the commodity market. Wholesale markets will be set up for bulk agricultural produce, industrially produced consumer goods and capital goods in major commodity-producing, marketing and distributing areas. Experimentation with a few commodity futures markets will be strictly standardized. State-owned enterprises in the sphere of circulation should transform their management mechanism, participate actively in market competition, improve economic efficiency and give play to their leading role in the process of improving and expanding the wholesale market. To meet the needs of commodity circulation, a commodity market network comprehensive in its functions—characterized by the combination of large, medium and small markets, and the coexistence of various economic modes and forms—should be established to push forward the modernization of circulation.

13. The present cultivation of the market system should focus on the development of markets for finance, labor, real estate, technology and information.

Developing and perfecting the financial market focused on bank loans. Capital markets should actively but steadily expand financing activities in the form of bonds and stocks. It is necessary to establish a rating system for bond-issuing agencies and bond credits, so as to bring about the healthy development of the bond market. It is necessary so standardize and gradually expand the scale of the issue and listing of stocks. The money market should develop standard inter-bank lending and bill discount, the Central Bank should develop trading in government bonds. Illegal raising of funds, money-lending and other such financing activities should be resolutely checked and corrected.

Reforming the labor system and gradually forming a labor market. China's abundant labor force is advantageous for eco-

conomic development, but also brings pressure on employment. The development, utilization and rational allocation of human resources should be the starting point of developing the labor market. We should create more job opportunities in order to employ more urban labor forces. We should encourage and guide the surplus rural labor force to shift gradually to non-agricultural fields, and effect orderly labor mobility between regions. We should develop various forms of employment, and use economic measures to adjust the employment structure, so as to form an employment mechanism for the two-way choice between the employing units and the employees and rational labor mobility.

Standardizing and developing the real estate market. With scarcity of land and a large population, we in China have to value and make rational use of land resources, and strengthen land management. We should conscientiously protect cultivated land and strictly control the transfer of land from agricultural to non-agricultural use. The state monopolizes the primary urban land market. We should implement a system for the transfer of land-use rights with compensation and within a time limit. With regard to the sale of land-use rights for commercial purposes, we should change the method of negotiated lease into one of public bidding and auctioning. At the same time, we should strengthen the management of secondary markets and establish a normal market mechanism for the formation of prices for land-use rights. By starting to levy and adjust real estate taxes and other fees, we should forestall any attempt to reap excessive profits in real estate transactions and prevent the loss of state profits. We should control the rapid growth of luxury housing and high-consumption recreational facilities. We should accelerate reform of the urban housing system, control the land price for housing and promote the commercialization of housing and the development of housing construction.

Further developing the technological and information markets. We should introduce a mechanism of competition in these spheres, protect intellectual property rights, carry on transfers of technological achievements with compensation and promote commercialization of technological research results and information.

14. Actively developing professional intermediate organizations of market and giving play to their services, such as their linking, notarial and supervisory role. Currently, emphasis should

be placed on increasing the number of accountants', auditors' and lawyers' firms, notarial and arbitration organizations, organizations for measurement and quality inspecting certification, information and consultant organizations and organizations for asset evaluating and credit rating. We should bring into play the role of trade associations and chambers of commerce. Professional intermediate organizations should, following the law and through competence confirmation and observance of market rules, set up self-regulatory operational mechanism. They should undertake appropriate legal and economic responsibilities and accept administration and supervision from the government departments concerned.

15. Improving and strengthening management and supervision of the markets. We should set up a normal procedure for market access, market competition and market transactions, guarantee fair exchange and competition on equal terms, and protect the lawful rights and interests of traders and consumers. We should resolutely punish, according to law, such illegal acts as producing and selling faked and shoddy goods and the manipulation of markets. We should raise the rate of open market transactions, establish authoritative organizations for law enforcement and supervision in the markets, strengthen management of the markets and give play to the mass media's role in supervising the markets.

IV. TRANSFORMING GOVERNMENT FUNCTIONS, ESTABLISHING A SOUND MACRO-ECONOMIC CONTROL SYSTEM

16. The establishment of a socialist market economy urgently requires the transformation of government organizations. Government functions in economic management consist mainly of devising and implementing macro-economic control policies, appropriate construction of infrastructure facilities and creation of a favorable environment for economic development. At the same time as we cultivate the market system, supervise the operation of markets and safeguard competition on equal terms, we should regulate social distribution and organize social security, curb population growth and protect natural resources and the ecological environment, also we should control state assets and supervise their operation so as to achieve national goals of economic and social development. The government manages the national economy by

economic, legal and necessary administrative means, but it does not directly interfere in the production and management of enterprises.

At present, over-staffing, overlapping of functions and inefficient organization, prevalent at all levels of government, are seriously retarding the process of transforming the operational mechanism of enterprises and the establishment of a new structure. In line with the principles of separating the functions of the government, from those of enterprises, simplifying structures and promoting unity and efficiency, we should continue to reform government organizations and seek to complete the task at the earliest possible date. The economic management departments of the government should transform their functions, specialized economic departments should gradually reduce their size, and comprehensive economic departments should properly perform their work of overall coordination. At the same time, the government's social management functions should be strengthened to ensure the normal operation of the national economy and good order in society.

17. The socialist market economy must have a sound macro-economic control system. The main tasks of macro-economic control are: to maintain a basic balance between total supply and total demand in the economy, promote the optimization of the economic structure, guide the national economy in sustained, rapid and healthy development and bring about all-round social progress. In macro-economic control, we should primarily use economic measures, we should, in the near future, take significant steps in the reform of the system of taxation, financing, investment and planning, and establish a mechanism in which planning, banking and public finance are coordinated and mutually check each other while strengthening the overall coordination of economic operations. The plan shall set forth the objectives and tasks for national economic and social development and the necessary coordinated economic policies, the Central Bank whose primary objective is to stabilize currency value regulates the aggregate money supply and maintains balance of international payments, the fiscal departments regulate the economic structure and social distribution primarily by budgeting and taxation. Monetary and fiscal policies should be used to adjust and achieve a basic balance between overall demand and overall supply, which, in coordination with industrial policies, in turn promotes the coordinated development

of the national economy and society.

18. Actively pressing ahead the reform of the fiscal and taxation systems. Reform in the near future should focus on : First, changing from the current fiscal contractual responsibility system of local authorities to a tax assignment system on the basis of a rational division of power between central and local authorities, and establishing separated central and local taxation systems. The categories of taxes required for safeguarding national rights and interests and the exercise of macro-economic control are assigned as the central tax, the main categories of taxes directly related to economic development are assigned as the sharing taxes, the range of items subject to local tax should be broadened to increase local revenue. Through developing the economy, improving efficiency and opening up more sources of revenue, we should gradually increase the percentage of fiscal income in the gross national product (GNP) and rationally determine the proportion between central and local fiscal income. We should implement a system where in the central fiscal authority in order to adjust the distribution pattern and regional structure, and in particular to support the development of economically underdeveloped regions and the transformation of the old industrial bases. Second, it is necessary to reform and improve the taxation system in line with the principles of unifying tax laws, fairness of tax burden, simplification of the tax system and rational division of power. We should implement an indirect tax system based mainly on the value-added tax, levy consumption taxes on a small number of goods and continue to levy the turnover tax on most non-product businesses. On the basis of reducing the rate of the income tax imposed on state-owned enterprises, and of discontinuing construction funds for key energy and communications project and budgetary regulatory funds, enterprises should pay taxes according to law, and the ratio of profit distribution between the state and state-owned enterprises can be straightened out. We should introduce uniformity in enterprise income tax and personal income tax, standardize tax rates and expand the tax base. We should levy and readjust taxes of certain categories, check up on tax reductions and exemptions, strictly enforce the levying and management of taxes and block the loss of tax income. Third, we should improve and standardize the double budget system. We can set up a government public budget and a budget for management of state assets and, when necessary, establish a social security

budget and other budgets. We should strictly control fiscal deficits. The fiscal deficits of the central authorities should be met by issuing long and short-term government bonds rather than by overdrafts from the bank. The government's domestic and external debts should be centrally managed.

19. Accelerating reform of the financial system. As the central bank, the People's Bank of China, under the leadership of the State Council, should implement monetary policies independently, it should control the money supply and stabilize currency value by changing from relying mainly on the control over the scale of credit to using such means as reserve ratio on deposits, the central bank's lending rates and open market operations, it should supervise over and control various types of financial institutions and maintain the financial order, and no longer handle businesses with non-financial institutions. Banking business and securities business should be managed along separate lines. A monetary policy committee should be organized for the timely adjustment of monetary and credit policies. To meet the needs of the nationwide circulation of money and the requirements of centralized and unified regulations, the branches of the People's Bank of China are clarified as agencies of its head office, and active efforts should be made to create conditions for setting up trans-regional branches.

We should establish policy-lending banks, and should separate policy-lending banking from commercial banking. We should organize the National Development Bank and the Import and Export Credit Bank, and reorganize the Agricultural Bank of China, all of them handling strictly defined policy-lending business.

We should develop commercial banks. Existing specialized banks should gradually change into commercial banks and, when necessary, rural and urban cooperative banks should be set up step by step. The commercial banks should engage in the management of the proportions of assets and liabilities and in management of risks. We should standardize and develop non-banking financial institutions.

In light of the changes in the monetary supply and demand, the central bank should make timely readjustments of the benchmark interest rate and allow the deposit and loan interest rates of commercial banks to float freely within a specified range. We should reform the foreign exchange control system, set up a market-based manageable floating exchange rate system, and set up an inte-

grated and standardized foreign exchange market. Renminbi (People's Currency) should gradually become a convertible currency.

We should set up computer networks for the banking system, expand the use of such payment instruments as commercial bills of exchange and checks, enforce strict settlement discipline, improve settlement efficiency, and actively popularize the use of credit cards so to reduce the amount of cash in circulation.

20. Deepening reform of the investment system. We should gradually establish risk liabilities for corporate investment and bank credits. Competitive project investment should be decided by the enterprises themselves which also bear any risk that may be involved, granting of needed loans is to be decided by the commercial banks assuming sole responsibility for profits and losses. A project registration system for the record should be set up in place of the current system of administrative examination and approval. Such financial investment activities should be carried on in the market and guided by the state's industrial policies. Construction of infrastructure project should be encouraged and investments from various departments should be drawn into this work. Local governments are to be responsible for construction of infrastructure facilities within their areas. The capital of major state construction projects should be furnished by policy-lending banks, such as the National Development Bank, by raising funds through financial investment and financial bonds and through a variety of other forms including the holding and buying of shares and the granting of preferential loans allowed by policies. As legal entities, enterprises are to be responsible for the whole process from planning, fund-raising and construction to production, management, and the repayment of loans and interest, and the maintenance and increase of asset values. Funds from various strata of the society should be absorbed for the construction of public welfare projects, and overall financial arrangements should be made by government departments in accordance with the division of power over central and local affairs.

21. Speeding up reform of the planning system and further transforming planning management functions. State plans should be based on the market, on the whole they should be guidance plans. The tasks of planning are: to rationally define strategies for the development of the national economy and society and the

objectives of macro-economic control and industrial policies, make good economic forecasts, plan major economic structures, plan the distribution of productive forces, and plan the conservation of national territories and the construction of key projects. Planning work should concentrate on the overall situation, strategies and policies with emphasis on drafting medium-and long-term plans, and on the comprehensive and coordinated use of macro-economic policies and economic levers. We should establish a new national economic accounting system and improve the macro-economic monitoring and warning systems.

22. The powers of the central and local authorities over economic administration should be rationally delineated and the initiative of both the central and local authorities should be brought into play. Powers of macro-economic control, which include power over the issuance of currency, the determination of benchmark interest rates, regulation of exchange rates and readjustment of the rates of major tax items, must be concentrated in the hands of the central government. This is necessary for maintaining the balance of economic aggregates, optimizing the economic structure and unifying the national market. As China is a big country with a large population, the various provinces, autonomous regions and municipalities directly under the central government should be invested with the necessary power so that they can, in accordance with state laws and regulations and macro-economic policies, formulate regional regulations, policies and plans according to law, regulate the economic activities in areas under their jurisdictions by local taxation and budgetary measures, and make full use of local resources to promote economic and social development in their respective areas.

V. ESTABLISHING RATIONAL SYSTEM OF INCOME DISTRIBUTION TO INDIVIDUALS AND SOCIAL SECURITY

23. In the distribution of incomes to individuals, it is necessary to adhere to the system which takes the principle of "to each according to his work" as its mainstay and facilitates the coexistence of multiple distribution methods, and to implement the principle of giving priority to efficiency while taking fairness into account. It is necessary to introduce competitive mechanisms for rewarding individual labor and break away from egalitarianism, so as to

implement the principle of more pay for more work and rationally widen the income gap. The policy of encouraging some localities and people to become prosperous first through honest labor and legal operation should be adhered to, and those who have become well-off should be encouraged to lead forward and support those lagging behind, so as to achieve common prosperity step by step.

24. Establishing a wage system suited to the characteristics of enterprises, institutions and administrative organizations and introducing regular wage increase mechanisms. On the premise that the growth rate of the gross payroll of an enterprise is below that of its economic returns and that the average wage of its workers and staff increases at a rate below that of its labor productivity, any state-owned enterprise may decide on its wage rates and internal distribution methods for itself according to changes in the supply of labor and demand for jobs and according to the government's relevant policies and stipulations. Administrative organizations are to adopt the system of public service, and the salaries of public servants are to be set and readjusted by the state in accordance with national economic development while taking into consideration the average wage standards in the enterprises. Regular promotion and salary rise mechanisms are to be established. Institutions will practice different wage systems and methods of distribution, and those with appropriate conditions may adopt the wage system for enterprises. The government will set the minimum wage scale, and all enterprises and institutions must follow it strictly. Monetization and standardization in rewarding individuals should be actively promoted.

25. The state protects the legitimate incomes and property of all legal entities and residents according to the law, encourages urban and rural residents to deposit their money in banks and make investments, and, in the distribution of earning by the capital and other production factors belonging to individuals. The system of the declaration of individual incomes for tax payment should be gradually established, and the collection and management of the individual income tax strengthened according to law. Taxes on inheritance and gifts will be levied in due course. We should prevent polarization arising from abnormally high incomes of a small minority through the enforcement of distribution policies and regulation of the income taxes. Persons who embezzle public property and seek gain through tax evasion and tax resistance,

offering and accepting bribes and other illegal means, will be punished according to law.

26. The establishment of a multi-layered social security system is of great importance to the deepening of the reform of enterprises and institutions, maintaining social stability and the smooth establishment of a socialist market economic structure. The social security system covers social insurance, social relief, social welfare, special care to disabled servicemen and family members of revolutionary martyrs and servicemen, jobs for demobilized soldiers, social mutual help, and security based on accumulation of individual accounts. We should unify social security policies and legalize their management. The level of social security should suit the development of China's social productive forces and acceptability to all concerned. Social security practices for urban and rural residents should be different. Mutual help in society should be encouraged. Commercial insurance will be developed as a supplement to social insurance.

27. Defining sources of funds and methods of guarantee suited to the different types of social security. Priority will be given to perfecting old-age pension and unemployment insurance systems in enterprises, strengthening social service functions and reducing the burden of enterprises, promoting readjustment of the organizational structures of enterprises, and enhancing their economic returns and competitive capacity. Expenditures for old-age pensions and health care insurance for workers and staff in cities and towns are to be shared by work units and individuals, and by combining mutual assistance funds with individual accounts. The unemployment insurance system will be further improved, and premiums will be paid by enterprises in a unified way on the basis of a fixed percentage of their gross payrolls. An enterprise industrial injury insurance system will be universally established. The support of the aged in rural areas will be shouldered chiefly by their families and supplemented by community assistance. Where possible, old-age insurance derived from accumulation of individual accounts may be introduced among farmers on a voluntary basis. The rural cooperative health care system will be developed and perfected.

28. Establishing unified social security management organizations. The level of management of social security will be enhanced, and sound circulation mechanisms will be formed for the collection

and management of social insurance funds. The administration of social security and the management of social insurance funds should be separated. Social insurance management organizations will perform chiefly administrative functions. Supervisory organs for social insurance funds will be set up with the participation of relevant government departments and representatives from the public to supervise the revenue, expenditure and management of social insurance funds. On the premise of ensuring the normal payment and safe circulation of the funds, organizations handling social insurance funds may use them to purchase state treasury bonds according to law, in order to maintain and add to the value of the funds.

VI. DEEPENING RURAL ECONOMIC STRUCTURAL REFORM

29. Agriculture, rural areas and the farmers are fundamental issues concerning China's economic development and modernization drive. The reform in China's rural areas over the past decade and more has brought historic changes to the socio-economic outlook of rural areas, and laid a foundation for the reform and development of the entire national economy. In recent years, the rural areas have been facing new problems which call for immediate solution, the chief ones being the decline of the comparative returns of agriculture, particularly grain and cotton production, the widening of the scissors gap between the prices of industrial and agricultural products, and the slow growth of the incomes of farmers. We should stabilize the party's basic policies in the rural areas, deepen rural reform, expedite rural economic growth, increase the incomes of farmers, and further strengthen the role of agriculture as the foundation of the national economy, as to ensure that agricultural production will reach a new height by the end of this century and the living standards of the masses of farmers shall be raised from the current level of sufficient food and clothing to a better-off level of moderate prosperity.

30. The development of China's rural economy is entering a new stage mainly characterized by structural readjustment and improved efficiency. Agricultural production should be adapted to change in the consumption of farm produce on the market, and the product-mix should be optimized to enable agriculture to develop towards a pattern of high yields, high quality and high efficiency.

On the premise of maintaining the stable increase of grain, cotton and other basic farm produce, we will readjust the industrial structure of the rural areas, and expedite the development of township enterprises and other non-agriculture sectors, so as to provide more job opportunities for surplus rural labor. To accomplish the readjustment of the structure of farm products and rural industry, we will enliven rural markets, remove the barriers between different regions, reduce the separation of city and countryside, further invigorate circulation, broaden the development of rural economy, and promote the deployment and circulation of all economic resources. This is the basic way to speed up the development of the rural economy and increase the incomes of farmers.

31. The double-layered management system in the countryside, in which the main form is the contracted responsibility system based on the household with remuneration linked to output, together with the combination of unified management and independent management, is the basic economic system in the rural areas, it should be stabilized for a long time to come and constantly improved. On the premise of adhering to the collective land ownership, the term for contracting cultivated land may be extended, and we allow the inheritance of contracts for the management of explorative undertaking and the compensated transfer of the land-use rights according to law. Operations adaptable to scaled economy may be developed in a few economically developed areas through varied forms such as the transfer of contracts and the purchase of shares on a voluntary basis, in order to raise the productivity of agricultural labor and of the land. Rural collective economic organizations must actively set up entities to provide services to household operations, gradually accumulate collective assets and enhance the economic strength of the collective.

32. Developing the rural social service, system, and promoting the specialization, commercialization and socialization of agricultural production. We will develop diversified service organizations in line with the practical needs of the farmer, and form a service network composed of rural collective economic organizations, state economic and technological departments, and associations of the farmers themselves, such as specialized and technical societies. The supply and marketing cooperatives at all levels must continue to deepen reforms, strive to transform themselves into genuine cooperative economic organizations of the farmers, and

actively explore new ways to develop themselves into comprehensive service organizations, We will gradually de-control the management of farm produce to the fullest extent, and change the current situation characterized by departmental segmentation and the divorce of production from marketing. Efforts will be pooled to develop all forms of integrated management of trade, industry and agriculture, and to closely combine production and processing with marketing. The reform and development of education in rural areas will be expedited. We will actively promote the combination of agriculture, sciences and education, strengthen research in agrosience and technology, strive to popularize advanced and applicable technologies, and use modern science and technology to transform traditional agriculture. Active efforts should be made to gear agricultural production to the international market, and energetically develop products with high added value and promote-export-oriented and foreign-exchange-earning agriculture.

33. Township enterprises are an important pillar of the rural economy. We will perfect the contracted responsibility system, develop the cooperative share-holding system, make innovations in their property rights system and methods of management, and further invigorate township enterprises. On the basis of clearly defined property rights, it is necessary to promote trans-community mobility and the combination of production factors, so as to form a more rational layout of enterprises. We should strengthen planning and guide township enterprises to concentrate appropriately, make full use of the existing small cities and townships and transform them, build up new ones, gradually reform the residence registration system there, allow farmers to work in factories or do business in small cities and transfer of rural surplus labor force to other fields of endeavor.

34. Strengthening government support to agricultural production and protecting the interests of farmers. Governments at all levels must gradually increase their investment in agriculture, actively encourage farmers and collectives to increase their input of labor and capital, constantly improve the conditions for farm production, and strengthen the material and technological foundation of agriculture. We should take care, establish and perfect a system of reserves to regulate prices and of market risk funds for grain and other basic farm produce, introduce a price-protection purchasing system to prevent major fluctuation of market prices.

The development of agriculture-oriented industries should be supported. The government will set standards for, and regulate by law, all contributions of funds and labor required of farmers, in order to genuinely protect their economic interests.

35. Assisting the economic development of poor areas, particularly former revolutionary base areas, areas inhabited by minority nationalities, and border areas. The central and local authorities should be concerned for and support the socio-economic development in these areas, further strengthen the work of aiding the poor through developing production, give priority to agricultural capital construction, and improve transport facilities and postal and telecommunications services there. The exchange of cadres between developed and undeveloped areas and economic and technological cooperation between them will be expanded. The masses will be encouraged to enhance their sense of a market economy, make full use of the advantages offered by local resources, and gradually develop ways and means to overcome poverty and achieve prosperity by relying on their own efforts.

VII. DEEPENING THE REFORM OF THE SYSTEM OF FOREIGN ECONOMIC RELATIONS, OPENING WIDER TO THE OUTSIDE WORLD

36. Firmly carrying out the policy of opening to the outside world, expediting the opening-up effort, making full use of the international and domestic markets and resources both at home and abroad, and optimizing the allocation of resources. We actively participate in international competition and economic cooperation, give play to the comparative advantages of our economy, develop an open economy, and allow the domestic economy to dovetail with and supplement the international economy. We should standardize our foreign economic activities in line with our national conditions and the norms of international economic life, correctly handle our foreign economic relations, and constantly increase our competitiveness in international markets.

37. Practicing multi-directional opening. We will continue to promote the opening of special economic zones, coastal open cities and areas, cities along the country's borders, cities along the Yangtze river, and inland central cities, and give full play to the radiating and promoting role of the open areas, expedite the development and opening of areas along major transport trunk lines, encourage

areas in central and western China to absorb foreign capital to develop and use their natural resources, so as to invigorate their economy, work out comprehensive plans to run economic and technological development zones and bonded zones—all to form a pattern of multi-directional opening with each layer having its own characteristics. We will widen the scope of opening to the outside world, expand the mobility and exchange of production factors, expedite the opening to abroad of other sectors on the basis of stressing international industrial and trading contacts, and develop the service trade. The work of the customs, commodity inspection and transportation at the various ports and points of entry will be improved. Management of Chinese-funded enterprises abroad will be strengthened. We will seriously sum up experiences, constantly increase our openness, and give guidance to its development to a higher level and in breadth and depth.

38. Further reforming the foreign economic and trade system, and establishing operational mechanisms suited to the rules and customs common in international economic activities. We should adhere to such principles of reform as unified policy, liberalized operation, equal competition, responsibility for one's own profits and losses, the integration of industry and trade, and the promotion of the agent system. Efforts will be made to expedite the change of the operational procedures of all enterprises in their foreign trade activities, reorganize state-owned foreign trade enterprises in the light of the modern enterprises system, grant to qualified manufacturing and scientific and technological enterprises the right to handle foreign trade, and develop a number of internationalized, industrialized and comprehensive trading companies. The state will regulate foreign economic activities mainly by such economic means as the exchange rate, taxation and credit. In the reform of the import and export management system, mandatory plans will be abandoned and administrative intervention reduced. In handling the few commodities whose import and export are subject to the quota system, the bidding, auction and formula allocation of quotas will be run in accordance with the principle of ensuring economic returns, fairness and openness. The import and export chambers of commerce should perform to the full their functions of coordinative guidance and consulting service. A market diversification strategy, with product quality as a top concern, will be actively promoted. Border trade will be better handled. The

system of reimbursement of indirect tax to the exporters will be perfected. with regard to tariffs, we will lower their general level, rationally and administration and crack down on smuggling. The reform of the system of foreign economic and technological cooperation will be deepened, and efforts will be made to enhance comprehensive management and increase overall returns. We should unify and perfect legislation concerning foreign economic relations and safeguard the interests of the state.

39. Actively introducing capital, technology, professional personnel and management expertise from the outside. We will improve our investment environment and methods of management, expand the introducing scale, widen the area of investment and further open the domestic market. Conditions will be created to grant foreign-funded enterprises national treatment, and management over foreign-funded enterprises will be improved according to law. Foreign investment will be channeled into such key areas as infrastructure facilities, basic industries, new and high-tech industries and the technological transformation of old enterprises. The establishment of export-oriented enterprises will be encouraged. We should give play to the comparative advantages of China's resources and markets to attract foreign funds and technology so as to promote China's economic development.

VIII. FURTHER REVAMPING SCIENTIFIC, TECHNOLOGICAL AND EDUCATIONAL SYSTEMS

40. Science and technology constitute a prime productive force. Economic development cannot do without science and technology, and scientific and technological work must be geared to economic construction. The reform of scientific and technological work is designed to establish a new system which fits the development of the socialist market economy, complies with the inner laws governing scientific and technological development and integrates science and technology closely with the economic development—all for the purpose of promoting progress in science and technology, scaling new scientific and technological heights and effecting comprehensive and well-coordinated economic, scientific and technical and social development. It is imperative for the central authorities and various localities and enterprises to increase their input into science and technology in order to formulate, step by step, a well-structured, rationally distributed and highly efficient

system of research and development, promote the development of exploratory research, new and high technology and their related industries, and basic research, and more quickly transform new scientific findings and technological achievements into actual productive forces. It is necessary to abolish the old practice in which departments are segmented, restructure the system for scientific and technological work and rationally distribute human resources. In this regard the policy is to "hold fast to one end and leave the whole field open", that is to say, while redoubling research efforts in basic science and for the development of new and high technology, we should give free rein to research, development and business activities of organizations engaged in developing technology or providing scientific and technical services. Great efforts should be made to develop scientific and technological enterprises under varied types of ownership and management. Institutes engaged in the application of science and in exploratory research, and organizations which provide consulting and information services, should adapt themselves to the needs of the market, gradually introduce entrepreneurial management, and build up their self-development ability and competitiveness on the market.

41. Actively promoting the integration of science and technology with the economy. First, it is necessary to coordinate the deployment of scientific research resources for the purpose of solving knotty technology problems which have an important bearing on the national economy. Second, in order to do good work in importing advanced technology and in technical upgrading, it is necessary to establish a new framework under which the developmental efforts of research institutes are dovetailed to the introduction of imported technology. Hightech industrial development zones should be well run so as to promote the commercialization and industrialization of their research results. Third, scientific research institutes, institutions of higher learning and enterprises should be encouraged to cooperate in developing new technologies, research institutes engaged in technical development should be encouraged to work together with large enterprises and enterprise groups in establishing research organizations for the task of developing new products and new technologies to speed progress in upgrading traditional industries by arming them with new and high technology, and it is also necessary to establish a mechanism for technical progress within each enterprise to handle the task of developing

new technology by integrating scientific research with production and the market and turn the enterprises into the mainstay of China's technological development. Fourth, intermediate organizations and industrial experiments should be developed so as to promote technological transfers, it is also necessary to form regional and professional organizations for technical renovation and a network for the diffusion of technology. Fifth, it is imperative for national defence and military research institutes to further carry out the principle of integrating military and civilian industries, deepen their reform and transform their managerial mechanism, and, on the premise of strengthening national defence, step up research and development in technology that can be used for both military and civil purposes, and energetically promote the transfer of military technology to civilian use.

42. In the final analysis the establishment of the socialist market economic structure and the realization of modernization hinge on raising the quality of the entire population and on the training of competent professionals. Party committees and governments at various levels should make it a strategic task to give priority to education and tighten up their leadership over educational work. Concrete steps should be taken to implement the Outline Programme of the Reform and Development of Education in China and accelerate the restructuring of the educational system. Investment in education should be ensured, and both teaching quality and educational efficacy increased. The situation in which the government runs all schools be changed to give rise to a new system in which the government plays the central role in running schools, all walks of life pool their efforts to expand education. Compulsory education should be strengthened, vocational and adult education vigorously developed, and for compulsory education, the government should contribute the lion's share of the investment but encouragement should simultaneously be given to the running of non-governmental schools as well as to other forms of schools run with funds raised through various channels from different walks of social life. Vocational and adult education and other forms of social education should better meet market needs, and various fields of endeavor should play a role in this regard. In higher education, it is necessary to change the way institutions of higher learning are run and remove the barriers between regions and government departments with the exception of certain special aca-

democratic disciplines and by dealing with each college or university on its own merits, higher education should be gradually placed under a two-level administrative system, central and local, under which the decision-making power of localities in running schools and of colleges and universities in running their own affairs are expanded. Institutions of higher learning should step their reform in enrollment, curricula, teaching materials and methods, employment system for graduates, etc. All schools should work to strengthen their teaching staff, upgrade their professional proficiency and improve education in socialist morality.

43. Respecting knowledge, respecting talents and creating the necessary environment and conditions for talents to emerge and play their role. It is imperative to train, through various forms and channels, a large contingent of skilled workers and professionals in various fields and to nurture a team of academic and technical leaders who will be in the van of scientific and technological development in the coming century. Training should be combined with the rational use of the intellectual resources, and for the purpose both the labor and personnel systems and the procedures for screening and selecting leaders should be overhauled. Each trade or profession should work out its own qualification and employment standards and introduce its own licensing system based on academic diplomas and job qualification certificates, and steps should be taken to encourage fair competition and promote the rational flow of talent by putting up jobs for public application. Talented people studying or residing in foreign countries should be encouraged in various ways to return and serve their motherland. In this regard the state policy is to "support students studying overseas, encourage them to return and let them decide for themselves whether to come or go."

IX. TIGHTENING UP THE LEGAL SYSTEM

44. The establishment and improvement of the socialist market economic structure should be codified and guaranteed by an all-inclusive legal system. We must pay due attention to tightening up the legal system, bringing the effort of reform and opening up to the outside world within the framework of the legal system, and learning how to manage the economy by legal means.

In building up a well-developed legal system, the goals are: First, following the principles prescribed in the constitution to

speed up economic legislation, further improve civil, commercial and criminal laws and the legislation associated with state organizations and administrative affairs, and initially establish a legal system adapted to the socialist market economy by the turn of the judicial and administrative law-enforcement mechanism and heightening proficiency in judicial and administrative law-enforcement work, and third, establishing a sound law-enforcement supervisory mechanism, improving legal service organizations, deepening education in the legal system, and enhancing the sense of law and awareness of the legal system throughout society.

45. Persisting in the unification of the socialist legal system. The decision-making process in reform should be closely integrated with that in legislation. Legislation should embody the spirit of reform, and the law should be applied to guide, promote and ensure the smooth progress of reform. It is necessary to map out a well-conceived legislative plan enact, without delay, laws designed to standardize norms for the market, keep the market order, tighten macro-economic control, improve social security and speed up the opening up to the outside world. Laws and regulations which prove inappropriate to the establishment of the socialist legal order should be amended or abolished. It is imperative to strengthen Party leadership over legislative work, perfect the law-making system, improve the legislative procedures, quicken the law-making process and provide legal norms of conduct for the socialist market economy.

Judicial administrative law enforcement should be strengthened and improved, and so should supervision over the way law is enforced, in order to maintain social stability, guarantee economic growth and safeguard the legitimate rights and interests of the citizens. Criminal and economic offenders should be brought to justice according to law, and economic and civil disputes dealt with promptly. Governments at various levels should abide by law in administrative and other matters. In economic and other activities, it is essential to resolutely correct violations of law such as failure to abide by the law, lax law enforcement, letting law-breakers go free, the abuse of power and position, and seeking the interests for a department or locality by illegal means. Redoubled effort is called for to build up the law-enforcement departments and raise the quality and law-enforcing ability of their personnel. A system should be devised for bringing to account law-enforce-

ment officers who have broken the law, and to grant compensation to victims of such abuses.

46. We Should act promptly and unfailingly to build clean government and combat corruption, for this is not only an essential condition and important guarantee for the establishment of the socialist market economic structure but also has a great bearing on the destiny of the ongoing reform and on the destiny of the Party and the country. The fight against corruption is a long is a long-term and arduous task and should be carried out out with unremitting effort. It is necessary to tighten up the legal provisions for the building of a corruption-free government and improve the mechanism under which Party and state organizations, their staff in general, and leading officials in particular, have criteria by which to discipline themselves, and by which supervision against corruption can be carried out. Law enforcement, judicial, economic management and other departments must establish workable supervisory mechanisms to prevent their personnel from abusing power for personal gain, and to stamp out fraudulent practices among various departments, professions and and trades. On no account should we allow the principle governing commodity exchange to penetrate inner-Party political life and the administrative activities of the state organs. On no account should we allow power to be traded for money. Serious measures should be taken under the law against major offenses, including crimes perpetrated by legal entities, and the those found guilty of corruption should be sternly punished. The work of Party discipline inspection organs and the judicial, supervisory and auditing departments should be strengthened, and the supervisory role of the law, the relevant organizations, the public opinion should be given full play.

X. STRENGTHENING AND IMPROVING PARTY LEADERSHIP AND STRIVING TO INITIATE A SOCIALIST MARKET ECONOMIC STRUCTURE BY THE END OF THE 20TH CENTURY

47. To build up the socialist market economic structure and speed up the modernization drive, we should strengthen and improve leadership by the Party. We should also build up the Party's own strength in order to fulfil the great historical task for the new period. In Party building the present emphasis should be on work in the following fields: First, we should persist in arming the

entire Party with Deng Xiaoping's theory on building socialism with Chinese characteristics. We should, in studying Marxism-Leninism and Mao Zedong Thought, stress the theory on building socialism Chinese way, carry out more firmly and consciously the Party's basic line and the series of principles and policies designed to develop the socialist market economy, and be at one ideologically and politically with the Party. Second, we should adhere to the cardinal principle of serving the people wholeheartedly, carrying forward the Party's fine traditions and style of work and fostering even closer ties between the Party and the masses. Third, we should be strict in carrying out the Party's system of democratic centralism, foster a healthy atmosphere for inner-party political life, safeguard the Party's unity, tighten Party discipline and enhance our awareness of the overall interest, so that the entire Party membership will act in unison and all the laws and regulations will be effectively carried out. Fourth, we should redouble efforts to strengthen the leading bodies at all levels, go deep into reality to see how things really are, unhesitatingly overcome bureaucratism and formalism, conscientiously learn the basics of the socialist market economy and modern scientific and technological knowledge, and strive to increase our leadership ability in the modernization drive. Fifth, we should work in a down-to-earth way to build up the Party's grass-roots organizations, work hard to deliver some party organizations from their state of incompetence and slackened morale, and give full play to the role of the grass-roots Party organizations as combat bastions and to the exemplary vanguard role of the vast numbers of Party members.

48. To keep pace with the growth of the socialist market economic structure and economic development, active work should be done to promote the reform of the political structure and strengthen the political construction of socialist democracy. It is necessary to uphold and improve the People's Congress system, multi-party cooperation and the system of political consultation under the leadership of the Communist Party. It is also important to give full scope to the role of trade unions, the Communist Youth League, women's federation and other mass organizations as bridges and channels in maintaining the Party's close relations with the masses. The construction of a sound decision-making system on a democratic and scientific footing should be speeded up and the decision-making ability improved. The party's policy concerning

the nationalities should be implemented in an all-round way, and the system of regional autonomy in areas inhabited by ethnic minority peoples in compact communities should be improved so as to promote the economic and cultural development in these areas, consolidate and develop socialist inter-ethnic relations of equality, mutual assistance, unity and cooperation, and steer a course toward common prosperity, unity and progress among all nationalities. It is necessary to conscientiously carry out the Party's policies concerning religion and concerning the Overseas Chinese to rally them around the cause of socialist modernization. Democracy at the grass-roots level should be strengthened and the various supervisory systems should be improved to solidly guarantee the citizens' democratic rights in running state, economic and social affairs according to law.

49. We should stick to the principle that both material progress and cultural and ideological progress should be promoted in real earnest and neither aspect should be neglected. We should also work well in promoting socialist culture and ethics for the purpose of cultivating a new generation of well-educated, well-disciplined people imbued with lofty ideals and socialist moral values. Party committees and governments at all levels should give priority to ideological and political work and strengthen their leadership in the fields of publicity, ideology and culture. We should spare no effort in our research in Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and in philosophy and other branches of social science under the guidance of Marxism-Leninism. It is necessary to carry on education in patriotism, collectivism and socialism in a broad and deep-going way and in vivid form, and to conduct education in Chinese history—particularly in modern and contemporary history and in the fine traditions of the Chinese nation—so as to heighten the Chinese people's self-respect, self-confidence and sense of pride, carry forward their hard-working spirit and concentrate the tremendous creativity of hundreds of millions on the great cause of building socialism with Chinese characteristics. In the condition of a socialist market economy, we should actively propagate the necessity of persisting in the correct outlook on life and a civilized, healthy lifestyle, work to promote public and professional ethics, and combat money worship, extreme individualism and decadent lifestyles. We should persevere in cracking down on pornography and other social evils,

and comprehensively consolidate public security and order. We should adhere to the principles of serving the people and socialism and of "letting a hundred flowers bloom and a hundred schools of thought contend", and encourage the creation of progressive and uplifting literary and art works that both entertain and enlighten the people, so as to enrich the people, so as to enrich the people's spiritual life. It is necessary to deepen the reform of the cultural structure, improve economic policies linked with the cultural field, and tighten up the management of the cultural market according to law. It is necessary to properly handle the relationship between cultural products and their social effect and economic results by making their social effect the paramount standard. Where necessary, the state will provide financial support for selected fine works of literature and art that call for such assistance.

50. The reform of the economic structure entails a profound revolution in the economic base and many aspects of the superstructure. It is bound to change the aspects of the superstructure. It is bound to change the various irrational relationships of interest that either were inherent in the old structure or have resulted from the process of transition from the old to the new. Difficulties and obstructions of one kind or another are unavoidable. Therefore, we should, with the overall situation in mind, properly handle the relationship between reform, development and stability and the relationships of interest between various quarters, mobilize all positive factors, and favorable conditions for the healthy development of the national economy. Fundamentally speaking, some of the contradictions and problems that have arisen in the high-speed growth of the Chinese economy stem from the fact that the drawbacks of the old structure have not been thoroughly eradicated and the new structure has yet to take shape. For this reason, Party committees and governments at all levels should redouble their efforts to speed up the reform. We should push forward in real earnest with the reform in key fields, work out detailed plans, be bold in exploration and practice, sum up our experience conscientiously, and never stop breaking new ground in our march forward.

The Third Plenary Session of the 14th Party Central Committee calls on the entire Party membership and the people of all nationalities throughout the country to rally more closely around the

Party Central Committee with Comrade Jiang Zemin as its nucleus. Under the guidance of Deng Xiaoping's theory on building socialism with Chinese characteristics and following the course charted by the 14th Party Congress, let us unite as one and dedicate ourselves heart and soul to the cause of reform, and, by relying on our own efforts and working diligently, strive to initially build up the structure of socialist market economy and realize the strategic goals for the second phase of the nation's socio-economic development by the end of this century.

Vietnam Communist Party

Political Report of Mid-term National Conference

[The Communist Party of Vietnam held a Mid-term National Conference in January, 1994. At the Conference a Political Report of the Central Committee was presented by General Secretary Com. Do Muoi. We are reproducing extracts from the report which pertain to the economic work undertaken after the 7th Congress and the tasks set forth for the coming period.]

*Esteemed, Comrades Advisors to the Central Committee, Esteemed delegates,
Comrades,*

On behalf of the Central Committee, I wish to present the Political Report of the Central Committee to the National Conference of the Party.

The Party's 6th Congress mapped out the line of all-round renewal, marking a turning point in the cause of building socialism in our country. The Party's 7th Congress reviewed five years' implementation of renewal, adopted the Political Programme and the Strategy for Socio-Economic Development, and pointed out the direction for making the renewal process profound and harmonious.

Since the 7th Congress, the world situation has witnessed rapid and complicated developments. The socialist regime in the Soviet Union and Eastern Europe has collapsed. The independence and sovereignty of a number of nations are being challenged by the policy of brutal force and imposition. Hostile elements have carried out strenuous activities against our people's work of national con-

struction and defence. Once more, our revolutionary cause undergoes acute challenges.

However, there have also emerged in the world new, favourable factors: the will and strength of the peoples in struggle for national independence and sovereignty have heightened; the trend of development and cooperation has broadened in the life of the international community. From their temporary setbacks, the revolutionary forces have drawn valuable lessons. In our country, the achievements of renewal have reinforced our position and increased our strength for limiting difficulties and taking advantage of opportunities to develop in peace.

Facing new challenges and new opportunities, our Party and people have demonstrated their unswerving political prowess. The Resolutions of the Second, Third, Fourth and Fifth Plenums of the Central Committee have concretized and developed the line of the 7th Congress, solved a series of specific problems in many domains, internal and external alike, in conformity with the unfolding situation and newly emerging issues. We have persevered in the renewal line, pushed ahead socio-economic development, broadened democracy, maintained political stability, consolidated security and national defence, diversified external relations, and gradually breached the encirclement and embargo.

The Party's National Conference has the task of reviewing the execution of the Resolutions of the 7th Congress and making an initial summing-up of the realities of renewal since the 6th Congress, in order to shed more light on a number of issues in the process of building socialism in our country, defining major decisions and measures for the successful implementation of the Resolutions of the 7th Congress, thus leading our country's revolutionary cause continuously ahead.

PART I IMPLEMENTATION OF 7TH CONGRESS RESOLUTIONS

I. ACHIEVEMENTS

1. *A great achievement of prime significance is that we have made a very*

important step in overcoming the socio-economic crisis.

This crisis emerged in the late 1970's and early 1980's and has lasted for over a dozen years, became most acute in the years 1986-1988 when inflation was skyrocketing and again in 1991 when yet another dangerous challenge arose.

However, with enormous efforts from our Party, State and people, our country's economy has not only stood firm but also recorded outstanding achievements, *ridden out stagnation and recession in various aspects, and obtained a fairly high growth rate over the past three consecutive years.*

Inflation has been pushed back, from 67% in 1991 down to 17.5% in 1992 and only 5.2% in 1993.

Our GDP has increased by 7.2% on a yearly average (the target set for the five years 1991-1995 is 5.5-6%). Agricultural production has developed rather comprehensively; the food problem has been solved satisfactorily with food yield in 1993 totalling nearly 25 million tons, surpassing the target set for 1995. Industrial production has seen an average yearly growth rate of 13%, higher than the target set for the 1991-1995 five-year plan (8-10%). The production capacity of certain major branches and items, such as electricity, crude oil, steel, cement...has increased. The communication network has expanded rapidly with new technological equipment. Construction, transport, commerce, tourism and other services have all developed. The economic structure is changing. A number of new branches of production and business have emerged.

The external economic relations have been broadened in the line of diversification and multilateralization. We have overcome the consequences of the sudden reduction of our traditional market, widened the underflow with new partners, and increased the export value by roughly 20% annually. Up to the end of 1993, we have granted 836 licences for direct foreign investment with a total registered capital of 7.5 billion USD; recorded initial successes in attracting more development assistance and loans at preferential terms from governments; and reestablished normal relations with international financial and monetary institutions.

The economy has started to yield internal accumulations, albeit small. The life of the majority of the population has been improved.

A multi-sector economic structure is taking shape. Initial steps have been taken to re-arrange and re-register State enterprises. The number of long-time loss-making enterprises has been largely

reduced. The number of efficient business units has increased. In general, the State economic sector has kept developing and continues to hold key areas and a leading role in the national economy; its share in GDP has grown from 34% in 1990 to 39.9% in 1992. Since the 5th Plenum of the Central Committee, the agricultural cooperatives have got a more clearly defined orientation for renewal; the autonomous role of the peasant households has been confirmed. New forms of the cooperative economy have appeared. With the Land Law formally granting peasants the right to use land on a stable and durable basis, the peasant household economy has got additional development motive. The individual economy and private capitalist economy have developed considerably. There have emerged a growing number of stock-holding enterprises and joint ventures with investments from various forms of ownership.

The market mechanism under management by the State and with socialist orientation is becoming the operational mechanism of the economy. The amendment of laws and the continuous renewal of the mechanism and policies related to planning, pricing, exchange rates, finance, banking, labour, remuneration, land..., have created a more favorable environment for the enterprises to bring into full play their dynamism, autonomy and self-responsibility in production and business.

The State has accumulated more experience, and made progress in the macro-management and administration of the national economy.

Along with economic development, more attention has been paid to the solution of social problems and the implementation of social policies.

Thanks to the development of production and services and the relative stabilization of market prices, the *people's living conditions* in many urban and rural areas have been improved. The number of rich households has increased and that of poor households, especially those suffering from food shortage, has decreased. The people's basic needs in food and clothing have been met more adequately. The construction of houses, roads, electricity and water facilities, schools, health units...in many rural and urban areas has developed. Democratic rights, especially economic democracy, have been promoted step by step. The people are free to do business in conformity with the law, and are better assured as they invest in production and business, creating more job opportu-

nities.

Progress has been made in the implementation of policies for the solution of the employment issue, the elimination of food shortage and reduction of poverty, policies benefiting war invalids, fallen soldiers' families and persons having rendered meritorious services to the Revolution, policies assisting the disabled and the lonely, and policies helping poor pupils to get back to school.

Activities in *education* have made certain progress in checking the downgrading of education, diversification of forms of education, rearrangement of the school network, consolidation of the system of specialized schools and classes of selected students and development of secondary boarding schools for ethnic minorities. Initial results have been obtained in the socialization of education. Vocational, foreign language and informatic courses have developed in urban areas.

Sciences and technology have gradually played their role as a motive force, linking researches with the needs of society. Many applied research subjects with a practical value, especially in the fields of agriculture, fishery, consumer goods, exportables..., have brought about economic efficiency and helped improve our technological level. The system of State-level scientific research programs has been re-arranged with clearer focus, in which there are for the first time programs in social sciences and humanities.

Cultural activities have been livelier. Cultural exchanges with foreign countries have expanded. *Literary and art works* have been richer in substance and subjects, and more diversified in forms, genres and styles. New development steps have been made in information work, with radio and television waves having covered the majority of districts in the country, including those in mountain areas, on highlands and offshore islands.

Certain progress has been recorded in the work of health protection and improvement of the people's physical strength, such as primary health care, expanded immunization, control of various epidemics and social diseases, partial satisfaction of demands in essential drugs. The physical training and sport movement has recorded encouraging achievements.

The work of population control and family planning has reached its proper objects; the number of birth control volunteers has increased rapidly.

II. WEAKNESSES AND NEWLY EMERGING ISSUES

1. The economy retains the character of a backward agricultural economy. Industries remain minor and infrastructure facilities, underdeveloped. Not much has been achieved in the construction of the material and technical basis. Accumulations from within the economy and development investments are still limited and not given adequate attention. Although the economy has known a fairly high growth rate, productivity, quality and efficiency remain very low. Not much production capacity has been added up as a reserve force to be utilized in the time to come, leaving negative effects on the growth tempo of the coming years.

Our capacity to maintain the economic growth tempo and control inflation remains unsteady. Budget revenues fail to match spending while the budget deficit remains high and tends to increase. Outstanding foreign debts and arrears are too large compared with the annual export value. Meanwhile, thrift and industry for national construction have yet to become a deep-rooted awareness among leading and managing officials of many branches, localities and units, who are allowing serious wastes and siphon-offs of public property to happen and are indulged in spending in excess of their production.

The State-run and cooperative economies are slow in renewal and consolidation. The State-run economy has failed to play well its leading role in production and circulation. The State-run trade has deserted many crucial fields and areas, leaving them to the manipulation by private traders to the detriment of producers and consumers alike. As regards the private economy, on the one hand, obstacles yet to be removed are hampering the development of production and, on the other, the lack of control and guidance are resulting in widespread unlawful transactions.

The market mechanism is at its initial stage, with many elements of spontaneity. The efficiency of State managements is low and yet to give full rein to the market mechanism and, at the same time, to control its many negative aspects. The legal system is incomplete and its enforcement not strict. There remain many weaknesses and negative manifestations in the planning work and activities of the financial and banking systems. The distribution regime still has many irrationalities; its execution is still casual and inconsistent. The principle of reward according to work done is yet to be observed.

2. Certain achievements have been recorded in the cultural and social fields, but here, many major and urgent problems remain unsolved.

Total or partial unemployment in both urban and rural areas, especially among young people coming of labour age, remains a burning question and one of the basic causes of social evils.

The policies related to social equity have not been properly implemented. Beside people who get rich by lawful means, there are not a few who have got rich quickly through illicit businesses. Meanwhile, many families who made great sacrifices and suffered great losses during the wars of resistance, or who rendered great services to the Motherland, are still beleaguered with difficulties. The number of persons living in poverty and food shortage is still high. The people's living standards are still very low in many areas, especially on the highlands in out-of-the-way places, and localities inhabited by ethnic minorities.

Education is yet to come out of its poor state, in both quality and efficiency. Many issues related to the contents, the curriculum and the mode of training are yet to be defined in line with the requirements of development. Many school places are seriously downgraded; their facilities for laboratory and scientific research are deficient or backward. The poor state of the system of teachers' training institutions and of the teaching staff gives rise to profound concern. Managerial cadres in education at all levels have received little training and refresher training. Tuitions are too high, adversely affecting the schooling of children of poor families.

Investments in sciences and technology have increased, but remain low compared with requirements (only about 1% of the State budget); and are used scatteredly, with limited results. Measures and mechanisms are yet to be devised to mobilize production units and enterprises to invest in this field. Strong scientific collectives are yet to be built; an organic combination between scientific research units on the one hand and training and production units on the other remains to be established. There are many shortcomings in the control of technology import, leading to the import of backward technologies and equipment at high prices, with negative consequences over a long time to come.

Many matters related to culture, literature and arts are still a cause for concern; the way of life consisting in running after money, the unhealthy tastes, the growing superstitious habits; the noxious

cultural products flooding the market. In creation, theory and critique, there have emerged deviationist trends, such as denial of the fruits of the revolution and revolutionary culture, literature and arts; separation of literature and arts from the Party's political line; the tendency towards "commercialization", propagation of heterogeneous cultures and depraved way of life. Such shortcomings and deviations were already pinpointed by the Fourth Plenum of the Central Committee 7th Tenure), but remedy has been slow. Party organs' guidance and State management of cultural, literary and art activities remain weak.

III. OVERVIEW

Despite the many shortcomings and weaknesses to be overcome, the important achievements already recorded are creating the necessary premises to bring our country gradually to a new industrialization and modernization of the country. These premises include a series of factors, material and moral, economic and political, social and cultural, domestic and external alike.

Realities of the past years allow us to affirm that our Party's line, decisions and major policies related to renewal are correct, and that the steps taken are appropriate. The Resolutions of the 6th and 7th Congresses have become facts of life.

A review of the realities of renewal brings us many useful lessons. It should be asserted that the initial lesson of renewal drawn by the 7th Congress need to be applied continuously in practice. Those include the lesson on maintaining the socialist orientation in the renewal process, combining firmness in matters related to principles and revolutionary strategy with flexibility in tactics, and being sensitive to what is new. Those include the lesson on the need for all-round and harmonious renewal, but with appropriate steps, forms and ways. Those also include lessons on maintaining the Party's leadership and State management in the process of developing a multi-sector commodity economy, on developing socialist democracy, on identifying and offering correct solutions to newly-emerging issues in renewal, on summing up practice and constantly perfecting theory regarding the path of building socialism in our country.

Renewal is an undertaking without precedent. Yet, we have taken courageous steps to find ways to carry it out, and have

achieved very important successes. The most fundamental, most decisive cause is that our Party has firmly maintained its leading role, rejected pluralism and multi-partyism, upheld the spirit of independence, sovereignty and creativity, and laid down policies which conform to the realities of Vietnam, bring into full play the aggregate strength of the great national unity, and expand international cooperation.

The 7th Congress of our Party pointed to six characteristics of the socialist society to be built by our people. The Congress also mapped out seven basic orientations for gradually implementing our programme on the basis of those characteristics. Such is precisely the *socialist orientation* concretized by the Plenums of the Central Committee (7th Tenure) as a guide to practice. In any case, building socialism is a very new undertaking, which requires much research, probing and discovery. We should, through summing up of realities and ceaseless theoretical research, gradually picture to ourselves ever more clearly socialism and the path building socialism in our country, and shed more light on concrete models in various fields, economic, political, social and cultural. We should apply creatively and develop continually Marxism-Leninism and the Ho Chi Minh Thought, especially Lenin's propositions about the New Economic Policy and State capitalism, persistently search for and devise transitional forms and intermediary steps that are diversified and conformable to the specific historical circumstances, with a view to leading our country steadily to socialism.

PART II

MAIN TASKS FOR THE COMING PERIOD

Our people are faced with acute challenges as well as great opportunities.

The challenges are: the danger of our economy falling further behind other countries in the region and the world due to our low starting point, our still low and unstable growth rate and the fact that we have to develop in an environment of tough competition; the possibility of our going astray from the socialist orientation if we fail to correct errors in the conduct of the implementation; and

our failure to repel corruption and other social evils; the scheme acts of "peaceful evolution" by hostile forces.

However, we also have many fundamental advantages; our Party has set out a correct line, is of one mind and united; our people are diligent, intelligent and patriotic, possessed of a firm character and a staunch revolutionary will and confident in the Party leadership; the armed forces are absolutely loyal to our Party's and people's revolutionary cause; our successes in the cause of renewal are giving the country a new posture and strength to move forward; the development of the scientific and technological revolution and the tendency toward broad cooperation for development in the world and the region are providing us with possible additional resources of importance.

The overall objective set by our 7th Congress for the period up to 1995 is "to overcome difficulties and trials, ensure socio-economic stabilization and development, enhance political stability, and counter negative phenomena and social injustices, leading our country basically out of its present state of crisis". Over the past two and a half years, we have achieved an important part of this objective, especially in the economic area. In the remaining years of this term, it is necessary to mobilize our entire party, people and armed forces to make united and strenuous efforts, promoting our spirit of self-reliance, broadening our international cooperation, practising industry, thrift, honesty and integrity, and making the best of our advantages to neutralize the dangers and overcome the trials, to successfully achieve the said overall objective in order to accelerate the realization of the targets set in our Strategy for Socio-economic Stabilization and Development up to the year 2000, striving for a wealthy people, a strong country and an equitable and civilized society.

Following are the main tasks:

1. To encourage the economic restructuring along the line of industrialization and modernization.

The progress in our economic and social activities along with the broadening and intensifying of our development cooperation with other countries and international organizations have allowed us to take a further step in our cause of *national industrialization and modernization* in order to create more employment, accelerate economic growth and further improve our people's material and cultural life. *This is the central task of prime importance in the coming*

period. Only by industrialization and modernization can we avoid the danger of falling further behind our neighbouring countries, maintain political stability and preserve independence, sovereignty and our socialist orientation of development.

We will not industrialize on the old pattern, nor will we repeat the mistakes of impatience and subjectiveness already criticized at our 6th Congress. Industrialization is, in essence, the construction of the material and technical basis for socialism. It is not simply an increase in the tempo of development and the share of industrial production in the economy. It is a whole process of structural changes coupled with fundamental changes in technology aimed at laying the foundation for rapid growth and high and sustainable efficiency of the entire national economy.

Industrialization must go hand in hand with modernization, combining gradual technological advances with taking advantage of opportunities for short cuts and foresight measures in order to shape development spearheads to keep pace with the advance of world science and technology.

The direction, pace and scope of our process of industrialization and modernization must be thoroughly deliberated on the strength of a firm grasp of the following major approaches:

—To firmly preserve our independence and sovereignty along with broadening our international cooperation, building an internally and externally open economy, and diversifying and multi-laterizing our foreign relations; combining economic development with national defence and security, and associating economic growth with social progress and justice, cultural development and environmental protection.

—To persevere in a strongly export-oriented strategy and, at the same time, substitute imports with products efficiently made at home; promoting the comparative advantages of the whole country as well as of each region and branch in each field and each period; constantly enhance our competitiveness on domestic, regional and international markets.

—to use socio-economic efficiency as the base criterion to determine development orientations and to make investment and technology options.

—To maximize the advantages of the whole country as well as of each region and branch; make appropriate allocations of resources to key fields and areas to soon bring about high efficiency

and at the same time, pay adequate attention to meeting the basic needs and adopt realistic policies, mechanisms and solutions for areas faced with difficulties; promote development cooperation; and ensure all regions and population strata their share and stake in the development.

—To pay attention to the development of small-and medium-sized businesses which require small capital investment and produce early yields, following the guideline of feeding the long-term on the short-term; to build a number of large-scale projects which are necessary and efficient.

—to make intensive investment to maximize the use of existing production potentials and technologies, in which focus will be placed on processes of decisive significance for the quality and competitiveness of products; combine traditional techniques with modern technologies, seeing to it that imported technologies are of advanced standard and giving priority to technologies which require small capital and create many direct and indirect jobs.

From now to the year 2000, great attention must be paid to the industrialization of agriculture and the rural economy. We must effect a comprehensive development of agriculture, forestry and fishery in close association with the development of industrial processing of agricultural, silvicultural and aquatic products, the production of consumer and export goods and the further expansion of trade, tourism and services in both urban and rural areas; step up external economic activities; carry out renewal, expansion, upgradation and construction of selected material infrastructure facilities where lie stumbling blocks for development; selectively build a number of heavy industrial projects in key branches which are of urgent necessity and which have conditions in capital, technology and market to become quickly operational and highly efficient; promote research and development of science and technology, education and training, health care and environmental protection, in order to meet the needs of development in the short and long terms.

While making the most of our immediate comparative advantages in labour force, natural resources and geographic location, we need to concentrate our intellectual capabilities on research to forecast the trends of development in the region and the world as well as the strategies and policies of our partners and competitors, discover new opportunities and new comparative advantages,

foster and bring into maximal use the most decisive resource which is the Vietnamese people so as to determine the direction for long-term development and prepare the necessary conditions for development along that direction.

Industrialization and modernization need much capital. It is necessary to mobilize capital from different sources and make the most efficient use of capital. Of the two, domestic source is of decisive significance and foreign sources, of importance.

To maintain an average annual growth rate of no less than 8%, we must quickly raise our total investment capital to above 20% of the annual GDP in the next few years and even higher in the ensuing years, and couple it with efforts to increase its efficiency. This requires not only great efforts but also appropriate decisions and policies to encourage the entire society to *strive for thriftiness in production and consumption so as to save capital for development investment especially for the production of material wealth.*

An intensive investment from the State budget is of decisive significance for the growth of the whole economy. We should further increase sources for this investment by raising the GDP share in the international financial and monetary institutions; and exercise strict inventory, control and management, effectively allocate and use existing public properties and cut down on siphoning-offs and wastes.

The capital allocated from the budget will be mostly invested in the construction of the system of socio-economic infrastructures, a number of new spearheads and key industries and a number of units for the processing of agricultural, silvicultural and aquatic products, and for export goods and services; and partly in financing job-creation projects, especially for the greening of barren lands and bald hills, and fishery, especially on the high sea.

The State will fund only projects of socio-economic infrastructure where no direct return on capital is possible. The rest of the budget will be allocated in the form of Government credits to be repaid by the users.

It is necessary to renew the capital construction managerial mechanism in order to check negative practices, wastes and siphoning-offs of public capital, especially in the determination of unit price and the acceptance test of construction projects. We will seek the help of prestigious domestic foreign audit and evaluation firms to control the quality and check the prices of imported

materials and equipment. Each project or project item which is to return the invested capital to the State must have someone fully responsible for complete and timely return.

We must make full use of all possibilities of the people and businesses of all economic sectors in savings and self-investment in various forms so that all potentials, large and small, will be tapped and all amounts of capital, big and small, yield profits, helping to gradually increase the ratio of these capital sources in the total investment capital of the society.

To broaden the scope and heighten the efficiency of our investment, we should pay great attention to the revision and perfection of the necessary *macro policies*, first of all.

+ To stabilize the macro-economic environment, consistently pursue the multi-sector economic policy and protect all legitimate forms of ownership and the right to free and lawful enterprise; promulgate a law on domestic investment and other required regulations and procedures to encourage and support efforts for development investment.

+ To renew the national financial policies, well handle the relations between the State finances and those of the businesses and population, satisfactorily settle both the needs of mobilizing revenues for the national budget and generating self-financed investment from each business and individual, ensure the interests of investors and create motivations for the expansion of the scope of production and business.

To form and develop a capital market whose core is composed of investment and commercial banks, financial firms and insurance companies. To continue reforming the banking system, making it compliant with the principles of the market mechanism and international practices in order to make efficient capital mobilization and loans to meet the increasing growth needs of the national economy. To develop various forms of joint-stock companies and step by step expand the issuance and circulation of shares and government and treasury bonds to lay the premise for the formation of a stock market.

+ To revise and adjust mechanisms and policies to strictly enforce thriftiness in the activities of all offices of the Party, State, Armed Forces, Public Security, mass organizations, businesses and the population as a whole in order to pool capital for development investment.

+Along with the tapping of all domestic resources, we should urgently create the necessary conditions to attract more and efficient foreign capital and technology. Broad policies should be adopted to strongly attract foreign investment. Mechanisms and responsibilities should be defined for the taking and repaying of foreign loans so as to *ensure their efficient use and avoid piled-up debts*. We should undertake zoning, first of all, of the key areas such as export processing and special economic zones and industrial estates. We should formulate investment projects and weigh the order of priority to be given to projects which require foreign investment. We should ensure that the locating of important projects is based on sound scientific judgement and mistakes of long-lasting effects are avoided. We should also continue to improve the investment environment, both in legal and institutional matters and in the working and living conditions of foreign investors.

Efforts to encourage direct foreign investment must be placed within a synchronized development strategy and managerial mechanism to ensure our sovereignty and the State's capability of controlling and orienting the process of socio-economic development. We should build a mechanism of state management of the implementation of foreign-invested and other projects which have been completed and put into operation. Along with the diversification of the forms of investment, we should gradually increase Vietnam's shares in joint ventures.

The scientific and technological branches should focus their research on the quick application of scientific and technical advances to production and business to meet the need of restructuring the economy along the line of industrialization and modernization and the requirements for new equipment of the national economy, and to upgrade the existing technologies, modernize traditional techniques and absorb new technologies in an appropriate manner. They should contribute to the strict control and evaluation of imported technologies. Attention should be paid to the development of electronics, informatics, biotechnology and new materials.

Through their practices of renewal, they should stay in close touch with life and make timely discovery of the people's initiatives and upgrade them. They should practically step up their research work and continue to shed light on problems of our strategy for industrialization and modernization.

2. To consistently effect policies for the development of a multi-sector economy, create more motivations and favorable environment for the economic sectors and businesses of all forms to make fast development and achieve high efficiency.

To continue to adjust the *State-run businesses* and make them operate efficiently and capable of playing their leading role in the national economy, is a task of utmost importance and urgency. Their role is manifested in their paving the way and providing support for the other economic sectors to develop, giving impetus to the fast and sustainable development of the economy and serving as an important instrument of material strength for the State to regulate and guide the multi-sector market economy to develop along the socialist orientation.

We should draw the line between State ownership and State-run businesses. The asset and capital owned by the State will be used in many different forms, both to ensure a high socio-economic efficiency and to strengthen the State's capabilities in promoting and exerting direct control over economic activities, such as through investment in State-run businesses (with 100% capital or with the State holding the controlling stocks), long-term allocation of the right to use (land, forest areas, etc). leases and concessions (for mines), joint ventures, and through buying shares and stocks from businesses of other economic sectors.

We should concentrate on State-run businesses in those industries, areas and services such as socio-economic infrastructure, financial-banking system insurance system and a number of pivotal production and services establishments which provide guarantees for the entire economy to develop with high efficiency. We will not preclude the participation at different levels and in different forms of the other economic sectors in these fields. Along this line, we will be able not only to cut down on the number of State-run businesses which no longer need to retain their State-run status but also to consolidate, expand and build necessary ones.

We should consolidate and develop State-run businesses in agriculture, silviculture and fishery along the line of joint venture and cooperation with businesses of the other economic sectors so as to bring into full their role as regional centres of industries and services (especially in processing industries), of sciences and technologies, and of cultural and social activities.

We should streamline and strengthen the system of State-run

commerce, maintain a good control over import and export and the supply of key materials, control wholesale trade, maintain a necessary share in retail trade and, together with the other economic sectors, strive for the stability and healthy development of the domestic market. We should ensure unhindered circulation of goods, help and spur the development of production, and protect the interests of both producers and consumers.

We should effect fundamental changes to the organization and managerial mechanism of State-run enterprises so as to ensure both their own autonomy in the market mechanism and the control by the State. The root cause of the inefficiency, negative practices and wastefulness at many State-run enterprises is the absence of direct ownership of public properties with clearly defined responsibilities and interests in their effective use and the fact that workers and employees have neither the permanent and steady motivations in associating themselves with the development of their enterprises nor the material authority and an organization strong enough to take part in the enterprises' business decisions, thus helping check right at the roots corruption and loss and damage of public properties. We have to find by all means a solution to that state of affairs.

+ To effect such forms of equitization as suit the character and specialties of each field of production and business in order to create more sources of capital and the motivations for checking negative practices and encouraging State-run businesses to work more efficiently.

+ To sell gradually and assuredly a portion of shares to local workers and employees; to distribute profits proportionate to basic wages and shares.

+ to conduct trial sale of some of the shares and stocks in a number of State-run enterprises to outside organizations and individuals.

+ to set up, on the basis of equitization, the Board of directors composed of representatives of the ownerships by the State, the local workers and the others. To define institutions and criteria for the Board of directors to select an executive director.

+ To perfect and apply on a broad basis forms of contractual work at State-run enterprises.

The State should help, encourage and effect, through gradual and assured steps conformable with the requirements of economic development, the renewal of unions of enterprises and general

companies in the direction of forming business groups and overcoming administrative and intermediary practices.

To gradually abolish the system of owning ministries and controlling administrative levels and the discrimination between centrally-and locally-run enterprises.

State agencies of all branches and at all levels must help State-run enterprises work efficiently, especially in their handling of questions related to capital, technology, marketing and personnel training and employment. For those enterprises serving public socio-economic interests but producing a low level of direct profits or even suffering from losses, the State should adopt appropriate preferential policies which, however, must not encourage dependency. Rules should be enforced to ensure the State's control in keeping with its function and, at the same time, overcome the practice of casual inspections having a bad effect on enterprises. For State-run enterprises operating in non-essential fields and services and having suffered from prolonged losses without any chance for bail-out, they should be dealt with once and for all with measures set by the Second Plenum of the Party Central Committee (7th Tenure).

We should renew cooperative economy and promote the autonomy of co-op farmers' household economy. The State should help, support and guide the development of the cooperative economy of different forms and in different branches and fields, on the principles of voluntariness, mutual benefit, democratic management and integration of the strength of the collectives with that of co-op farmer households.

We should renew our cooperatives and develop cooperative economies in agriculture, silviculture and fishery in line with the Resolution of the Fifth Plenum of the Central Committee (7th Tenure); and deal once and for all with cooperatives which have stagnated over a long period.

We should continue to study, renew and promote different forms of cooperative economy in small industries and handicrafts, credit, commerce and services. Cooperatives can deal in general businesses in different trades and geographical areas without being restricted by administrative boundaries. Beside contributions in the form of stocks from their members and undivided collective assets, cooperatives can mobilize capital and manpower from outside their membership. Cooperative members are entitled

to incomes from their cooperatives proportionally with their contributions in labour and stocks. The cooperative will have different levels of collectivization of production means, depending on the need of production and business and the aspirations and interests of their members.

The individual and small-owner economies are mostly in the form of household economy and now form a large section with great potentials and of long-term importance. We should adopt policies to support and assist these economies in capital, technology, market information, etc., helping them do productive business, create more jobs and contribute to national development. At the same time, we should guide and motivate the individual economy to step by step take part voluntarily in cooperative economy.

The private capitalist economy at home and abroad is growing day by day and has made positive contributions to the cause of national construction. The State should continue to encourage the development of private capitalist economy in industries and fields not forbidden by law; protect the legal ownership right and interests of private business people; join them in investing capital for development on the basis of mutual agreement; encourage owners of private enterprises to sell preemptive stocks to their own workers; and assist and guide them in overcoming difficulties and observing laws in their businesses. The State should also have specific regulations and organizations to enforce its State management functions over businesses with direct foreign investment.

Along with the State's audit and control, there should be grass-roots units of the Party, trade unions and other socio-political organizations of the people at private enterprises and joint and cooperative ventures of domestic partners or between domestic and foreign partners to encourage efficient production and business, protect the legitimate interests of the employees and fight against unlawful doings.

Conditions and a legal environment should be created for lawful competition and voluntary and mutually beneficial cooperation and joint ventures between enterprises without restriction as to owning ministries or localities; with big-sized State-run enterprises as the core, to form business groups capable of competing on the home market and overseas.

3. To build synchronously the market mechanism under State management and with socialist orientation

We should continue to synchronously build a new economic institution, persevere in our process of shifting to the market mechanism along with upgrading the State's managerial capabilities.

We should perfect mechanisms and policies to create necessary conditions for the market mechanism to operate efficiently: to ensure the autonomy of the business entities; prices should be set chiefly by the market; and market signals are very important bases for allocating resources to different areas of production and business. We should encourage lawful and healthy competition, restrain monopoly; and allow business people to make profit legally...

The State should directly set the prices of only a small number of goods and services which either have especially important socio-economic significance or require strict monopoly, but this, too, cannot be done outside market regulation; set correct prices for electricity, drinking water, gasoline and fuel, transportation, etc.; abolish subsidies, and regulate incomes appropriately, create, create conditions for expanded reproduction and reduction of waste in consumption; observe the principle of really positive profit, closely follow the fluctuation of the inflation rate, and create favourable conditions for both attracting capital and lending for development; well regulate the exchange rate to ensure that it is realistic, relatively stable but not rigid, in order to help promote export and control import; form a reasonable system of labour costs (wages); adopt selective subsidies for farm produce and export goods, protect domestic production in an appropriate manner and protect the interests of both producers and consumers.

We should form in a synchronized way different types of markets such as goods and services, labour, capital, technology, real estate, etc.

We should enhance the State's macro management to orient and direct the development of the whole economy and society, create the economic environment and legal framework for production and business activities, promote the positive aspects, prevent and control the spontaneous and negative impacts, and overcome the defects inherent in the market mechanism, making the market a real and important instrument for the more effective allocation and use of resources, the distribution and redistribution of the national income, the proper relationship between accumulation

and consumption, and the regulation of the interests of different economic sectors and different population strata in order to meet the needs of accelerated development, higher stability and better social justice.

The State's macro management should cover the entire national economy and all the economic sectors, not the State sector alone. The macro management of the economy should be further concentrated in the hands of the Government, along with the broadening of the responsibility and authority of the branches and localities in questions which can be more efficiently handled at their levels. The enterprises' autonomy in business should be ensured.

The specialized ministries should concentrate efforts to fulfill well their role as strategic planners and policy makers for the development of their branches, and provide guidance, support, inspection and control for enterprises of all sectors and in all geographic areas in line with their function as the State managers of their specific economic-technological areas. The managerial role of the general ministries over the branches and fields should be strengthened to ensure that not a single socio-economic activity stay outside the State's effective macro management.

The administration at all levels have to discharge their State management functions in their areas, with regard to all enterprises of all economic sectors, without distinction between central and local economies.

We should perfect the legal system and see that the laws are strictly observed.

We should consolidate and strengthen the advisory role of the planing agencies, helping them well perform their functions in scheming and planning for development orientation, calculating and maintaining macro balances and executing designs for restructuring investments and the economy, so that they can serve as the centre for the regulation and coordination of resources mobilized at home and abroad and their effective utilization for socio-economic objectives.

We should continue to further the profound and comprehensive reform of the financial-monetary system.

We should well tackle the following economic relations along the line of increasing the accumulation for development investment and ensuring a unified management of the national finances:

relations between accumulation and consumption, between State finances and business and population finances, between central and local budgets, between statutory spending and spending on development investment and national defence and security, between mobilization of domestic capital and mobilization of foreign capital, between meeting the immediate needs and savings and development investment for long-term interests, and between the enterprises' autonomy and the State's strict inventory and control in financial matters.

We shall keep the budget deficit at below 5% of the GDP, increase revenues to cover expenditures and will not issue money to make up for the budget deficit, and eventually achieve budget balance.

We should reform the accounting system, expand both State and private audit activities.

The Central Bank is responsible for shaping and effecting the monetary policy to ensure the supply of the necessary amount of money for smooth monetary circulation, control inflation and, in coordination with the financial, commercial and pricing agencies, maintain the annual price-hike index at single digit. We should strive to balance our international payments and increase our foreign exchange reserve.

The banking system has to well perform its functions in effective capital mobilization and lending to meet the need of investment for economic development and in serving as the centre for payment and monetary circulation of the whole society.

We should improve the mechanism for management of foreign exchange, creating conditions for making the Vietnam Dong freely convertible and the only payment instrument throughout the territory of Vietnam.

Economic growth must be associated with social progress and justice right in every step of development. Social justice must be exercised through the reasonable distribution of both production factors and results as well as conditions for the development of the capabilities of all community members.

We should apply the principle that he who works with higher efficiency and makes greater contribution enjoys higher income and vice versa; oppose egalitarianism, reliance on dependency. Reward according to work done should be the main form of distribution of production gains, in which encouragement and

appropriate reward should be given to talents; and at the same time, distribution should be made according to the levels of capital contributed to production and business.

Encouragement to lawful accumulation of wealth should be coupled with efforts to reduce poverty. We should consider the fact that a portion of the population will get rich before others as a necessity for development. At the same time, we should adopt reasonable preferential policies on credit, tax and vocational training to create conditions for the poor to rise above themselves to make ends meet and eventually become well-off. Areas which have become rich and developed before others should join the State to assist and encourage the poorer and less developed areas. The rich should be encouraged to join the State in assisting the poor in terms of capital, tools, materials, experience and the way of doing business.

We should set up an all-people fund to show gratitude to those who have done meritorious services to the country.

We should adopt policies of reasonable redistribution in regard of the rich and encourage enterprises, organizations and individuals to voluntarily take part in humanitarian, fraternal and charitable activities to assist victims of war and natural calamities and the handicapped, elderly, helpless and disabled.

We should promote the responsibility of each and every citizen to solve problems of their own and their families; and at the same time heighten the common responsibility of the entire society on the strength of our nation's humanist tradition.

Fighting against corruption is a burning and pressing problem at present. It must be carried out in a resolved and thorough manner throughout the apparatus at all levels and in all branches from the centre to the grass-roots. We should synchronously effect the following main measures:

—To revise, amend and supplement the mechanisms, policies, laws and working statutes of all State agencies and employees. To overcome at any rate the loopholes in the managerial mechanism. To see to it that all public properties have personnel responsible for their protection, utilization and up-gradation, so that when an act of corruption is committed, it can be promptly uncovered and dealt with.

To renew and strengthen book-keeping and accounting services. To make wide use of consultancy, evaluation and audit

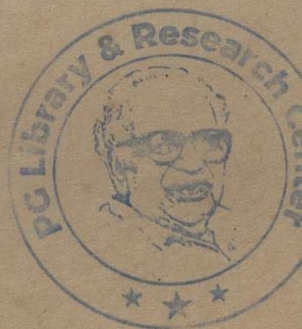
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services.

To streamline the apparatus, cut down on expenditures which are not really necessary, ensure a decent wage for the wage earners.

—To increase the education of Party cadres and members and steel their revolutionary qualities and virtues. The head of any services, locality or unit shall have to take responsibility for the cases of corruption in the domain under their direct charge. To heighten the sense of leadership responsibility of the grass-roots Party organizations, to organize and stimulate Party members and others to fight against corruption.

—To strictly enforce control, inspection and supervision measures by authorized offices and people's organizations to make timely exposures of the corrupt. To deal in a timely, just and lawful manner with cases of corruption, especially serious ones, irrespective of the positions and ranks of the law breakers.



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R.N. 45879/83



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