

# REPORT ON THE WORK OF THE GOVERNMENT

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Fellow Deputies,

On behalf of the State Council, I now present to you the report on the government's work of the past five years and suggestions for its work this year for your deliberation and for comments from the members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

## I. Review of Work in the Past Five Years

The past five years since the First Session of the Eleventh National People's Congress were a truly extraordinary period of time in the course of China's development.

- We effectively countered the severe impact of the global financial crisis and maintained steady and fast economic development.
- China's GDP increased from 26.6 trillion yuan to 51.9 trillion yuan, and now ranks second in the world.
- Government revenue went up from 5.1 trillion yuan to 11.7 trillion yuan.
- A total of 58.7 million urban jobs were created.
- The per capita disposable income of urban residents rose by an annual average of 8.8%, and the per capita net income of rural residents rose by 9.9%.
- Grain output increased for the ninth consecutive year in 2012.
- Progress was made in key areas of reform; and the open economy reached a new stage of development.
- We made China more innovative. Breakthroughs were made in developing manned spaceflight and the lunar exploration program, building a manned deep-sea submersible, launching the Beidou Navigation Satellite System, developing supercomputers and building high-speed railways. China's first aircraft carrier, the *Liaoning*, was commissioned.
- We successfully hosted the Games of the XXIX Olympiad and the XIII Paralympic Games in Beijing and the World Expo in Shanghai.
- We successfully mitigated the impact of the massive Wenchuan earthquake, the strong Yushu earthquake, the huge Zhugqu mudslide and other natural disasters and carried out post-disaster recovery and reconstruction.
- China's productive forces and overall national strength, its living standards and social security, and its international status and influence all improved significantly.
- We successfully completed the Eleventh Five-Year Plan and got off to a good start in implementing the Twelfth Five-Year Plan.

- We made significant socialist economic, political, cultural, social, and ecological progress, and wrote a new chapter in building socialism with Chinese characteristics.

The following are the main work we accomplished over the past five years and its main features:

*I. Effectively responding to the global financial crisis and promoting steady and rapid economic development*

In the past five years, we averted the grievous consequences of the global financial crisis, whose abruptness, rapid spread and profound impact were rarely seen in the past century. We responded to the crisis calmly, made timely and decisive adjustments to the focus of macro-control, adopted ten measures to increase domestic demand and promote steady and rapid economic growth, and implemented a comprehensive package plan. In a two-year period, an additional four trillion yuan of government investment was made, with 1.26 trillion yuan from the central government, mainly for building government-subsidized housing, improving rural people's wellbeing, building infrastructure, developing social programs, improving the environment, promoting innovation, and carrying out post-disaster recovery and-reconstruction.

Over the past five years:

- More than 18 million government-subsidized housing units of various types were built, and over 12 million housing units in run-down areas were upgraded.
- A total of 18,000 large and medium-sized and key small reservoirs were reinforced, 24,500 kilometers of key small and medium-length rivers were harnessed, and water-saving irrigated farmland was increased by 7.7 million hectares.
- A total of 19,700 kilometers of new rail lines were built, 8,951 kilometers of which are high-speed railways.
- The high-speed Beijing-Shanghai, Beijing-Guangzhou and Harbin-Dalian railways and a number of intercity railways were opened to traffic.
- A total of 609,000 kilometers of new roads were built, 42,000 kilometers of which are expressways, increasing the total length of expressways in service to 95,600 kilometers.
- Thirty-one airports and 602 shipping berths for 10,000-ton ships were built.
- A number of bridges over rivers and bays and linking islands with other islands and the mainland were completed.
- Smooth progress was made in major projects such as those for transporting

natural gas and electricity from the west to the east and diverting water from the south to the north, and some of the projects have been completed.

- Non-fossil energy production developed rapidly, and China now ranks first in the world in the installed capacity of both hydropower and wind power.
- Reconstruction of the Wenchuan, Yushu and Zhugqu disaster areas transformed them completely.

These impressive achievements played a vital role in our effective response to the severe impact of the global financial crisis, and laid a solid foundation for sustaining China's economic and social development. They have benefited and will continue to benefit hundreds of millions of people.

We always strove to maintain a balance between ensuring steady and rapid economic development, adjusting the economic structure, and managing inflation expectations. We made government macro policies more forward-looking, scientific and effective and implemented them with proper orientation, force and focus.

When the impact of the global financial crisis was at its worst, we resolutely implemented a proactive fiscal policy and a moderately easy monetary policy, employed a full range of financial policy tools, increased government spending and made structural tax reductions. We effectively employed monetary policy instruments such as adjusting required reserve ratios and interest rates to maintain proper growth in the money and credit supply.

In response to changing macroeconomic trends, we promptly adjusted the intensity of policy implementation, reduced the force of stimulus policies at an appropriate time, and implemented a proactive fiscal policy and a prudent monetary policy.

We took a holistic and balanced approach in employing fiscal policy. As a result, the government deficit dropped from 2.8% of GDP in 2009 to about 1.5% last year, and both deficit-to-GDP and debt-to-GDP ratios remained at a safe level. We strengthened comprehensive auditing of local governments' debt and management of their financing platforms, thus effectively controlling latent economic risks.

In employing monetary policy, we maintained a balance between ensuring steady growth, maintaining price stability and warding off risks. The financial system functioned soundly. The banking sector became better able to avert risks. Its capital adequacy rate increased from 8.4% at the end of 2007 to 13.3% by the end of last year, and its non-performing loans were kept at a low level, dropping from 6.1% to 0.95%.

We kept a firm grip on the real estate market and kept housing prices from rising too quickly.

In 2012, when other major economies in the world were experiencing a slowdown in growth and constantly encountered new risks, we maintained a proper intensity in policy implementation, kept budgetary spending unchanged, improved the spending mix, and reversed the decline in economic growth. As a result, we attained all the main targets set at the beginning of the year: GDP grew by 7.8%, 12.66 million urban jobs were created, and the rise in the CPI fell to 2.6%. All this laid a good foundation for China's economic development this year.

Over the past five years:

- China's economy as a whole maintained steady and rapid growth.
- Prices remained fairly stable.
- Employment steadily increased.
- The balance of payments moved toward equilibrium.
- GDP grew at an average annual rate of 9.3%, considerably higher than the average global rate and the average rate of other emerging economies for the same period.
- China's inflation rate was also much lower than that of other emerging economies.

The Chinese economy is stable and full of vitality,

In the last five years, faced with severe challenges posed by a complex and volatile international economic environment and a sluggish global economy, the central leadership, on the basis of a scientific judgment of the situation, made resolute decisions that steered China's modernization drive clear of major pitfalls created by huge external shocks. Experience fully proves these decisions and implementing steps were entirely correct.

## *2. Accelerating adjustment of the economic structure and improving the quality and performance of economic development*

We adhered to the strategy of expanding domestic demand. As a result, the contribution of domestic demand to economic growth increased significantly, and the share of current account surplus in the GDP dropped from 10.1% to 2.6%.

The upgrading in the mix of private consumption accelerated.

- At the end of 2012, the per capita living area of urban and rural residents was 32.9 square meters and 37.1 square meters respectively, an increase of 2.8 and 5.5 over 2007.
- Car ownership stood at 21.5 cars per 100 urban households, an increase of 15.5 over 2007.
- Travel- and entertainment-related spending has risen substantially.

We adhered to the new path of industrialization with distinctive Chinese features and promoted transformation and upgrading of industrial sectors.

- China's manufacturing industry became the largest in the world. With added-value growing at an average annual rate of 13.4% during the past five years, high-tech manufacturing has become a leading pillar of the economy.
- Strategic emerging industries grew rapidly, including clean energy, energy conservation, environmental protection, next-generation information and communication technology, biomedicines, and high-end equipment manufacturing.
- The overall quality of manufactured goods steadily improved.
- The share of value-added of the service sector in the GDP increased by 2.7 percentage points, and it now creates more jobs than any other sector.

We made steady progress in conserving energy, reducing emissions, and protecting the environment. Over the past five years, the following backward production facilities were closed:

- Iron works with a total output capacity of 117 million tons.
- Steel mills with a capacity of 78 million tons.
- Cement plants with a capacity of 775 million tons.

Moreover, in the past five years:

- Daily urban sewage treatment capacity increased by 46 million tons.
- Energy consumption per unit of GDP fell by 17.2%.
- Total chemical *oxygen* demand fell by 15.7%.
- Total sulfur dioxide emissions fell by 17.5%.
- Environmental air quality standards were revised.
- The air quality index for monitoring fine particulate matter (PM<sub>2.5</sub>) was added.

Progress was made in major ecological projects to protect virgin forests, afforest marginal farmland, and prevent and control desertification. Over the past five years:

- An additional 29.53 million hectares of land were planted with trees.
- Desertification was halted on 11.96 million hectares of land.
- Soil erosion on 246,000 square kilometers of land was brought under control.
- A total of 180,000 square kilometers of land were improved.

We implemented the master strategy for regional development, promulgated and implemented the national plan for developing functional zones, formulated new 10-year guidelines for the large-scale development of the western region and a number of regional development plans, and accelerated leapfrog development of Tibet and Xinjiang. We

formulated and implemented a new ten-year program for rural poverty alleviation and development, raised the poverty line to 2,300 yuan at 2010 prices, and intensified efforts to alleviate poverty in contiguous areas with acute difficulties. Major economic indicators rose faster in the central and western regions and northeast China than the national average. Transformation and upgrading of the industrial sector in the eastern region accelerated, and a pattern of regional development is taking shape in which each region both has its distinctive strengths and draws on the strengths of other regions.

We advanced urbanization actively yet prudently. Over the past five years:

- A total of 84.63 million rural residents migrated to urban areas.
- The urbanization level rose from 45.9% to 52.6%, marking a historic turning point in China's urban-rural population structure.

Development between urban and rural areas and between regions became more balanced.

*3. Unremittingly doing our work related to agriculture, rural areas, and farmers well, and consolidating and strengthening the position of agriculture as the foundation of the economy*

We carried out agricultural modernization while deepening industrialization, application of information and communication technologies (ICT), and urbanization, and we pooled resources to accomplish a number of major tasks that are important to the long-term development of agriculture and rural areas and to the vital interests of farmers.

- We increased central government spending on agriculture, rural areas and farmers, which totaled 4.47 trillion yuan for the past five years and rose by an average annual rate of 23.5%.
- We established a sound system for subsidizing grain farmers and a sound mechanism for subsidizing major grain-producing areas, broadened the coverage of the subsidies, and raised them every year, from 63.9 billion yuan in 2007 to 192.3 billion yuan in 2012.
- We provided more rural financial services, and the outstanding balance of bank loans to agriculture, rural areas and farmers increased from 6.12 trillion yuan at the end of 2007 to 17.63 trillion yuan at the end of 2012.
- We carried out the policy of minimum grain purchase prices and raised the floor prices for wheat and rice between 41.7% and 86.7%.
- We intensified protection of farmland and farmers' rights and interests, and made a lot of preparations to improve the system of compensating for expropriation of rural collective land.

- We made greater progress in agricultural science and technology and the development of modern agriculture, and we increased support for cultivating superior varieties and breeds, preventing and controlling animal and plant epidemics, and spreading agricultural technology in villages.
- We built more water conservancy projects, improved rural land, developed high-grade farmland, and kept the country's total area of farmland over 121.3 million hectares.
- Thanks to these efforts, China's overall grain production capacity reached a new level, and its grain output in each of the past six years increased and exceeded 500 million tons,
- We strengthened rural infrastructure such as roads and water, power and methane supply capacity. We built or upgraded 1.465 million kilometers of rural roads, renovated run-down houses for 10.33 million rural households, provided safe drinking water for an additional 300 million plus rural residents, and delivered electricity to 4.45 million people in areas without power supply. This led to steady improvement in rural productivity and quality of life.
- We encouraged surplus rural workers to find nonagricultural employment. The per capita net income of rural residents grew rapidly, and the relative income gap between urban and rural residents has progressively narrowed since 2010.
- We deepened overall rural reform.
- We basically completed the main tasks for reforming the collective forest tenure system, made comprehensive progress in determining, registering and certifying collective land ownership, and carried out trials for registering contracted rural land-use rights.

Sound agricultural and rural development provided important support for China to counter the severe impact of the global financial crisis and natural disasters and maintain overall stability in economic and social development.

*4. Steadfastly implementing the strategy for making China strong through the development of science and education, and boosting the country's core ability to sustain economic and social development*

We accelerated implementation of the National Plan for Long- and Medium-Term Scientific and Technological Development; formulated and implemented the National Plan for Long- and Medium-Term Education Reform and Development, the National Plan for Long- and Medium-Term Development of Competent Personnel and the national strategy on intellectual property rights. This gave impetus to all-around progress in science and

technology, education, and culture and laid a solid foundation for ensuring China's long-term development.

We gave high priority to developing education. Government spending on education totaled 7.79 trillion yuan over the past five years, increasing at an average annual rate of 21.58% to reach 4% of GDP in 2012. We allocated educational resources, giving priority to rural, remote, poor and ethnic minority areas and made notable progress in improving fairness in education. We made free nine-year compulsory education universal across the country, benefiting 160 million students. A three-year action plan for preschool education was carried out, and the shortage of preschools was eased. We improved the system of state financial aid to students, and established a system for giving students from poor families financial aid from preschool through graduate school. We spent approximately 100 billion yuan annually for this purpose and assisted nearly 80 million students. We implemented the policy of tuition-free secondary vocational education for all rural students and all urban students who study agriculture-related majors or are from poor families. The problem of providing compulsory education to children of rural migrants working in cities was basically solved, and 12.6 million children with rural residence status are now receiving compulsory education in cities. We implemented the plan for improving nutrition of rural students receiving compulsory education to the benefit of over 30 million students. We completed the project to improve the safety of primary and secondary school buildings. We sped up development of infrastructure for vocational and special education. The pay of teachers in compulsory education is now linked to their performance. Students majoring in education at teachers universities directly under the Ministry of Education were exempted from paying tuition, and the ranks of rural teachers were strengthened. The quality and level of education in China was comprehensively raised, and the gross college enrollment rate rose to 30%. The education level of the people was raised significantly, and the average length of schooling of people over the age of 15 now exceeds nine years.

We vigorously promoted innovation. The central government spent 872.9 billion yuan to develop science and technology in the past five years, with an average annual increase of over 18%. China's R&D spending accounted for 1.97% of GDP in 2012, up from 1.4% in 2007, and over 74% of this spending was made by companies. The Guidelines on Deepening Reform of the Management System for Science and Technology and Accelerating Development of a National Innovation System were adopted. We carried out a national technology innovation project and a knowledge innovation project, made solid progress in implementing major national R&D projects, and set up a number of

national engineering centers, key laboratories and enterprise technology centers. We boosted basic research and research in frontier areas, made breakthroughs in a number of core and key technologies, and filled in gaps in many important products and equipment.

We implemented the strategy for making China strong through training competent personnel. We trained more personnel of all types, with the focus on high-level and highly skilled personnel. As a result, the number of personnel with special expertise and highly skilled personnel increased by 8.6 million and 8.8 million respectively. A total of 540,000 overseas students returned.

We put greater effort into developing the cultural sector. A network of public cultural facilities covering both urban and rural areas is taking shape, and all museums, libraries and cultural centers in China are open to the public free of charge. We basically transformed state-owned for-profit cultural institutions into business enterprises, and deepened reform of internal operating mechanisms of nonprofit cultural institutions. Philosophy and the social sciences, the press and publishing, radio, television and film, and literature and art are flourishing, and cultural industries developed rapidly. We made major progress in protecting cultural relics and preserving and passing on intangible cultural heritage. Cultural exchanges with other countries increased. New progress was made in nationwide fitness activities and competitive sports.

*Fifth, putting the people's interests first and striving to ensure and improve their wellbeing*

We made expanding employment the top priority in ensuring and improving people's wellbeing and pursued a proactive employment policy. Over the past five years, we allocated 197.3 billion yuan of employment funds to help targeted groups obtain employment and to improve vocational training and employment services. As a result, 28 million university graduates and 8.3 million urban residents having difficulty finding jobs found employment. All this kept the overall employment situation stable.

We made comprehensive progress in developing the social security system: A new old-age insurance system for rural residents and an old-age insurance system for non-working urban residents were established, and the basic old-age insurance system now covers both urban and rural residents. A total of 790 million people are now covered by different old-age insurance schemes. Basic pensions for enterprise retirees rose from an average of 700 yuan per month in 2004 to 1,721 yuan at present. We extended social security coverage to retirees of closed or bankrupt enterprises, employees of enterprises with operating difficulties, employees of state-owned enterprises who suffered work-related injuries in the past, and uninsured retirees of collectively owned enterprises.

We deepened reform of the medical and health care systems, established a new type of rural cooperative medical care system and a basic medical insurance scheme for non-working urban residents. A basic medical insurance system that covers the whole population is taking shape, and over 1.3 billion people are now covered by different medical insurance schemes. We improved community-level medical and health care services, and established a system for using basic drugs and implemented it in community-level medical institutions. Steady progress was made in the trial reform of public hospitals. People's health further improved, and the average life expectancy reached 75 years.

The systems for aiding needy rural and urban residents with subsistence allowances, medical care, education and legal assistance were improved. We reformed and improved systems for providing social security to orphans, helping and protecting homeless children, and giving childless and infirm rural residents assistance in the form of food, clothing, medical care, housing, and burial expenses.

We promulgated and implemented new programs for the development of Chinese women and children, and protected their legitimate rights and interests in accordance with the law.

We established a sound government-subsidized urban housing system and extended it to cover 12.5% of the country's urban households by the end of 2012.

Historic achievements were made in developing the social security system. We strengthened and made innovations in social management, put in place a sound emergency response system, encouraged urban and rural communities to fully play their self-governance and service roles, and maintained social harmony and stability.

*Sixth, deepening reform in key areas and enhancing the vitality of economic and social development*

We lost no opportunity to carry out reform and achieved great progress in a number of key areas.

We vigorously reformed the fiscal and taxation systems, improved the system of transfer payments and established a mechanism for ensuring basic funding for county-level governments across the country. County- and township-level governments became more capable of providing basic public services. We put in place the basic framework of a system of budgets for public finances, government-managed funds, state capital operations and social security funds, and all extrabudgetary funds were placed under budgetary management. We unified the corporate tax systems for domestic and overseas-funded enterprises, implemented VAT reform, reformed pricing of refined oil

products and related taxes and fees, carried out pilot projects to replace business tax with VAT, and reformed the resource tax system. This strengthened the role of the fiscal and taxation systems in accelerating the change of the growth model.

We comprehensively deepened reform of the financial system. Specifically, we smoothly completed the transformation of large state-owned commercial banks into joint-stock companies and carried out reform of policy-based financial institutions in an orderly way. We made notable achievements in reforming rural credit cooperatives, implemented new oversight and supervision standards in the banking industry, launched the ChiNext stock market, and introduced stock index futures and securities margin trading. We deepened reform of the insurance industry and opened it wider. We improved the mechanism for setting the RMB exchange rate, made steady progress in making interest rates more market-based and promoting the RMB's convertibility under capital accounts, established a macroprudential policy framework, and expanded the use of the RMB in cross-border trade and investment. China's banking, securities and insurance industries became significantly more resilient to risks and internationally competitive, and they underpinned our successful response to the global financial crisis.

Reform of state-owned enterprises deepened, their performance improved and their competitiveness was significantly enhanced. We formulated the Guidelines on Encouraging and Guiding the Sound Development of Nongovernmental Investment and rules for their implementation, and the environment for the development of the non-public sector of the economy improved. We adopted a system for compensating for ecological damage and carried out trials for trading pollution discharge and carbon emission rights. We carried out function-based reform of public institutions.

*7. Unswervingly opening wider to the outside world and comprehensively improving the performance of the open economy*

We actively responded to drastic changes in the external environment, promptly introduced policies and measures to stabilize external demand, and implemented the strategy of diversifying markets. During the past five years, China's import and export volume grew by an annual average of 12.2% and rose from third to second place in the world. China has become the largest exporter in the world, and its international market share increased by over two percentage points over 2007. China's import and export mix improved; and its status as a trading power was further strengthened.

Over the past five years, we utilized US\$ 552.8 billion of foreign investment, considerably improved the structure and distribution of this investment, and made much better use of it.

We quickened the implementation of the “go global” strategy and encouraged enterprises of various types to invest and operate overseas. Non-financial outward direct investment increased from \$24.8 billion in 2007 to \$77.2 billion in 2012, growing at an average annual rate of 25.5%. This turned China into a major overseas investor country.

Opening up vigorously stimulated China's economic development and structural improvement, brought in advanced foreign technologies and managerial expertise, and increased employment and workers' income, and also made an important contribution to global economic recovery.

*8. Effectively strengthening governance and deepening reform of the administrative system*

We proceeded with the reform of government agencies and put in place the basic institutional framework for establishing larger government departments that integrate the functions smaller ones had performed. We always observed the following basic norms in exercising governance: making policy decisions scientifically and democratically, conducting administration in accordance with the law, promoting transparency in government operations, improving the oversight system and upholding integrity. We adopted new measures and made new progress in exercising government *power* according to due procedures and in building a service-oriented, accountable, law-based and clean government. We took the following steps to improve government decision-making procedures: making policy decisions scientifically and democratically in accordance with the law; soliciting opinions from the public; and conducting expert evaluation, risk assessment, legality review, and collective discussion.

We deepened reform of the system of review and approval by government bodies and eliminated or streamlined 498 items requiring such review and approval in two stages over the past five years. Departments of the State Council eliminated or streamlined 2,497 items requiring their review and approval, 69.3% of the original total.

We took "major steps to increase transparency in government operations, with the focus on government budgets and final accounts, as well as on expenditures for official hospitality, purchase and use of official cars, and overseas trips for official purposes. This made it possible for the people to learn more about how the government functions, and thus more effectively oversee its operations.

Auditing oversight was intensified and became more effective. We comprehensively intensified efforts to fight corruption and build a clean government, and strengthened oversight and supervision of leading officials to ensure that they maintain personal integrity and are self-disciplined. We took steps to put in place a system of

performance-based management of government officials, established and earnestly enforced the system of governance accountability focusing on leading government officials, and improved efficiency in governance.

Fellow Deputies,

Over the past five years, we implemented the Law on Regional Ethnic Autonomy, improved the policy system for supporting the development of ethnic minorities and ethnic minority areas, and infused new vitality into the cause of promoting unity and progress of ethnic groups in China.

We comprehensively carried out the policy on freedom of religious belief and managed religious affairs on a more law- and procedure-based basis.

We implemented the policy on overseas Chinese affairs in both letter and spirit, protected the legitimate rights and interests of overseas Chinese and those who have returned to China and their families; and we put their unique strengths to better use.

New progress was made in strengthening national defense and the armed forces. Major achievements were made in the revolution in military affairs with Chinese characteristics. The armed forces made coordinated and all-around progress in becoming more revolutionary, modernized and procedure-based. They deepened their military preparedness, greatly enhanced their ability to carry out their historic mission in the new stage in the new century, and accomplished a number of urgent, difficult, and hazardous tasks.

We strengthened our work related to Hong Kong, Macao and Taiwan. Hong Kong and Macao are thriving and stable, and their exchanges and cooperation with the mainland reached a new height. We achieved a major transition in relations between the two sides of the Taiwan Straits. Complete, direct and two-way links of mail service, transport and trade were established, and the Economic Cooperation Framework Agreement was signed and is being implemented. This extended cross-Straits exchanges to **all** areas and ushered in a new stage of peaceful growth of cross-Straits relations.

Major new progress' was made in China's all-around diplomacy. We vigorously developed our relations with other major countries, enhanced mutually beneficial cooperation with our neighbors, and successfully established the China-ASEAN Free Trade Area. We spurred the development of the Shanghai Cooperation Organization and other mechanisms for promoting regional cooperation, and deepened our traditional friendship and cooperation with other developing countries. We actively participated in international cooperation on global issues like the global financial crisis and climate

change and helped resolve international and regional hotspot issues. We thus fostered an international environment favorable for China's reform, development and stability and made a significant contribution to world peace, stability, development and prosperity.

Fellow Deputies,

Our achievements over the past five years did not come easily. We owe them to the broad vision and correct leadership of the party Central Committee and the concerted efforts and arduous work of the whole Party and the people of all ethnic groups in China. On behalf of the State Council, I extend my sincere gratitude to all workers, farmers, intellectuals, officials, and members of the People's Liberation Army, armed police and public security police. I extend my heartfelt thanks to the people of all our ethnic groups, the democratic parties, people's organizations and leading figures in all sectors of society. I express my sincere thanks to our compatriots in the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan, as well as overseas Chinese. I also extend my sincere appreciation to foreign governments, international organizations and foreign friends that have shown understanding for and supported China's modernization drive.

We are keenly aware that we still face many difficulties and problems in our economic and social development. In particular:

- Unbalanced, uncoordinated and unsustainable development remains a prominent problem.
- There is a growing conflict between downward pressure on economic growth and excess production capacity.
- Enterprises' operating costs are increasing and their capacity for innovation is weak.
- The growth of government revenue is slowing down while fixed government expenditures are increasing.
- There are potential risks in the financial sector.
- The industrial structure is unbalanced.
- The agricultural foundation is still weak.
- Economic development is increasingly in conflict with resource conservation and environmental protection.
- The development gap between urban and rural areas and between regions is large, and so are income disparities between individuals.
- Social problems have increased markedly, and many problems in the areas of

education, employment, social security, medical care, housing, the environment, food and drug safety, workplace safety, and public order affect people's vital interests.

- Some people still lead hard lives.
- There are many systemic and institutional obstacles to developing in a scientific way.
- The transformation of government functions has not been fully carried out, and some areas are prone to corruption.

Some of these problems have built up over time, while others have emerged in the course of economic and social development, and still others have been caused by inadequacies and weaknesses in our government work. We should have a strong sense of responsibility toward our country and people, work harder and solve these problems more quickly in order to meet people's expectations and never let them down.

## **II. General Requirements, Major Targets and Macroeconomic Policies for This Year's Economic and Social Development**

At its Eighteenth National Congress, the Party scientifically reviewed its work over the previous five years and the historic achievements since its Sixteenth Congress, set forth the objectives of finishing building a moderately prosperous society in all respects and deepening reform and opening up in an all-around way, and laid out an overall plan for advancing the cause of socialism with Chinese characteristics.

The year 2013 is the first year for fully carrying out the guiding principles of the Party's Eighteenth National Congress, a crucial year for continuing to implement the Twelfth Five-Year Plan and an important year for laying a solid foundation for finishing building a moderately prosperous society in all respects. China remains in an important period of strategic opportunities during which much can be accomplished. There are many favorable conditions and positive factors as well as a number of risks and challenges for China's economic and social development. The profound impact of the global financial crisis persists, and the recovery of the world economy is full of uncertainty and not yet on a stable footing. We should realize that the situation is encouraging and so remain confident; but also that it is complex and so be mindful of adversity, have a keen sense of urgency, and industriously and earnestly do our work well.

The general requirements for this year's work are:

- Thoroughly study and fully implement the guiding principles of the Eighteenth

Party Congress.

- Hold high the great banner of socialism with Chinese characteristics.
- Follow the guidance of Deng Xiaoping Theory, the important thought of Three Represents and the Scientific Outlook on Development.
- Take developing in a scientific way as the underlying guideline and accelerating the change of the growth model as the major task.
- Focus on improving the quality and performance of economic growth.
- Deepen reform and opening up.
- Implement the strategy of making development more innovation-driven.
- Make progress while ensuring stability.
- Blaze new trails in a pioneering spirit.
- Get off to a good start.
- Comprehensively promote socialist economic, political, Cultural, social and ecological progress.
- Achieve sustained, healthy economic growth and social harmony and stability.

The major targets for this year's economic and social development are:

- Increase GDP by about 7.5%.
- Better COOrdinate development.
- Hold increases in the CPI to around 3.5%.
- Add more than 9 million urban jobs.
- Keep the registered urban unemployment rate at or below 4.6%.
- Ensure that real per capita income for urban and rural residents increases in step with economic growth and that work remuneration rises in step with increases in labor productivity.
- Further improve the balance of payments.

Here, I wish to explain our targets for economic growth and overall prices.

**The target for economic growth:** This is a general target that is followed closely by all. In setting this year's target for economic growth at about 7.5%, we have taken two factors into account.

On the one hand, we need to continue to seize opportunities and promote development. Over the years, the capacity of China's manufacturing industry has increased considerably and our infrastructure has improved significantly, which means they are better able to sustain development. The rate of savings has been high, and the size of the workforce has remained large. We must better allocate and employ factors of production and maintain a proper level of economic growth in order to provide necessary conditions for creating jobs

and improving people's wellbeing and to create a stable environment for changing the growth model and adjusting the economic structure. We must ensure that economic growth is in accord with the potential economic growth rate, the ability to supply factors of production, and the bearing capacity of resources and the environment.

On the other hand, we should, in accordance with the Scientific Outlook on Development, guide all the people to shift the focus of their work to accelerating the change of the growth model, adjusting the economic structure and improving the quality and performance of economic growth, so as to promote sustained and healthy economic development.

In light of these considerations, we deem it necessary and appropriate to set this year's target for economic growth at about 7.5%, a goal that we will have to work hard to attain.

The target for overall prices: Maintaining basic stability of overall prices has always been an important macro-control target. Last year, the rise in the CPI dropped to 2.6%. This was an important result of our efforts to curb inflation, and it was also due to the overall economic performance. This year, China is still under considerable inflationary pressure. The main reasons are:

- There is upward pressure on the prices of land, labor and other factors of production and the prices of farm products and services.
- Major developed countries are increasingly carrying out easy monetary policies, and imported inflationary pressure cannot be overlooked.
- We need to leave some room for adjusting the prices of energy and resources.
- The carry-over effect of the CPI increase in 2012 will contribute roughly one percentage point to this year's CPI growth rate.

Taking all these factors fully into account, we have set the target for increases in the CPI at around 3.5% for this year. We should effectively ensure the supply of major commodities, boost distribution of goods, reduce logistics costs, tighten oversight over market prices, and keep overall prices basically stable.

To reach the above targets, we must continue to implement a proactive fiscal policy and a prudent monetary policy, maintain continuity and stability of our policies, and make them more forward-looking, targeted and flexible.

We will continue to implement a proactive fiscal policy. We should make our proactive fiscal policy play a bigger role in ensuring steady growth, adjusting the structure, advancing reform, and benefiting the people.

First, we will increase the deficit and government debt by appropriate amounts. This year we are projecting a deficit of 1.2 trillion yuan, 400 billion more than the budgeted

figure last year. This consists of a central government deficit of 850 billion yuan and 350 billion yuan in bonds to be issued on behalf of local governments. The time-lag of past structural tax cuts will make it hard for government revenue to grow fast this year, while fixed government expenditures will increase. In particular, it is necessary to increase spending to ensure and improve people's wellbeing and maintain support for economic growth and structural adjustment. Consequently, we deem it necessary to appropriately increase the deficit and government debt. It should be noted that China has a relatively low debt-to-GDP ratio, and the increase in the deficit this year will bring the deficit-to-GDP ratio to about 2%, which is overall at a safe level.

Second, we will improve the structural tax cut policy as we continue to reform the tax system. The focus will be on accelerating the pilot project to replace business tax with VAT, improving the way these trials are conducted and extending them to more areas and sectors in a timely manner.

Third, we will work hard to optimize the structure of government expenditures. We will continue to give priority to spending on education, medical and health care, social security and other weak areas that are important to people's wellbeing. We will strictly limit regular expenditures like administrative expenses, and practice thrift in everything we do. Investment from the central government budget will be mainly made in government-subsidized housing projects; infrastructure projects related to agriculture, water conservancy and urban utilities networks; social programs and other projects to improve people's wellbeing; and energy conservation, emissions reduction and environmental protection.

Fourth, we will continue to strengthen management of local government debt. We will properly handle debt repayment and follow-up financing for ongoing projects, put in place a system for managing local government debt and keep such debt at an appropriate level.

**We will continue to implement a prudent monetary policy.** We will maintain a balance between boosting economic growth, keeping prices stable and guarding against financial risks.

First, we will improve the policy framework for exercising macro-control prudently and have monetary policy play the role of making counter-cyclic adjustments. The target for growth of the broad money supply (M<sub>2</sub>) is about 13%. We will employ a full range of monetary policy tools to control market liquidity, increase the money and credit supply at an appropriate pace, and expand the aggregate financing for the economy by an appropriate amount. We will improve the transmission mechanism for monetary policy, better coordinate financial oversight and monetary policy, and improve oversight

standards and their implementation.

Second, we will better allocate financial resources. We will guide financial institutions to increase financial support for structural adjustments to the economy, especially for agriculture, rural areas and farmers, small and micro businesses, and strategic emerging industries, and satisfy funding needs for key national projects under construction or expansion. We will broaden financing channels for the real economy and reduce its financing costs. We will promote steady and healthy development of the capital market.

Third, we will resolutely guard against systemic and regional financial risks. We will guide financial institutions to operate prudently, and we will tighten oversight over financial risks in certain sectors and regions and risks related to the off-balance sheet activities of financial institutions, and thus make the financial sector's support for economic development more sustainable.

### III. Suggestions for the Work of the Government This Year

Based on an understanding of the work of the past ten years, especially of the past five years, I wish to make the following suggestions for the government's main work this year.

#### *1. Accelerating the change of the growth model and promoting sustained and sound economic development*

All the achievements we have made in China's socialist modernization are attributable to sustained and sound economic development, without which we would have accomplished nothing.

China is still in the primary stage of socialism and will remain so for a long time. This basic national condition has not changed; nor has the principal problem in our society, that is, production falls short of the ever-growing material and cultural needs of the people, or China's international position as the largest developing country in the world. Development is still the key to solving all our problems. We must keep economic development as the central task and give it our undivided attention.

As long as we make full use of this important period of strategic opportunities, respect the law of development, formulate new thinking on development, solve problems hindering development, accelerate the change of the growth model, spur change in the course of pursuing development, and promote development while working for change, we can certainly achieve sustained and sound economic development.

We should unswervingly take expanding domestic demand as our long-term strategy

for economic development, and make full use of the basic function of consumption and the key role of investment. The difficulty in and key to expanding domestic demand lie in consumption, and that is also where the potential lies. To expand individual consumption, we should enhance people's ability to consume, keep their consumption expectations stable, boost their desire to consume, improve the consumption environment and make economic growth more consumption-driven.

In the current stage, the role investment plays in promoting economic growth cannot be underestimated. China has both investment capability and investment demand, but the key is to make investment in the needed sectors, optimize the structure of investment, and improve its performance and returns. Governmental investment is important in guiding nongovernmental investment, but its share of the country's total investment is decreasing, so we must further relax controls over market access for nongovernmental investment and stimulate it.

We should energetically change the growth model and speed up structural adjustment of industry. China's productive forces develop on multiple levels, which gives us plenty of room to maneuver. Industries, whether traditional or emerging, labor-intensive or capital-intensive, all have room for development. The important task is to optimize resources allocation and industrial distribution, and solve the following problems: excess production capacity, the lack of core technology, products with low value-added, low-level and redundant industrial projects, and different regions having similar industrial structures. We must accelerate the transformation and upgrading of traditional industries, energetically develop new- and high-tech industries, and raise product quality and competitiveness.

We should strengthen policy guidance; encourage enterprise acquisitions and reorganizations across industries, regions and forms of ownership; and allow market forces to determine enterprises' success or failure.

We should promote sound development of strategic emerging industries, with the focus on expanding their share in the domestic market and making breakthroughs in major and key technologies. We should promote the integration of IT application and industrialization, more quickly build next-generation information and communication infrastructure, and spread the use of information network technology.

We should develop and expand the service sector, and attach equal importance to producer and consumer service industries and to modern and traditional service industries.

In response to people's expectations of having a good living environment, we

should greatly strengthen ecological improvement and environmental protection. The state of the ecological environment affects the level of people's wellbeing and also posterity and the future of our nation. We should adhere to the basic state policy of conserving resources and protecting the environment and endeavor to promote green, circular, and low-carbon development.

We should greatly boost the conservation and reuse of energy and resources, give priority to saving energy in industry, transportation and construction and in public institutions, restrict total energy consumption, and reduce energy and materials consumption and carbon dioxide emissions. We should speed up adjusting the economic structure and distribution and upgrading related standards, practices, and laws and regulations. We should adopt effective measures to prevent and control pollution and change the way we work and live. We should resolve to solve the problems of serious air, water, and soil pollution that affect the people's vital interests; improve environmental quality, and safeguard people's health, and give the people hope through our concrete action. We should do our meteorological, geological and seismic work well and become better able to prevent and mitigate natural disasters. We should optimize development of the country's territory, carry out development at a proper pace and adjust its spatial layout. We should strengthen comprehensive marine management, develop the marine economy, become better able to exploit marine resources, protect the marine ecological environment, and safeguard China's maritime rights and interests.

We should continue to fully implement the master strategy for regional development and promote balanced development between regions. We should make full use of the comparative strengths of each region, make plans comprehensively and give guidance tailored to different circumstances. We should give high priority to large-scale development of the western region, fully revitalize the old industrial bases in northeast China, spur the rise of the central region, and support the eastern region in taking the lead in development. We should increase support for old revolutionary base areas, ethnic minority areas, border areas and poor areas and alleviate poverty in contiguous areas with acute difficulties.

## *2. Strengthening the foundation for agriculture and rural development and promoting integrated urban and rural development*

In recent years, China's agriculture has developed faster, its rural areas have undergone more significant changes, and its rural residents have received more tangible benefits than in any other period. Agriculture and rural development in China have now entered a new stage in which overall agricultural production costs are rising, structural

problems in the supply and demand of agricultural products are worsening, the rural social structure is undergoing profound changes, and integration of urban and rural development is speeding up. All the major and difficult problems that we face in finishing building a moderately prosperous society in all respects are in rural areas. We must make solving issues relating to agriculture, rural areas and farmers the number one priority in all our work. This is a scientific conclusion drawn from our historical experience and a long-term guiding principle applicable to both the present and the future. The rural land system is central to maintaining rural stability and ensuring China's long-term development. Its main purpose is to guarantee farmers' property rights and interests, and its main objective is to ensure that China's farmland remains at or above the red line of 120 million hectares. We should continue to make household contracts the basis of rural operations, support the development of new farmers' cooperatives of various forms and multilevel commercial organizations that provide agricultural services, and gradually establish a new type of system of intensive agricultural operations that are specialized, well organized and commercialized. We should always protect farmers' legitimate property rights and keep them motivated. We should always give high priority to grain production, develop high-yield basic farmland, spread advanced technologies, increase overall agricultural production capacity, and effectively ensure the supply of grain and other important agricultural products. We should continue to increase spending on agriculture, rural areas and farmers; improve infrastructure and basic public services in rural areas; and promote integration of urban and rural development. We should build a new type of relations between industry and agriculture and between urban and rural areas in which industry promotes agriculture, urban areas support rural development, industry and agriculture reinforce each other, and urban development and rural development are integrated. We should take effective measures to keep the agricultural workforce stable and train a new type of farmers.

Urbanization is a historical task in China's modernization drive, and urbanization and agricultural modernization complement each other. We should conform to the objective law of urbanization and carry it out actively yet prudently. We should promote sound development of urbanization by making plans scientifically, balancing geographical distribution, coordinating urban and rural development, using land economically, and tailoring measures to local conditions. Megacities and large cities should be kept at an appropriate scale and fully play their role in driving the development of their surrounding areas. Small and medium-sized cities and small towns should become better able to develop industries, provide public services, create jobs, and

attract residents. We should accelerate reform of the household registration system, the social management system and related institutions; register eligible rural workers as permanent urban residents in an orderly manner; progressively expand the coverage of basic public services in urban areas to all their permanent residents; and create an equitable institutional environment for freedom of movement and for people to live and work in contentment. In improving village conditions, we should preserve their distinctive rural flavor, make their environment more livable, and ensure that urbanization and the building of a new countryside reinforce each other.

*3. Giving high priority to ensuring and improving people's wellbeing and comprehensively improving their material and cultural lives*

An important lesson we learned in our response to the sudden outbreak of the severe acute respiratory syndrome (SARS) in 2003 is that economic development and social development need to be coordinated. In developing the economy in the years since then, we have placed greater importance on ensuring and improving people's wellbeing and developing social programs, and the government has made greater efforts and provided more funding in this area than ever before. These unremitting efforts have resulted in much better coordination of China's economic and social development. The structure of Chinese society, its forms of organization, and the pattern of interests in society have all undergone profound changes, and social problems have increased markedly. We must make ensuring and improving people's wellbeing the starting point and goal of all the government's work, give higher priority to it, and strive to strengthen social development.

We should do all we can to increase employment. We should persevere in implementing the strategy of giving top priority to employment and adopt a more proactive employment policy. We should create more jobs by maintaining stable economic growth and adjusting the economic structure and provide better vocational skills training to help people to find jobs or start their own businesses. We should increase government spending and policy support, improve the employment services system, stimulate employment by encouraging business startups, assist target groups in finding jobs, and stimulate sustained, steady increases in urban and rural incomes.

We should improve the social security system. We should continue to follow the policy of making coverage universal, ensuring basic care, and providing multilevel and sustainable social security. We should expand the coverage of social security, turn over the overall management of social security accounts to higher-level authorities, raise social security benefits, improve and coordinate all social security programs, make social security more equitable and sustainable, and facilitate the smooth transfer of social

security accounts between localities. This year, basic old-age pensions for enterprise retirees should be raised by another 10%, and subsistence allowances for urban and rural residents and subsidies for entitled groups should also be further raised. Greater support should be given to developing child welfare agencies and the system of social services for the elderly.

We should advance reform and development of medical and health care services, consolidate and improve the system for using basic drugs and the new operating mechanisms of community-level medical and health care institutions, speed up the reform of public hospitals, and encourage nongovernmental bodies to operate hospitals. We should support development of traditional Chinese medicine and ethnic minority medicine. We should improve the universal medical insurance system, establish a mechanism to provide insurance and aid for treating major and very serious diseases, and conduct a pilot project to insure against childhood leukemia and 19 other serious diseases.<sup>\*</sup> This year, annual government subsidies for the new rural cooperative medical care system and basic medical insurance for non-working urban residents should be raised from 240 yuan to 280 yuan per person respectively, and the per person payment standard for basic public health services should be increased from 25 yuan to 30 yuan.

We should progressively improve the government population policy. We should adhere to the basic state policy on family planning. In response to changes in the size and structure of China's total population, we should comprehensively solve problems relating to the size, health, structure and geographical distribution of the population and promote long-term, balanced population development. We should boost the development of elderly services, protect the rights and interests of women and minors, and take an interest in and support programs that benefit people with disabilities.

We should strengthen and make innovations in social management. We should improve the way the government provides public services, strengthen the system of social management and services at the community level, and improve self-governance by villagers and urban residents, to ensure that the people directly exercise their democratic rights in accordance with the law by managing community-level public affairs and running public service programs. We should reform the management system for social organizations, and guide their sound and orderly development. We should establish a sound mechanism for safeguarding people's rights and interests; improve the integrated system of mediation by the people, administrative mediation and judicial mediation; strengthen the system of legal assistance; and carry out reform of the handling of people's

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<sup>\*</sup> They are congenital heart disease in children, uremia, breast cancer, cervical cancer, holergasia, drug-resistant tuberculosis, opportunistic AIDS and HIV infection, lung cancer, esophagus cancer, gastric cancer, colon cancer, rectal cancer, chronic myeloid leukemia, acute myocardial infarction, cerebral infarction, hemophilia, type 1 diabetes, hyperthyroidism, and cheilopalatognathus.

complaints about legal and litigation-related issues. We should maintain open and regular channels for people to voice their demands, and we should coordinate the people's interests and protect their rights and interests. We should improve the mechanism for assessing potential risks major policy decisions may pose to social stability and the emergency response mechanism. The purpose of all this work is to preserve law and order and promote social harmony and stability.

Food and drug safety is a prominent issue of widespread concern. We should reform and improve mechanisms for overseeing and supervising food and drug safety and strengthen overall coordination. We should require enterprises to assume primary responsibility for safety, exercise strict oversight and supervision throughout the whole process from production to consumption, and move faster to establish a scientific and effective food and drug safety system that suits China's national conditions so as to better ensure food and drug safety. We should strengthen the public safety system and improve workplace safety conditions to prevent accidents, especially major and very serious ones.

We should tighten regulation of the real estate market and strengthen construction of government-subsidized housing. We need to firmly rein in speculative and investment-driven housing demand, promptly improve the accountability system for stabilizing housing prices and the policies for regulating the real estate market, and strengthen mechanisms for sustaining its steady and sound development. We should continue to build and manage government-subsidized housing for the people so they have housing they are satisfied with. This year, 4.7 million government-subsidized urban housing units should be basically completed, construction of another 6.3 million units should begin, and renovation of dilapidated rural houses should continue.

Education, science and technology play a fundamental, guiding and global role in the country's modernization drive, and culture is essential for the long-term vitality of a nation and gives the people a sense of belonging. They must therefore occupy a position of greater strategic importance.

We should continue to give top priority to developing education. China's annual government expenditures on education already exceed two trillion yuan and should continue to increase. We must make good use of such funding to the satisfaction of the people. We need to deepen comprehensive education reform and effectively solve major issues of public concern. We should boost balanced development of compulsory education, accelerate development of modern vocational education and raise the quality of education of all types and at all levels. This should help make education more equitable and provide strong human resources support for China's development.

We should deepen reform of the management system for science and technology. We should integrate science and technology more closely with the economy, and establish a technological innovation system that is based on enterprises, guided by the market, and integrates enterprises, universities and research institutes. We should focus on priority areas of strategic importance that are vital to China's overall and long-term development,

and strengthen basic research and research on frontier and leading technologies. We should improve the mechanism for openly sharing scientific and technological resources and the fiscal, taxation, banking, industrial technology and personnel policies that support scientific and technological development and industrial application of scientific and technological advances, create a fair and open environment for making innovations, keep scientists and technicians fully motivated, and unleash the creativity of the whole society.

We should effectively advance development of the cultural sector. We should incorporate reform and development of the cultural sector into general plans for economic and social development, and include them in the system for evaluating the performance of governments and officials at all levels so as to promote all-around cultural prosperity and fast development of the cultural sector. The government needs to fulfill its responsibility to develop nonprofit cultural programs, accelerate key cultural projects for the people, and improve the system of public cultural services. We should extensively carry out public fitness activities and promote comprehensive development of both recreational and competitive sports.

We should greatly increase education in public morality, professional ethics, family virtues, and personal integrity. We should promote a creditability system, use political integrity to improve business and public integrity, and foster healthy social conduct.

#### *4. Deepening reform and opening up with greater political courage and vision*

Reform and opening up are the fundamental force that drives China's development and progress. We can continue to advance our cause only by adhering to reform and opening up. China has entered a crucial stage of reform, and we must further emancipate our minds; carry out all-around economic, political, cultural and social reforms; and constantly deepen them.

We need to improve the socialist market economy. We should unwaveringly consolidate and develop the public sector of the economy and encourage, and support and guide the development of the non-public sector, so as to foster a structural environment in which economic entities under different forms of ownership have equal access to factors of production in accordance with the law, compete on a level playing field and enjoy equal legal protection. We should deepen reform of state-owned enterprises and key industries.

We should quicken reform of the fiscal and taxation systems, and adjust relations between the central government and local governments concerning financial resources and powers. We should improve the public finance system, institute a system of local taxation, and establish a taxation system conducive to optimizing the economic structure and enhancing social fairness.

We should deepen reform of the financial system and improve the modern financial system so that it supports development of the real economy. We should raise the competitiveness of the banking, securities and insurance industries and accelerate development of a multilevel capital market. We should steadily carry out reforms to make interest rates and the RMB exchange rate more market-based, expand cross-border use of

the RMB and gradually achieve the RMB's convertibility under capital accounts.

We should deepen reform of the investment and financing systems, carry out price reform and improve the pricing mechanism for resource products.

We should continue to actively yet steadily advance function-based reform of public institutions.

The income distribution system is a basic system of vital importance for economic and social development, and an important cornerstone of the socialist market economy. We have formulated guidelines on deepening reform of the income distribution system, and we now need to promptly formulate specific policies, ensure that institutions are established and policies are implemented, resolve problems in income distribution, and narrow the income gap so that the fruits of development are more equitably shared by **all** the people.

We need to advance development of socialist democracy and the socialist rule of law. We should ensure that the people occupy the principal position, make people's democracy more extensive, fuller in scope and sounder, ensure that the people enjoy extensive rights and freedoms prescribed by law, and promote people's well-rounded development. We should govern the country on the basis of the law, and fully respect the authority of the Constitution and laws. We should ensure that the powers of policy making, implementation and oversight both constrain each other and function in concert and that government bodies exercise their powers in accordance with statutory mandates and procedures. We should continue to transform government functions, separate government administration from the management of enterprises, state assets, public institutions and social organizations, and build a well-structured, clean, efficient and service-oriented government that has scientifically defined functions and that the people are satisfied with. We should improve the conduct of our work, maintain close ties with the people, advocate hard work and plain living, practice thrift, oppose extravagance and waste, and eliminate formalistic and bureaucratic practices. We should uphold democratic oversight, legal oversight and public opinion-based oversight and improve the system of checks and oversight over the exercise of power to ensure that the people oversee the exercise of power and that power is exercised in a transparent manner. We should unwaveringly combat corruption, strengthen political integrity, establish institutions to end the excessive concentration of power and lack of checks on power and ensure that officials are honest, government is clean and political affairs are handled with integrity.

Profound changes in domestic and external environments place new and higher requirements on China in developing an open economy. We should adhere to the basic state policy of opening up and implement a more proactive opening up strategy. We should both keep exports stable and expand imports. We should raise the quality and returns of foreign trade rather than just increase its volume, and raise its overall competitive advantages instead of relying only on cost and price advantages. We should make China's exports more competitive in terms of technology, brand, quality and service. We should

simultaneously use foreign investment in China and make Chinese investment overseas, and support Chinese enterprises in going global, to create new space for economic development. We should simultaneously deepen opening up in coastal areas and open inland and border areas wider so as to foster a balanced and coordinated pattern of opening up in which all regions have their own distinctive features, draw on each other's strengths, have a clear division of work, and cooperate with each other. We should continue to open up to both developed and developing countries and expand and deepen common interests with all other parties.

Fellow Deputies,

We should fully and faithfully implement the Party's policy on ethnic groups; adhere to and improve the system of regional ethnic autonomy; and strengthen and develop socialist ethnic relations of equality, unity, mutual assistance and harmony.

We should fully implement the Party's basic policy on religion, promote harmonious religious relations, and get religious figures and believers actively involved in economic and social development. .

We should assiduously implement the policy of the Party on overseas Chinese affairs and support overseas Chinese as well as returned Chinese and their relatives in endorsing and participating in China's endeavors to achieve modernization and peaceful reunification.

We should accelerate modernization of national defense and the armed forces so as to strengthen China's defense and military capabilities. We should resolutely uphold China's sovereignty, security and territorial integrity and ensure its peaceful development.

We should adhere to the principles of "one country, two systems"; the people of Hong Kong governing Hong Kong; the people of Macao governing Macao; and both regions enjoying a high degree of autonomy. We should rally our compatriots in Hong Kong and Macao around us and maintain long-term prosperity and stability of the two regions.

We should adhere to the policy of the Party Central Committee on Taiwan-related work; fully implement the important thinking on cultivating peaceful cross-Straits relations; strengthen and deepen the political, economic, cultural and social foundation for their growth; and accomplish the reunification of the motherland in the course of working together with our compatriots in Taiwan to achieve the great rejuvenation of the Chinese nation.

We should continue to hold high the banner of peace, development, cooperation and mutual benefit; unswervingly pursue peaceful development; adhere to our independent foreign policy of peace; and promote durable peace and common prosperity in the world.

Fellow Deputies,

We have achieved remarkable progress along the path of socialism with Chinese characteristics in the past, and now we envision an ever-brighter future for our great

country. Under the leadership of the Party Central Committee with Comrade Xi Jinping as General Secretary, let us unite as one and work hard to finish building a moderately prosperous society in all respects and achieve the great rejuvenation of the Chinese nation.