

May 24, 1982

**Excerpts of Talks between Leading Comrades and
Foreign Guests (No. 6)**

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Summary:

A summary of remarks made by Hu Yaobang and Zhao Ziyang to Nicolae Ceaușescu. Hu and Zhao discuss China's recent political and economic evolution.

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Contents

Conversation between Central Committee Leading Comrades and President Nicolae Ceaușescu

Remarks by Chinese Communist Party General Secretary Hu Yaobang and Premier Zhao Ziyang at their meeting with President Ceaușescu

I

Chairman Hu Yaobang focused on the political and economic situation in China. The talks are excerpted below:

I would like to talk about the basic situation of the Party and the country, the first of which is the change in the basic situation of both in the past four years since Comrade Ceausescu's last visit. The first is the change in the basic situation of our party and state in the last four years since Comrade Ceausescu came. When you came last time, there were many untrue things being said about our situation. Our people's morale seemed high. The Gang of Four had been crushed not long before, so people were very happy back then. But the masses didn't know what the real situation was then. Our central Party and government were singing an optimistic tune. We did not have a clear picture of our own situation. In fact, at that time we faced many difficulties, and some very dangerous problems lurked in the background.

Some comrades were not sufficiently aware of the serious consequences of the Cultural Revolution. They were unable to take the courageous measures necessary to eliminate those bad effects of the Cultural Revolution. Some even kept following the mistaken ways of the past on some important issues of principle. Seven months after Ceausescu's departure from China, we held the Third Plenary Session of the Chinese Communist Party Central Committee. We publicly reported that the plenary session lasted only five days. In fact, our working meetings lasted 36 days, or 41 days in all.

It was only at the Third Plenary Session of the Party that this situation began to be broken and transformed. It's been almost three and a half years since the Third Plenum. Since then, the situation has only gotten better year by year. So, now every level of Party organization has unanimously affirmed the Third Plenary Session has played an important and historic role. Over the past three and a half years, we have held "four plenary sessions and seven or eight working conferences. We have made new policy statements and regulations on a series of major issues on the basis of extensive and in-depth investigation and research. During the past three and a half years, we have concentrated our efforts on solving domestic issues. Our work has been very intense. We can now say that we have completed this transformation. Although we still have many problems that remain to be solved, the most difficult period can be said to have passed.

The second issue is the economy. I want to talk about one of the main issues, that is, in our economy; we have been most effective and have the greatest confidence on agricultural issues. Over the past four years, our agriculture has greatly improved. The biggest improvements have been seen in about one-third of the provinces. Why has it improved so fast? One factor is that we raised the purchase price of agricultural products. The unanimous view of the comrades of our Central Committee and government is that this is still a secondary factor. The main factor has been our determination to promote multiple forms of the production management responsibility system. Over the past few years we have issued three important, programmatic documents.

We believe that the approach we are taking is the main factor in the improvement of the agricultural situation. Increasing investment in agriculture is not the main factor. We do not have much money to spend on agriculture. It is not that we don't want to

increase our investment in agriculture, it is that our funds are limited. Currently we need to use our limited capital on other things. Our Party believes that this has been a major change in the Party's leadership of agriculture. On the one hand, we insist on socialist public ownership of agricultural production, this refers to land and large agricultural production facilities as well as public accumulation of capital. On the other hand, we have changed the wrong practice of eating a big pot of rice, rewarding everyone the same no matter whether the work is good or bad. This immediately mobilized the enthusiasm and enthusiasm of the peasants for production. The unprecedented (since the organization of the peasants into people's communes) increase in the enthusiasm of the peasants for production is a fundamental factor in the improvement of our agriculture.

Some comrades in our Party studied and proposed this reform of management methods in the early 1960s. Their study was not, of course, as thorough and complete as our current study. However, the opinions put forward by the comrades at that time were not accepted at that time. There were also contrary opinions when we started doing this. Therefore, we did not start with a coercive approach, but with the principle of self-organization. This is also what Engels and Lenin called a typical and exemplary principle. It took us three years to implement the system of production responsibility in all the provinces. We tried it in only one-third of the provinces in 1979 and then another one-third in 1980, and in the remaining one-third last year. It took us three years in total to implement the production responsibility system. This production responsibility system that we have implemented is only now beginning to show its vitality nationwide. Judging from this, our results can be further improved. We are confident about this. Another special problem of Chinese agriculture is that there is too little arable land and too big a population.

This raises the question of which direction the Party should take China's agriculture. With the land we have here in China, if the peasants only engage in agriculture, China's peasants will never get rich. Can some peasants be moved into the cities as workers? Now, the ratio of urban population to rural population in China is two to eight. If we spend about 20 years bringing 100 million people from the countryside to the cities, the ratio will still not reach three to seven, because despite our birth planning and strict control of fertility, by the end of this century, China's population will probably reach more than 1.1 billion people. Adding 100 million people to the population in about twenty years is no easy thing. Therefore, I am afraid that this approach cannot be taken. Therefore, China's agriculture can only and must follow the same path of comprehensive development of agriculture, forestry, animal husbandry, fishery and fisheries. It will follow the path of multiple modes of management, the organic combination of agriculture with basic valued-added processing industries. One can look at it this way: the economically developed countries are taking the road of industrialization and reorganizing agriculture into systems of factory-like production. Chinese agriculture is likely to take the road of gardening and horticulture. This is a problem that we are continuing to study.

The third situation is our current political situation. We can say that our political situation is one of the best since the founding of the People's Republic of China. There are constant rumors about our political situation. Most of this is speculation and some of it is rumor. There are rumors about seven or eight times a month. There are two or three countries that spread them. In fact, the situation in our country is quite stable. I think the unity of our Party leadership is better than it was before the Cultural Revolution and about the same as it was in the 1950s when the PRC was founded. What are the reasons why we could achieve such a stable and united situation in three to four years? There are two main reasons:

First, the policies we have adopted in the past few years are correct and have been effective in actual work. We can say that almost all of our families have improved their lives to some extent. The Cultural Revolution mixed up right and wrong. We have been able to clarify what was wrong and what was wrong, and we have basically rehabilitated people and implemented our policies. As a result of the policies we have adopted, the relationship between the various ethnic groups, layers of society and groups of people has become closer and their unity and fraternity have been strengthened. Thus many of our people now believe that our country has a bright future.

Second, our Party is trying to restore a set of good traditions and working practices from the Yan'an period. In the past few years, we have been emphasizing the practice of seeking truth from facts, investigation and research, and opposing bureaucracy. Over the past few years, we have been emphasizing the practice of seeking truth from facts, investigation and research, opposing bureaucracy, and punishing those Party members, especially cadres, who break the law.

Recently, we have issued three documents in a row to fight law breaking and infractions of discipline among party and state cadres. In fact, a very small number of people violate law and discipline, probably not more than one percent. Most cadres are good. However, if we do not criticize or punish the few cadres who break the law, this poison will spread slowly. The main reason why some cadres dare to violate the law and discipline is the poison left over from the Cultural Revolution although our policy of opening up is also involved to greater and lesser degrees.

The situation of the core leadership of our Party Central Committee is like this: our Secretariat is on the front line, and there are twelve members in the Secretariat, and Premier Zhao Ziyang actually participates in the Secretariat. The Secretariat is actually co-chaired by Comrade Zhao Ziyang and me. The major issues of the day-to-day are discussed and decided by the Secretariat. The major decisions on policy are made by the Politburo Standing Committee, which consists of seven people, four of whom have a long history in the Party. The first is still Comrade Xiaoping, who has been a Party member the longest, and went to France for work-study. He is very energetic, the most experienced and the most prestigious member of the Standing Committee of the Politburo. Marshal Ye [Jianning] is also very prestigious but he is already eighty-five years old. Comrade Chen Yun is very experienced in economic work and Party building, and was the Vice Chairman of our Party in the late 1950s, but his health has taken a turn for the worse. Many important decisions, however, are still discussed with him. Comrade Li Xiannian. He is in charge of foreign affairs work. He is not young either; he is seventy-three years old this year. The rest of the Politburo Standing Committee members, Comrade Zhao Ziyang, Comrade Hua Guofeng and I are a little younger, but not too young. Comrade Hua Guofeng is sixty-one years old. He went to Shandong last winter on an inspection trip and had a heart attack, myocardial infarction and he also has diabetes. He had to rest for over three months. The outside world says we want to attack him and throw him out. We are doing no such thing nor will we. I had a very good personal relationship with him. I worked with him for a year and a half from 1963 to 1964. I visited him three times when he was sick. This is all beside the point. Comrade Zhao Ziyang was born in 1919 and is sixty-three years old. He came up from the grassroots. He is four years younger than me.

We call a meeting of the Standing Committee to make major decisions. The one who made the most decisions is Comrade Xiaoping, followed by Comrade Chen Yun. But not all the ideas are theirs. Others also make suggestions sometimes. Major issues have to be discussed and approved by the Politburo. Our Secretariat is quite harmonious.

Finally, I would like to introduce some basic information. First, we are going to adopt a revised PRC State Constitution this year. Our constitution has been drafted and revised for a year. After extensive discussions and studies both inside and outside the Party, the leadership layers both inside and outside the Party have basically approved. They are now meeting to make the third revision. We aim to publish the draft in May or later, submit it to citizens for discussion, and then submit it to the Fifth Session of the National People's Congress, which will be held in November or December of this year, for formal adoption. One of the major changes to be adopted is the restoration of the office of State Chairman and the selection of a Chairman of the Central Military Commission. Second, we are working on the Sixth Five-Year Plan. Creating this long-range plan has been very difficult. It seems that it will not be finalized until the fall. The main thing is that we don't have enough experience. The second is that our country is too big and the situation is not easy to grasp. The Sixth Five-Year Plan, which will be presented in the fall, is only roughly in line with the situation of our country. Our approach will incorporate that understanding. It is the rolling plan proposed by Comrade Zhao Ziyang, taken one year at a time. After a year we'll add another year, but it's still called a Five Year Plan.

The fundamental requirement of our Sixth Five-Year Plan is that the national economy be truly planned and developed in a proportionate and coordinated manner. We still have much adjusting and reforming to do. Therefore, we should not place much stress upon achieving a particular growth rate, but instead focus on economic efficiency.

Why do I spend so much time talking about our Sixth Five-Year Plan? I want to take this opportunity to tell comrades that it is very difficult for us to make long-term agreements with other countries. But I believe that after one or two years of effort, we will be in a better position to make long-term plans.

The third thing is, we are going to convene the Twelfth Party Congress this year, and we will try to finish it before October. We have been working on it for a long time. We are going to elect three committees at the plenary session. One is the Central Committee, which is the highest authority of the Party.

We have made up our minds to bring in some comrades with good moral character and strength. At present, the average age of the Politburo is over 70 years old, and the average age of the Secretariat is 67.5 years old and aging. We need to promote some young people. Second, we are determined to elect an advisory committee. After it has been elected, some old comrades who have made historical contributions of high character will form the advisory committee. There are two and a half million old cadres who joined before the founding of the PRC. The vast majority of the local party committees and in the PLA above the division level are old comrades from that time. They are old but they have the advantage of being time-tested and having decades of experience. They do have their merits, and our Party and people should not forget them. In addition to the Advisory Committee, we should arrange good living conditions for them. As they retire, we will not reduce their compensation. Our Party has made a special decision on this issue. Recently, the streamlining of our central government has been going smoothly because of this decision. However it will take more than two years from next year to complete this institutional reform. The reform of the cadre system we are talking about includes four elements: one is called streamlining institutions; one is a retirement system; one is called promoting young cadres, and one is called cadre rotation training. Since it involves all these four elements, it will take a longer time to complete. Our party congress will also elect a Central Discipline and Inspection Commission. These are our four basic situations.

To sum up, in a word: our situation is getting better and better every year, but we still a lot of problems facing us. We will still have to work diligently and intensively. I believe that in three to five years, our situation will be even better. There is a lot of talk about China in the world now. There are many who say good things about us. There are also those who do not like us. Looking down on us has some advantages for us. Like the horse and the whip, that spurs us on to work hard with one heart and mind to make ourselves stronger.

II

During the meeting, **Premier Zhao Ziyang** talked about the domestic economic situation in China. His talk is excerpted below:

Our country is now making economic adjustments. We are making very large adjustments. The most difficult period is past. Now we have embarked on the path of step-by-step healthy development although not all the adjustments are complete. We must work to rid ourselves of our difficulties. At the end of a decade of turmoil, the national economy was on the verge of a collapse. At that time, we had two major problems, one was the people's livelihood and the other was the problem of national construction. The people's livelihood has basically not improved at all since the 1960s. The problems of the purchase price of agricultural products, wages, pricing and housing can be said to have piled up like a mountain. After the crushing of the "Gang of Four", we worked hard to solve these problems. In retrospect, the steps taken in some areas may have been a bit too big. But in general, we still think that we are on the right path. Otherwise, the overall situation could not be so stable, the masses could not have been mobilized: none of these things would have been even considered.

On the issue of construction, we made the mistake of rushing to accomplish things, one-sidedly pursuing the construction of schools, not talking about the

comprehensive balance, not talking about the overall economic effect. Construction was pushed hard, beyond our national capacity. It took a long time to complete projects and to put them into operation. After the expansion of our processing capacity, energy shortages, shortages of raw materials, and shortfalls in our transportation capacity. We over-emphasized heavy industry and neglected primary and secondary industries. Some products that do not meet the needs of society are accumulating in warehouses while other, urgently needed products, cannot be supplied. Many debts from the past needed to be repaid by improving people's lives, the inevitable result of the implementation of "leftist" guiding ideology. After the "Gang of Four" was crushed, we should have resolutely reduced the scale of construction. At that time, we only saw the high enthusiasm of the masses and the rapid recovery in production. Looking abroad, we know that the international environment was favorable and how many countries had developed very rapidly over the past decade. Therefore we thought at the time that we should hurry up and catch up. We did not allow enough for the harm done by the "leftist" guiding ideology of the past and the hidden dangers that lurked in the background. We planned over one hundred big projects and brought in over twenty "big things". As a result, the imbalance in our economy got even worse. We lost control of the sum of the consumption fund and the accumulation fund was out of control, exceeding the national income and resulting in a large deficit. An excess amount of money went into circulation.

In 1979, the government became aware of this problem and proposed economic adjustments. At the beginning of 1980, the adjustments began. Several major projects were cancelled. In 1981, a further, more substantial adjustment was made. The scale of capital construction was cut by 30 percent, and more than 1,200 infrastructure projects were halted or suspended, including 150 large and medium-sized projects. In the first quarter of last year, production dropped. Back then we got worried. Later, we increased the production of consumer goods on the one hand, and adjusted the direction of heavy industry services on the other. The economy began to rebound in the second quarter. Last year, our total industrial output grew at a rate of 4 percent, which is much lower than the average rate of the past 20 years. Of course, I am talking about four percent for the year with basically no growth in the first half of the year. But our retail sales of social goods still increased by 9 percent over the previous year, and the fiscal deficit was reduced to 3 percent. Thus we achieved basic fiscal balance. The market supply situation has been gradually improving and prices are basically under control. Our economy in the first quarter of this year is better than it was in the fourth quarter of last year.

This is the overall situation, we just had a major operation and the patient is now out of danger. There is not much capacity to bear the weight, but also must be conscientious, forward-looking and conscious of our past. We can't afford to be careless.

In the future, we want to take a new path on economic construction in line with China's national conditions, focusing on improving economic efficiency. Our country is large but so is its population. Our economy has a small base. Eighty percent of our people are peasants. New land is scarce. Considering our population, we only have 0.1 hectare of arable land per person. In terms of resources, in absolute numbers, of course, there is a lot, but if the average is based on the population, there is not much. Despite its backward technology and lack of capital, our country must first ensure that one billion people are well-fed. We dare not talk about eating well and building on this basis. Therefore, our accumulation rate cannot be high and so we cannot demand that construction move ahead too fast. The growth in consumption must be suitably controlled as well.

We are now preparing the Sixth Five-Year Plan for 1981-1985. During these five years we will strive for a fundamental improvement in our financial and economic situation. We estimate that we will have about four to five percent annual growth. We have several obvious constraints. Energy shortages and transportation constraints are unlikely to change, and an oil boom is unlikely to occur in the next seven or eight years. I am referring to offshore oil, if extracted, it will take seven to eight years to improve. Coal in the near future can only be close to the current level, the coal problem is fundamentally a transportation problem. In addition, our capital is

also more difficult, domestic and foreign capital are very tight. The price subsidies for agricultural and agricultural sideline products are up to 30 percent of the fiscal revenue. Now, the situation of our family industry is better, the production of agricultural and sideline products is better, but we are subsidizing them more and more. In addition, this year and next two years is the peak of our payments for imported equipment. These payments come to about 6 to 7 billion yuan per year.

Of course, our policy of opening up to the outside world remains unchanged, and we will continue to bring in foreign investment in the future. But there are several conditions: first, a loan must be obtained, second, it must be advantageous, and three it must be good to use. During the Sixth Five-Year Plan, we are not prepared to start many new projects. We want to focus on two things. The first point to focus on is the technological transformation of existing enterprises so that they can fulfill their role. The second point is to focus on key areas of construction, mainly the development of energy and transportation, and the other is to gradually install some equipment ordered in 1978 and still in the warehouse. Equipment sitting in the warehouse is a great loss. There are seven or eight billion US dollars' worth of equipment sitting in the warehouse.

Throughout the Sixth Five-Year Plan period, we will still face many economic adjustment problems. Compared with the previous two years of dismantling and stopping construction, the main tasks here will be broader and more difficult of adjusting the industrial structure, product structure, technology structure, and enterprise structure. This will include strengthening the infrastructure, developing the production of consumer goods, and transforming the heavy industry, especially the machinery industry so that it serves agriculture and light industry, and serves for technological transformation; and improving product quality and upgrading. At the same time, we need to comprehensively reorganize enterprises, improve management, and steadily reform the economic management system.

We do all this in order to achieve our goal of economic reform. All these reforms are intended to produce a virtuous cycle and improve economic efficiency. We summarize the above work into four words: adjust, reform, reorganize and improve.

Our policy strives for a fundamental improvement in our finances and in the national economy. In short, during the Sixth Five-Year Plan period, our task will be very difficult. Some of these tasks will not be able to be completed during the Sixth Five-Year Plan and may have to be carried over to the next Five-Year Plan, i.e., the Seventh Five-Year Plan. We are not very good at planning and we expect that we will be hit by many problems. Therefore we are preparing to make rolling plans in the future. We will continue to revise them in the light of our experience. There is a Chinese saying: cross the river by feeling for the rocks. Our general idea is: the Sixth Five-Year Plan and the Seventh Five-Year Plan are intended mainly to build up our strength and establish conditions for faster economic growth during the last decade of this century, that is, during the decade of the 1990s. A faster pace.