

China's Economic and Political Reforms

~~(C)~~ China's economic reform program has achieved mixed results since 1986. The reform package has enlivened the economy and generally improved the quality of life of China's population. China has already taken all of the easier steps to reform, and new initiatives can only be carried out at increasing political and social costs. Leadership fears and indecision over initiating necessary new steps have slowed the process.

- o ~~(C)~~ The claimed success of China's agricultural reform initiated in 1978 has formed the basis of legitimacy for the overall reform program. China attained a record crop year in 1984 as measured in grain harvest. Although subsequent harvests have hovered near the 1984 level, that yield has not been duplicated. Given a steadily increasing population and the growing demand for more and better quality foodstuffs, China's agriculture is, in fact, stagnant. Because China has been stricken with widespread drought in 1988, it is estimated that the harvest this year will be down 30 million metric tons. China will be increasingly thrown on the world market to compensate for its own shortfalls and will see a dramatic outflow of sorely needed hard currency.
- o ~~(C)~~ In the industrial sector, reform has emphasized decreasing centralized control, encouraging a degree of private enterprise, and requiring state enterprises to be accountable for profits and losses. While industrial output has grown, these reforms cannot achieve their intended result without thoroughgoing price and wage reforms.
- o ~~(C)~~ China now desires to rationalize its price and wage systems. However, freeing prices would immediately result in significant increases in the cost of living and would constitute a real burden on the population. Despite fears of social instability and challenge to Party authority, the leadership has decided to implement

wage and price reforms in 1989. However, the issue will remain a contentious one.

~~(C)~~ China's leaders have determined that successful economic reforms require a certain degree of political reform. Their efforts emphasize separating Party and State functions, decentralizing authority, and encouraging limited popular participation in the political process.

- o ~~(C)~~ The reforms would make the Party responsible for overall policy guidance, but leave the implementation of that policy to the state.
- o ~~(C)~~ Decentralizing authority is proving difficult to implement because it depends upon the very Party members whose power and perquisites would be curtailed by it.
- o ~~(C)~~ While the Party is attempting to permit greater political participation in local government and more freedom of expression for non-party intellectuals, it will not tolerate any challenge to its authority.

~~(C)~~ Efforts to reform the political system have been constrained by bureaucratic inertia and resistance from more conservative elements of the leadership. Nonetheless, there have been some modest successes. For example, last Spring's Seventh National People's Congress succeeded in:

- o ~~(C)~~ Promoting a more open atmosphere designed to generate popular support for reform;
- o ~~(C)~~ Enacting legislation intended to reduce Party and state influence in factory management; and,
- o ~~(C)~~ Restructuring the State Council to reduce the size of the state bureaucracy and its role in administering the economy.

~~(C)~~ The success enjoyed by China's reform program has been largely because of the influence and protection extended by Deng Xiaoping. Although Deng has created a broad consensus on the need for reforms, there are still significant differences among the leadership regarding their pace and scope. Should Deng resign or die, we believe the party and government leaders he has put in place will survive immediate challenges and be able to continue the thrust of Deng's programs.