

Secondly, China emphasized marketization rather than privatization. The development of a new non-state sector played an important role in diversifying ownership patterns. The spectacular growth of the non-state enterprise sector has stimulated economic growth and generated employment opportunities. The non-state sector also has put competitive pressure on state enterprises, forcing change in their behaviour, although this process remains far from complete. The emphasis on the creation of new non-state industries suggests the possibility of creating a competitive framework in which state enterprises can be made more efficient without recourse to direct privatization programs, especially if such reform of state enterprises could lead to severe political and social resistance to change overall.

Thirdly, a particular problem for socialist economies is how to change the interest of the Party and the bureaucracy. Bureaucrats, especially at the national level, are among the major losers from reform of the command economy, with loss of power, perks and prestige. Nevertheless, China seems to have had some success in reorienting the bureaucracy, particularly at the local level. The reforms created pressure on planners because they reduced central revenues and the profitability of state enterprises. Although this caused part of the bureaucracy to seek to protect its interests, it also redirected the interest of the bureaucracy towards ensuring that their enterprises were oriented towards profit making. Decentralization and the promotion of non-state industry generated a reorientation of the interest of the bureaucracy away from planning goals towards economic performance (including the military through its control and partial conversion of defence industries). This suited the interests of the Party, which increasingly saw its political future dependent on the achievement of economic success. Thus, the gradual approach to reform offers time to win over sceptics as long as benefits emerge and the depth and breadth of reform continues to grow incrementally.

Fourthly, the Chinese approach has emphasized export development, and the postponement of full import liberalization until later in the reform process, with the important caveats that the external opening did lead to a relatively high level of advanced technology imports and a foreign investment boom. China has been open to a great deal of influence from the outside world in the development of its export industry, particularly entrepreneurial capital from Hong Kong which has raised the standard of export design and quality control. The unique relationship between China and Hong Kong may reduce the replicability of this element of the strategy. Moreover, the prospect of trading partners tolerating slower reform on the import front while opening their own markets to goods from China, the European "countries in transition", or other major developing countries may worsen in light of slower growth and high levels of unemployment in the OECD area through the rest of the decade.