

China's medium term development objective, which was formalized at the 12th National Congress of the Chinese Communist Party in September 1982, calls for a quadrupling of agricultural and industrial output between 1980 and 2000. GNP in the same period should grow from about U.S. \$300 per capita to U.S.\$800 per capita (in 1980 dollars)^{1/}.

The Chinese economy in 1984 and 1985 suffered from overheated growth and excessive imports (see Table 2.1). Industrial output jumped 21.4 per cent in 1985 following a 16.3 per cent increase in 1984. Agricultural output growth after a number of years of healthy growth declined to 3.0 per cent in 1985, in part because of adverse weather conditions affecting large areas of the country.

TABLE 2.1
CHINA - OVERALL REAL ECONOMIC GROWTH, 1980 to 1985

	Agricultural Output	Industrial Output	Other Sectors	Total Gross Output Value	National Income	Gross Domestic Product
(Percent Growth)						
1980	1.4	11.0	9.1	8.4	6.4	na
1981	5.9	4.6	2.7	4.6	4.9	6.5
1982	11.3	7.8	13.5	9.5	8.3	8.1
1983	7.7	11.2	10.7	10.3	9.8	9.0
1984	11.7	16.3	7.4	13.8	13.9	14.2
1985	3.0	21.4	15.2	16.2	12.3	12.5
(Billion Current Rmb)						
1985	358	969	298	1,624	677	778
\$ equivalent (billions)						
1985	156	421	130	706	294	338

Sources: Rock Creek Research, China Macroeconomic Newsletter, Vol. 2, No. 5 March 10, 1986.

Infrastructure, however, has not kept pace with the impressive gains in industry and agriculture. Besides rail, road, port and communications bottlenecks, outdated extractive technology, poor transport and inefficient industries are causing serious energy shortfalls and rationing is common.

As a result of a record trade deficit in 1985, China is imposing stricter import controls, limiting exchange privileges and placing a greater emphasis on exports. Since half of China's exports are primary products for which prices are falling (oil alone accounts for 25 per cent of export value) the success of manufactured exports such as textiles, themselves threatened by increasing protectionism, will be crucial. Inflation running at between 8 and 11 per cent and corruption, both largely by-products of the economic reform process, are two other serious problems for China's leadership.

^{1/} For comparison, the 1984 per capita GNP (in US\$) of selected countries was as follows: India - \$ 260; China - \$ 310; Hong Kong; \$6,300; Japan - \$ 10,390; Canada - \$ 13,140. (Source: World Bank Atlas, 1986)