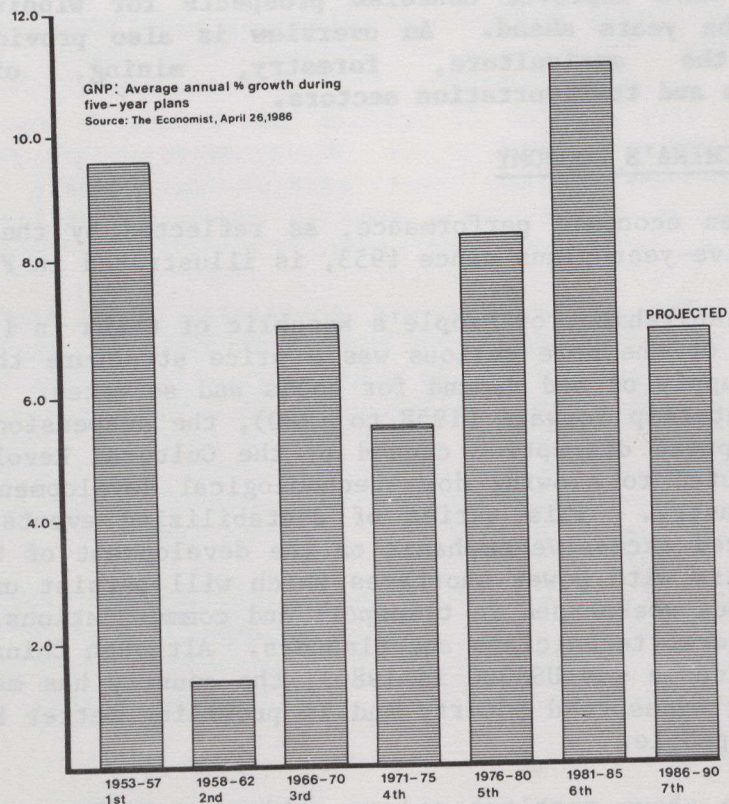


rise to reflect demand, and a limited free market has been allowed to flourish. As a result, agricultural output, including rural industrial activity which employs a growing percentage of the rural workforce, has grown on average by 10 per cent per annum since 1979 (against 4 per cent per annum between 1970 and 1978). Rural incomes in real terms have nearly doubled since 1978 and record harvests have allowed food rationing to be eased.

Following these successes in the countryside, a plan for urban reforms was introduced in October 1984. These reforms aim to stimulate economic activity by endowing enterprises with more decision-making powers, tying remuneration more closely to performance, allowing a limited free market in certain sectors and restructuring the prices of goods to better reflect their true value. Despite this borrowing of elements of a free market economy, China is certainly far from transforming itself into a capitalist economy; the key economic sectors of energy, raw materials, defence, steel, electronics and chemicals remain subject to mandatory plans.

A final aspect of China's new economic direction is the so-called open-door policy. Recently, China has sought to speed up its economic development by encouraging joint ventures with foreign firms, sending technicians and managers abroad for training, setting up special economic zones to attract foreign investment and granting foreign exchange privileges to import modern machinery and certain consumer goods.



**Figure 1:**  
**China - GNP Performance**