

42.5 percent have indoor toilets; heating is available in only 24.4 percent of urban homes in northeast China, north China and northwest China. Some estimates claim that China will have to add 700 million square meters of living space in the cities before the year 2000, if it wishes to solve the urban housing problem.

7. Urban environmental pollution, particularly air pollution. Dust and floating pollutants in the atmosphere have surpassed official limits in all of China's major cities, and only a small amount of wastewater and residues (such as night soil) are treated for safe disposal or recycling.

### Political difficulties

What it comes down to is that China's remarkable economic progress since the late 1970s has introduced a whole set of new problems. Not surprisingly, these problems have increased the tensions between the reformist and conservative elements of the Chinese leadership. A new campaign against "bourgeois liberalization" (vaguely defined as excessive Western influences) is one manifestation of the ongoing struggle and debates over China's economic and political future. Another sign of battle is the renewed attempt to promote the "Four Cardinal Principles" which insist on the (1), socialist road to development (as opposed to the capitalist road) (2), dictatorship of the proletariat (3), leadership of the Chinese Communist Party and (4), dictates of Marxism-Leninism-Maoism. A proposed law on China's publications, drafted by a team of hard-line ideologues, is a further indication of conflict within the party. This draft law, which is being readied for adoption by the standing committee of the National People's Congress, forbids editors and journalists to criticize the party line, party officials, foreign policy or the leaders of friendly countries. There can be no doubt that this "News and Publications Law" is a clear denial of the "Double Hundreds" principle ("Let a hundred flowers blossom and a hundred schools of thought contend"). Needless to say, these developments have alarmed many editors, intellectuals, urban workers and rural peasants. Even so, it is still widely believed that there is little likelihood of a return to the anti-rightist campaign of 1958-59, when thousands were killed and a million or more interned in labor camps, much less a reversion to the repression of the Cultural Revolution of 1966-76.

Given the disagreements among the various factions within China's leadership, new economic mechanisms such as a law providing the legal structure for converting state-owned enterprises into joint stock companies, a major reform of the price system, a dismantling of the system of price subsidies in the urban economy, the establishment of a national stock exchange, and the creation of a comprehensive unemployment insurance system have been put on hold. On

the other hand, the core elements of the economic reform program already implemented or approved are to be continued. In March 1987 Premier Zhao Ziyang outlined the key tasks for the economy in the coming months as "deepening" the reforms in place while preparing for further reforms in 1988. He also affirmed the urgent need to keep a constant balance between "social" demand and supply. In recent years China's economic planners have developed a system of "macroeconomic levers" like those used by Western governments. Monetary and fiscal policy, interest rates and exchange rate management and selective application of financial credits and subsidies have joined production quotas and rigid control of prices and wages. In addition, gross domestic product has been added to the traditional socialist measures of economic output.

### Conclusions

Notwithstanding its intention to build a "socialist economy with Chinese characteristics," China has no theory of development. As a result, catch-as-catch-can experimentation appears to be the order of the day. Even so, China's economic reforms have been on the right track.

Notwithstanding a desire on the part of the reformers to "change state supervision over enterprises from mainly direct to mainly indirect control," the Chinese economy is still too closely connected to the political system. If the new economic measures are to have a good chance of succeeding, the leadership must allow political change.

Notwithstanding China's growing reliance on foreign capital, the country remains well within its debt-service capacity. The annual total of China's debt and interest comes to only 15-20 percent of the country's annual foreign earnings.

Notwithstanding the general impression of overseas interests that China presents numerous obstacles to profitable business operations, the investment climate in China has improved markedly in the past year and is going to get better, perhaps significantly better, in the coming years. This suggests that China is finally coming to terms with the 20th century.

Taken together, these comments imply that if the reform group within the Chinese leadership comes out of the 13th National Congress of the Communist Party (scheduled for October 1987) with a firm grip on the party (i.e., the central committee, the politburo and the standing committees), the executive branch of the government (which is headed by the State Council) and the succession to Deng Xiaoping (who is eighty-two years old) — and this is appearing more probable with each passing day — then the broad outlook for China is bright on all fronts — economic, political, social and cultural. □