Since mid-1993, China has focused its efforts on cooling the overheated economy plagued by double-digit inflation and a poorly regulated financial system. In November of '93, the Party Plenum, the annual planning session of the ruling Communist Party, called for the development of a modern enterprise and market system through the reform of the banking, taxation, planning and investment sectors. The resolution of the Plenum set out markers for "a socialist market economy," but did not resolve the issues of tax regularization and distribution, nor the growing disparities in regional and urban/rural incomes.

Fundamentally, however, the political system in China is not flexible enough to accommodate the social changes and political stresses which will be brought about if all the proposals in the '93 Plenum are implemented. Accordingly, in order to meet the challenges of the next century, the country's leaders must identify what they consider to be the most essential features of China's current political system and consider how to balance them with the country's continuing need for foreign capital, technology and development assistance.

Characteristics of the PRC Market

China's Eighth Five-Year Plan, (1991-1995), the ruling party's current central-planning document, projects economic growth of over six percent for the period. In actual fact, China experienced double-digit growth during the first three years of the plan; projections indicate that this rapid expansion will continue throughout the five-year period. The plan places heavy emphasis on China's agriculture and infrastructure growth, especially in the energy and transportation sectors. As well, the substantial upgrading of existing industrial enterprises has been given high priority. Noteworthy is the encouragement given to those in industry and agriculture to assume more responsibility for production planning and use of profits.

PRC trade traditionally has been conducted by several sector-oriented foreign trade corporations (FTCs) controlled by the Chinese Government. Formerly, the