

using price reform, by utilizing more fully the capacity created in the prereform era, and by successfully expanding investment, China has sustained growth rates that exceeded expectations. Despite ambitious infrastructure upgrading and development plans, ongoing industrialization, scarce resources, advancing urbanization and the extent of the task at hand, suggest that infrastructure bottlenecks will worsen in the near term. The lack of infrastructure in the inland provinces may also dampen the interior's ability to boost economic activity and to attract much-needed direct investments. This is likely to stimulate migratory pressures.

Economic reform in China has altered the structure of the economy significantly, and has had a very positive impact on production and consumption. But much remains to be done. Widening and deepening reform of the state enterprise sector and the modernization of the social support system probably will pose the biggest obstacles for Chinese reformers for the balance of this decade. In many cases, SOEs provide community services including schools, hospitals and recreation facilities. These service employees are on the enterprises' payroll. The community service and employment burden of state enterprises is a major reason why the government continues to subsidize enterprises.⁴⁵

Environmental problems will also pose a significant challenge to sustainable development in China in the future. Environmental problems in China are more severe than at comparable periods of economic development in most industrialized countries, primarily because of the size of the country's population, and natural resource constraints. They could impair China's potential for economic growth, unless action is taken soon to address both the direct and indirect or underlying causes. Chinese reformers must come to view environmental management as part of the larger process of economic reform and industrial restructuring. Moreover, the continued increase in emissions which generate acid rain and produce greenhouse gases, for example, will increasingly internationalize China's environmental problems.

The Ninth Five Year Plan (1996-2000) was approved in principle at the Fifth Plenum of the 14th Party Central Committee in September 1995. Details of the plan, however, will not be made public until March 1996 when the final revised version is to be adopted by the National People's Congress. A summary of the plan was published in the "China Daily" on October 5 and 6, 1995. The sections on the environment read confidently as follows:

⁴⁵United States International Trade Commission, "Reform of China's Industrial Enterprises", International Economic Review, November 1995, p.31.