



Photo -- David Karonidis

William Overholt

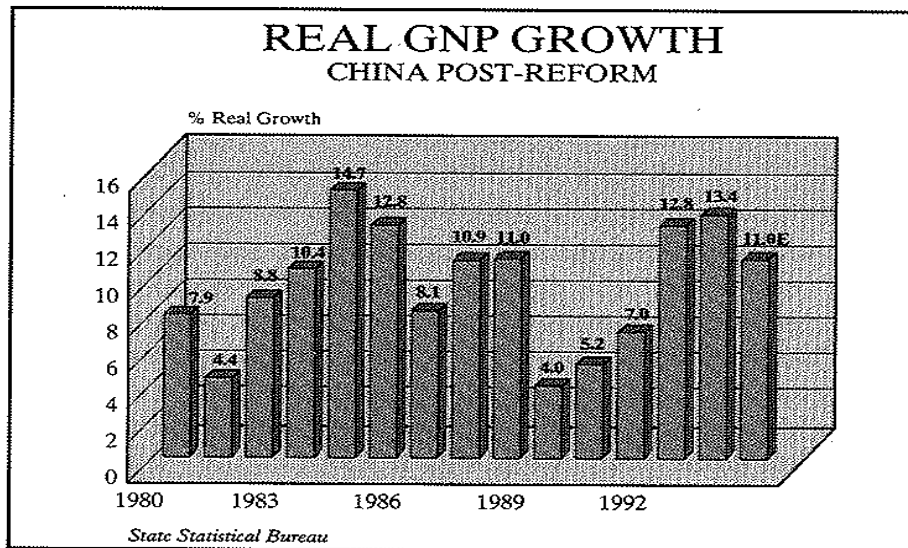
In his book, *China The Next Economic Superpower* (Wiedenfeld & Nicolson) William Overholt, Managing Director at Bankers Trust Hong Kong, demonstrates that China's economy has the potential to surpass that of the USA by early in the 21st Century. In his address to The Sydney Institute on Monday 7 November 1994 William Overholt reviewed many of the themes in his book. He argued strongly that rapid economic growth in Asia was gradually bringing political reform. By contrast he explained that the policy of seeking political reform ahead of economic recovery, such as in Eastern Europe, had too often failed.

CHINA: THE LATEST

ASIAN TAKEOFF

William Overholt

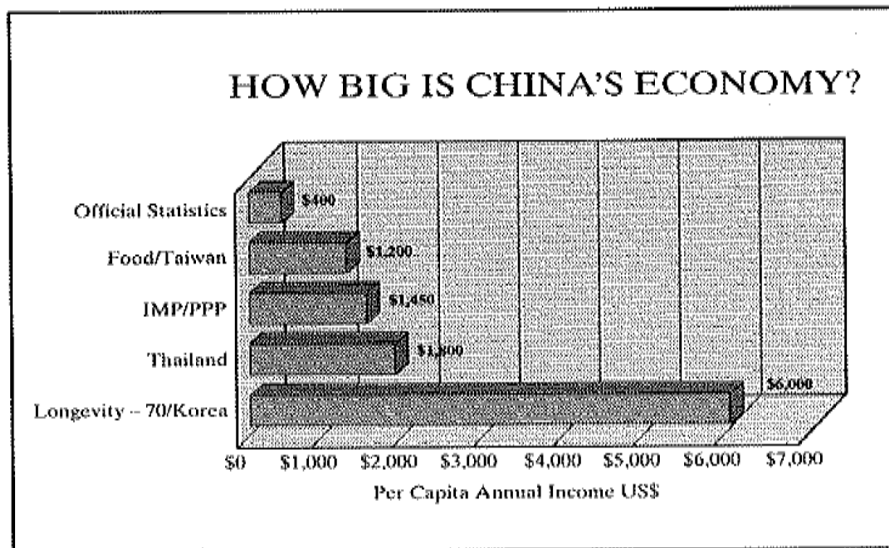
The central theme I'd like to leave you with today is the thought that China is the latest Asian economic take-off. It's been growing about 10 per cent a year for 15 years now – not a flash in the pan. I've been an optimist about Asian growth since the early seventies but I never would have believed that China could achieve this kind of economic growth. It's one thing for Singapore with two million people or even South Korea with 45 million utterly homogenous people. It's another thing for 1.2 billion people in the diverse conditions of China. It's impossible but they've done it.



Think of China as a place which is learning the lessons of the earlier Asian economic take-offs and putting them to work and forget about the image of yet another East European communist reforming country. Too many Westerners see China as a place which hasn't quite figured out how to do the things that the Poles and the Russians are doing right. In reality, it's a place that's figured out what Taiwan was

doing right politically and what South Korea was doing right economically.

The implications of China's economic growth for us depend on the answer to the question, "How big is the Chinese economy?" All of us remember how the Russians inflated the size of their economy. It turned out to be a Wizard of Oz kind of situation. The Chinese are the opposite. Back in 1991, when most of the studies were done, the Chinese said they had a per capita income of \$370 per person, which is about the same as India. It takes about two days in India and China to figure out that they are actually in different universes.



So, what was the problem? The Chinese collected their statistics honestly but the average rent paid by a Chinese family is one dollar a month. It's lousy housing but if you put it in Hong Kong it would cost a lot more than a dollar a month. The average cost of medical and educational services combined for a Chinese family is one US dollar a month. (These are 1991 numbers.) And yet the Chinese live to an average age of 71, which is typical of countries like South Korea at \$6000 per capita. The average Russian, by the way, lives to 59.

Australian professor Ross Garnaut was a leader of the school that said things in China are not what the statistics say. He cited studies comparing food consumption in China with food consumption in Taiwan since Taiwan has the same culture. The Chinese ate much the same things that people in Taiwan ate where per capita income was \$1200. Taking factors like housing, food and so on and adding them up, the IMF came up with an estimate in 1991 that China's per capita income was around \$1450. That's a far cry from \$370.

If you take that number and multiply it by China's population and add the growth that has occurred in the meantime, China's

economy is over two trillion dollars by now. Just a hair bigger than the Japanese economy. But this is the Chinese economy at the beginning of its economic take-off, compared with the Japanese economy as it matures and slows down to a snail's pace like the rest of us. So, if this continues, it's the biggest economic take-off in world history.

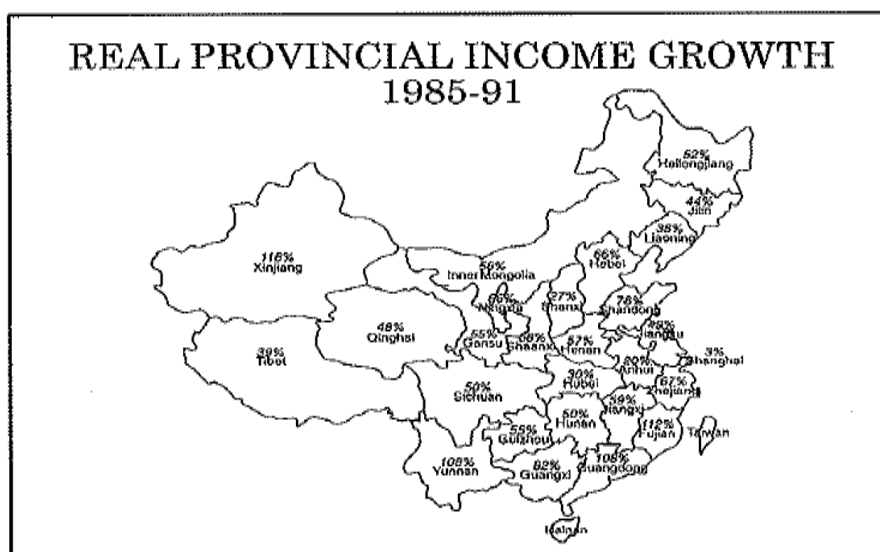
The rise of Japan has affected all of us. We all have Japanese things scattered throughout our homes. Many of us drive to work in Japanese cars. If the rise of China is bigger, it's going to have a bigger impact on us. We can already see some of that impact. Fifteen years ago this two trillion dollar economy wasn't part of the world economy. It was almost completely cut off. When you take a hippopotamus and throw it into a bathtub you expect to see some waves. When you look for the waves, they're there.

When China is buying copper, the world price of copper goes up. When they stop buying it plummets. China is the biggest purchaser of aircraft in the world in the 1990s. One out of every six Boeings is bought by China. The competition for world market share between Airbus and Boeing is going to be pretty heavily decided in China in the 1990s. Similarly, look at power plants. China's need for new power plants in the 1990s equals world capacity to build new power plants. And look at telecommunications. We in the United States are the second biggest purchaser of new telephone lines in the 1990s. We're building about 10 million new lines a year. China is building 12 to 14 million new lines a year.

That goes right down to consumer goods. For Procter and Gamble, the US is still the largest market in the world. The second largest market you would guess to be Japan, Germany or France. It isn't. It's Guangdong Province in China. Likewise Avon has 30,000 Avon ladies marketing lipsticks and such door to door in Guangdong Province. They project 500,000 Avon ladies in China within six years. So far, their estimates have always been too low.

These are not airy fairy projections of the future. These are today. Many of the world's biggest companies are already seeing that their future depends on what happens in China.

One of the reasons why the Chinese economic take-off has such an impact is that every place in China is growing. Most things that are written about China say, well, you've got these fantastic growth numbers along the coast but there's this tremendous difference between the dynamic coast and the stagnant interior. Indeed many professors are telling us today that the differences between the dynamic coast and the stagnant interior could tear China apart politically.



The problem with this theory is the fact that the fastest growing province in China just happens to be Xinjiang which is the farthest from the coast. Xinjiang had 116 per cent real income growth in only six years. After that, Fujian near Taiwan grew 112 per cent. Then there is Yunnan, an interior province, and Guangdong, north of Hong Kong, at 108 per cent. It goes interior, coast, interior, coast. It's not coast, coast, coast, coast.

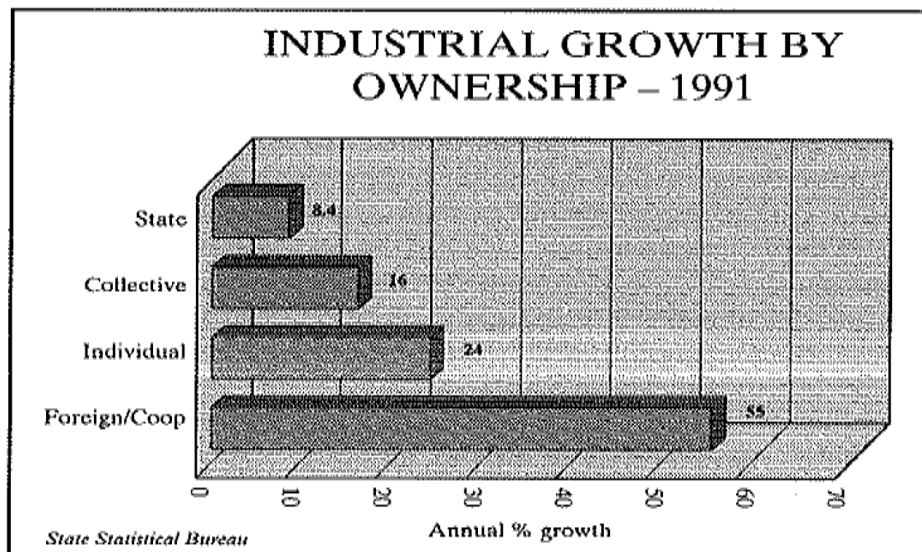
Even if you look at a very poor, relatively slow growing province like Sichuan (right in the middle of China, cut off on three sides by mountains, with 110 million people – about the same population as Japan or half the population of the United States) it had 50 per cent real income growth in six years. That's only half of what Xinjiang or Guangdong is doing but there's no place in the history of the Western world that has managed 50 per cent real income growth in six years. In the United States, to get 50 per cent real income growth you have to go back about 40 years. I'll let any local economist calculate how long it would be for Australia.

So the political question becomes, do these people sit around agonising over the fact that the guy over in the next province is growing faster? The average family in a place like Sichuan has been on the edge of starvation for the last two centuries. Now they've gone from two meals a day to three meals a day in six years. That's what 50 per cent income growth means. Do they appreciate that? We know from what happened in places like South Korea that farmers really appreciate such growth. (Before the economic miracle started, 30 per cent of the Korean population spent the winter looking for grass and bark to eat.) People really notice it when for the first time they have enough to eat. The political consequences of this kind of economic growth are very

positive. So the next time you read that China is going to fall apart, just think of that farm family which for the first time has enough to eat.

They do have some problems, of course. They have riots every once in a while because local mayors start ripping them off. But the overall effect in all these countries that have experienced rapid growth is that of pulling the country together.

How do the Chinese achieve such growth? Let's look at their priorities. Firstly there is emphasis. Take growth in Chinese industry. In a below average year, such as 1991, state enterprises grew 8½ per cent, collective enterprises grew 16 per cent, private individual enterprises grew 24 per cent and foreign invested enterprises grew 55 per cent. Those are typical numbers for China. What the Chinese have done is to put all their priorities into building the institutions of the market economy. They build little stock markets, little bond markets and currency markets. They train accountants. They try desperately to make their legal system better. The result is an explosion of growth in the private sector which they use to subsidise a very gradual transition in the public sector.



That's the way other Asians have done it. If you look at South Korea today, it is gradually liberalising its banking system which was over-regulated, inefficient and loss making but which the government used in order to guide their economy. It worked pretty well a couple of decades ago. But now they're using the fruits of their incredibly buoyant private sector to bail it out and subsidise de-regulation.

What the East Europeans have done, and what we ridiculed the Chinese for not doing, is to put all the attention on the other side. That is, not construction of the institutions of the market but destruction of the institutions of socialism. The idea is to get rid of state enterprises as

fast as possible by privatising them. Then you disband the planning system as quickly as possible. The result of that has been a collapse of the state sector. The result is something considerably worse than the Great Depression.

Poland and Russia went through what was far, far worse than the Great Depression in the United States. In recessions and depressions we all know what happens to inflation and interest rates – they go down, except in one period in world history where depression combined with hyper-inflation in Poland and Russia. With such horrific conditions, investors are frightened and there is almost no investment in the private sector or foreign investments. The private sector collapses.

The Chinese are doing it the way other Asians have been doing it. Gradualism is the right approach but that doesn't mean they can put off state enterprise reform forever. China is getting to the point where it has to do something. As more and more private enterprises compete with state enterprises, the state enterprise losses go through the roof. That's one of the biggest things driving China's rather serious inflation today which is around 25 per cent. They have to confront that. Fifteen years of gradualism are fine but then you've got to start doing something.

Last week Premier Li Peng promised to levy a 3 per cent tax on the payrolls of state enterprises beginning 1 January 1995, let the money accumulate for five years, and then start bankrupting the big loss-making state enterprises after having created a social safety net first. To Western economists, including myself, that seems slow. But it typifies the Chinese approach that you've got to take care of the workers. You can't just destroy whole cities and not have any kind of social safety net. In Poland in some areas the people reached the edge of starvation because they didn't create a social safety net first.

One of the consequences of the Chinese way is that the private sector has grown so fast that it's now about two thirds of the economy, which is about the same as France and Italy. The state sector is 30 per cent of the Chinese economy. In Germany the state sector is about 50 per cent. Almost none of the East European privatisers have brought their state sectors down much below 50 per cent. Thus, the Chinese privatise the economy even if they don't privatise the enterprises.

How else do they achieve their overall economic success? After Tiananmen Square I wrote an article saying that within a few years Deng Xiaoping would be a hero among his own people again and Gorbachev would look like a fool to Russians and lose his job. Of course in 1989 Gorbachev was at the height of his prestige so everything was looking very good for Russia. It was the only time in my life I had a hard time getting an article published. My prediction

seemed such a dumb idea. A year later the international *Herald Tribune* which had rejected the article called me back and said, "You know, that article we rejected a year ago... interesting piece of iconoclasm. Still don't believe it but we'll publish it." It became the most widely circulated thing I've ever written and it's the core of my book.

The argument was that, by studying the small countries, Deng Xiaoping had come to understand four things that Gorbachev didn't: economics, politics, finance and administration. Gorbachev was very good at one thing, which was diplomacy. We owe him for his statesmanship and the way he brought the Cold War to an end. If he hadn't chosen to lose gracefully we could all have suffered terribly. That was his priority. The Asian leaders have typically been lousy diplomats. Think of the leaders of these great economic take-offs – General Park Chung Hee in South Korea, Chiang Ching-kuo in Taiwan, the early socialist Lee Kwan Yew in Singapore. (We forget how socialist Lee Kwan Yew was. Everybody had to call each other comrade. He was an ally of the Communists.) Typically these Asian leaders would rather chew up a journalist than seduce one. They're people who don't spend a lot of time travelling outside their countries doing great diplomatic deals.

That's because they are totally focused executives. Totally focused on one thing, namely saving their countries through economic growth. Like most totally focused executives, they get pretty good at what they focus on. In Deng Xiaoping's case he went around China in the mid-1970s showing slides of life in Taiwan and saying, "You know, we could live like this too if we got our act together." You understand why that particular totally focused executive lost his job three times. That was even more politically incorrect than my book.

In the economic area, Deng Xiaoping derived a kind of investment banker's lesson from the Taiwan and South Korean experiences. You put your money into things where a very small government investment will lead to a very rapid return. First you give the farms back to the farmers. In Japan, South Korea and Taiwan that was called land reform. In China it was called dismantling the communes. The landlord may have been different but the economic consequences of giving the farmers their farms are essentially the same. (A lot of my book involves stripping the ideological labels away and looking at the underlying economics.)

The second thing was a focus on light industry. At a typical Western department store 25 years ago, most of the shirt labels said "Made in Japan". Ten years ago they said "Made in Taiwan" or "South Korea". Now they say "Made in China". And the shoes, the toys, the hairdryers, and anything in which you can invest a million dollars today and be collecting your first profits from by the end of the year.

CHINA VS USSR – PRIORITIES

- AGRICULTURE VS INDUSTRY
- LIGHT INDUSTRY VS HEAVY INDUSTRY
- PRICE REFORM BEFORE PRIVATIZATION
- ECONOMIC VS POLITICS
- DOMESTIC VS FOREIGN POLITICS

How do the Russians do it? Well, Gorbachev and Yeltsin have ignored the farmers. Ever since Stalin shot all the good ones, they've ignored the farmers in Russia. In industry their priorities were very clear: machine tools, steel, automobiles, petrochemicals, oil and electronics – all the things where you put up five billion dollars today and wait five or ten years to see whether you're going to get positive results. But they weren't ready for that. So they experienced an economic collapse.

Thirdly, if you don't have a lot of money of your own you use other people's. You welcome foreign investment. But here the Chinese have gone far far beyond what the other Asian countries have done. They received almost 30 billion dollars of foreign direct investment last year. And they got new commitments for 120 billion dollars of future investments. Now, 30 billion dollars is comparable to what Brazil – which is the only third world country of comparable size – would get from World War II to the present. China got that in one year. Third world history has never seen numbers like this.

But they're communists, so how come everyone's putting their money in there? Remember how the Japanese and Koreans financed their investment. The foreign part of that take-off was financed by having government development banks borrow the money from Western banks. Then they would on-lend it to Daiwoo or Mitsubishi. They did it all with debt and kept the foreign investor out. Nobody stood up 25 years ago telling stories about 30,000 Avon ladies in one province of Japan or South Korea. They still aren't there. But in China the planners added up the numbers of what it was going to take to finance their economic take-off and there isn't enough debt in the

world to cover that. So they've had to open the door wide to the foreign direct investor. Now you've got Motorola, Procter & Gamble, Unilever and brands like these all over China today.

This is going to change the way the third world, in particular Asia, develops. It's much more efficient to develop using a balance of debt and equity. It's less nationalistic but it's more efficient. So any country that wants to compete with China in the game of development is going to have to follow suit. This is going to change much of the financing of the third world economy.

In contrast, Russia never provided the kind of stability and other conditions that investors needed. So Russian numbers are an almost invisible fraction of what China got.

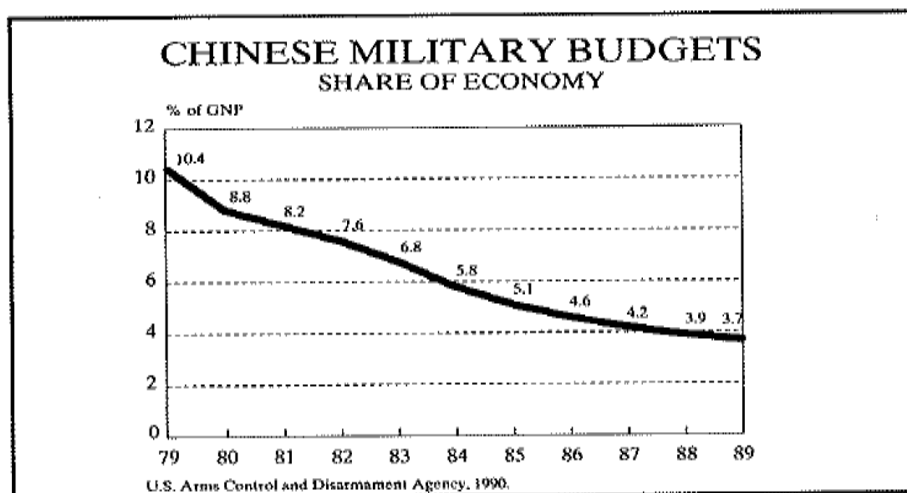
That's the economic story. What about the political story? In China it's the political story that we really worry about. Gorbachev did it the way we think it should be done. If your job is to organise the politics of economic development, the right way to do it is to educate people about the need for reform, then hold a vote and get a mandate for reform, and then implement those reforms. It's a wonderful story. The only problem is it doesn't work. It's never worked in the third world. The way that has worked in the third world, or led to highly developed economies, is the way the South Koreans, the Taiwanese and the Singaporeans have done it.

The problem with the Western approach is that the reforms are just too painful, so when it comes to implementing them the elites reject them. Leaders must either abandon reform or they can't get elected. In contrast, the Asians tend to impose the reforms and create such an explosion of economic growth that they can effectively buy the support of various social groups. The idea is to create a coalition of powerful social groups who are receiving so many immediate benefits that they support further reforms because they expect further benefits from them.

In China's case the first to receive benefits were the farmers. They got their farms back. Farm incomes doubled in the first six years of reform. If you're a politician trying to create a coalition and there are 800 million farmers and you get them on your side, that's a pretty good start. And then you look to the light/medium industrial workers who are the second priority and their incomes didn't do quite as well as the farmers but were pretty similar. You get them on the side of reform. Some early successful financial reforms got the financial sector into the coalition. There aren't a lot of bankers in a place like China but we who are in the banking business like to think that they have some clout.

Deng Xiaoping's big problem was with the military. They should have been the biggest enemy of reform. Why? Well, if you go back to the middle of the Cultural Revolution the military was getting 16½ per cent of the economy. If you look to when reforms started in 1979 it was

getting 10½ per cent. Today it gets 3½ per cent of GNP. If you're in a company and your division has been cut from 16½ per cent of the budget to 3½ per cent you're an unhappy division.



But Deng Xiaoping got lucky in a sense. 1979 was both the year that reforms got underway and also the year China fought with Vietnam. You remember what happened. The Vietnamese invaded Cambodia and the Chinese didn't like it so they decided to punish Vietnam for a few weeks. The punishment turned out to be mutual because the Chinese casualties in those few weeks were half of total US casualties in 10 years of the Vietnam war. This was a political debacle.

So Deng Xiaoping went to the generals and argued that their only salvation was technology. To afford the technology, China would have to follow the Japanese and South Korean way. The Japanese held their military budget to one per cent of GNP. General Park Chung Hee took over in South Korea and immediately reduced the defence budget to 4 per cent of GNP – at a time when Jack Kennedy's United States was spending 10 per cent. They put the money into economic development.

Deng Xiaoping also argued that China must open its economy to the Americans, Europeans and Japanese. Otherwise they wouldn't sell China the technology. The generals bought these arguments. It would be painful but they could see that it would work. It had worked for Japan, for South Korea, for Singapore and, although it was painful for the Chinese generals to admit, it had worked very well for Taiwan. So the generals became the strongest supporters of reform. Deng created a vast coalition of all the most important groups.

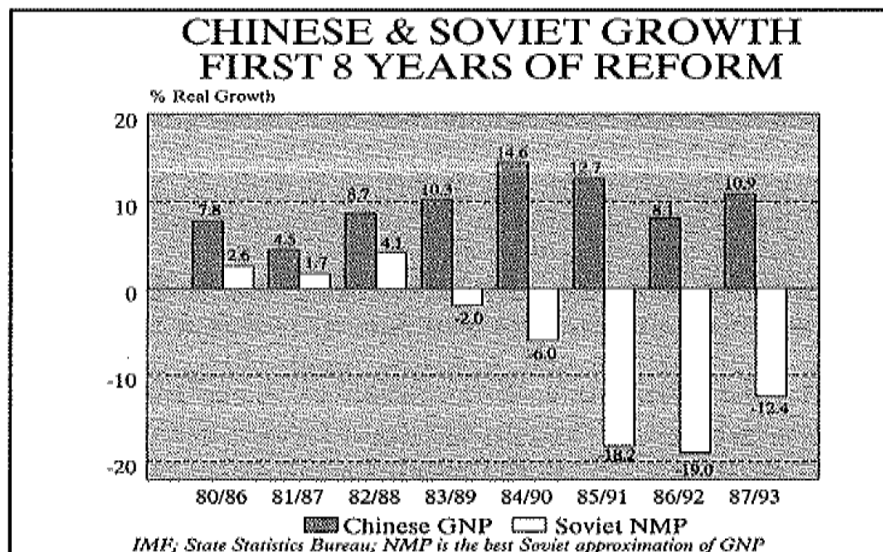
What did Gorbachev do? In Russia farm incomes totally collapsed. The farmers were already in bad shape and in one year of Gorbachev, while farm incomes went up 7 per cent, farm costs went up

70 per cent. This was devastating. The same thing happened to workers' real wages – they spiralled downwards. And Gorbachev curtailed vodka productions so they couldn't even drown their sorrows in vodka.

The top managers (all the most important civilians in the economy) lost their power and perks in a great decentralisation of economic activity. That decentralisation was a good thing in itself. But since the overall economic reform didn't work, all Gorbachev got back was the political anger of the most powerful civilians.

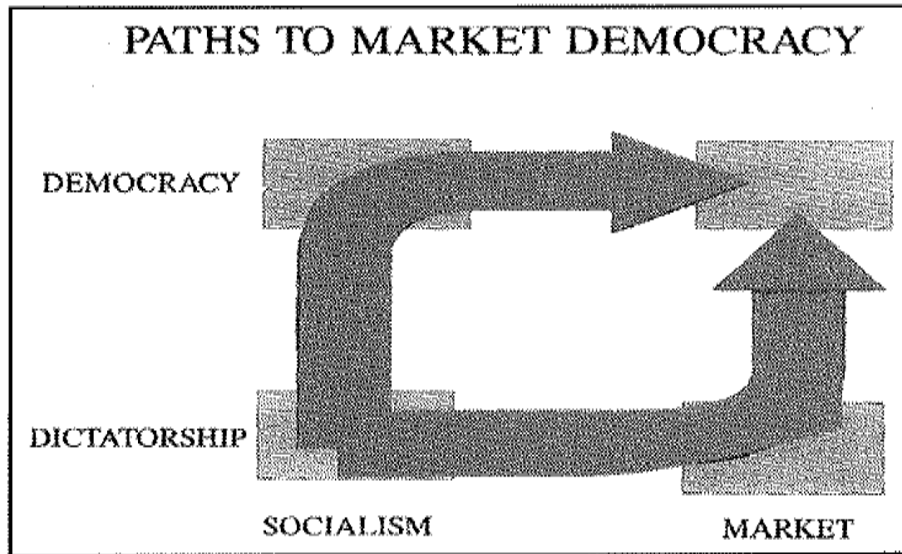
How about the Russian military? They didn't have a technology problem. That's the one thing the Russians were good at – military technology. But from Gorbachev and the early Yeltsin, the Russian generals heard that they would lose their budgets, that the government was stopping production of their new weapons, that they would be humiliated by the opening of the history books. And all this would happen just as allies like Poland revolted and joined the enemy. For the Russian military, reform was an exercise in national humiliation, whereas for the Chinese, military reform was an exercise in national rejuvenation. So Gorbachev managed to create a coalition of all the most important groups in society *against* economic reform.

What are the comparative results? Take economic growth in the first eight years of reform. For China it's like an aeroplane taking off. The world's greatest economic take-off. For Russia it's like a submarine descending. The world's greatest economic collapse.



That brings me to my final point, which goes to the overall ideological conflict between the West and these Asian development stories. If you're an impoverished third world dictatorship and you want to become an advanced industrial democracy, there are two ways

you can do it. You can do the political reform first and then the economic reform. Or you can do the economic reform and then the politics. (See the chart on "Paths to Market Democracy.") The way we like it is the first way. Cory Aquino in the Philippines, Gorbachev in Russia, Shagari in Nigeria, Garcia in Peru – we love these people. And if they're lucky we give them a few billion dollars in aid. Then they start trying to work their way across to economic reform and problems set in.



I was a key adviser of Cory Aquino in the revolution against Marcos. Her finance minister and I thought that, since we had guided her through the politics successfully, we could also guide her through the economics. But she vetoed every major reform and my friend the finance minister (Jaime Ongpin) ended up committing suicide out of frustration. It was a painful lesson in how difficult these reforms are in a democracy.

Price reform means that in Warsaw meat prices treble overnight. Currency reform means that in Latin America all of a sudden none of the women can wear French blouses, none of the men can have imported Mercedes Benzes, and the middle class can't afford vacations in the United States and Europe any more. You have to have a more competitive, more efficient economy and that means getting rid of all the oligopolies and monopolies. If you spend any time in a place like the Philippines you know that the economy is about monopolies and oligopolies. As you try to dismantle those you threaten the jobs of the most important people in society. So you get overwhelming resistance. Either the president gives up on reform, as Cory Aquino did, or there is instability. Everybody gets nervous and eventually the military is invited back in.

In the nasty Asian societies that Washington in particular tends to dislike, you get, for instance, Park Chung Hee taking over and imposing economic reform. Jack Kennedy told Park to take his troops back to the barracks and Park ignored him. Park said, okay, we tried putting all the money into the military. It didn't work. We fell further and further behind North Korea. Then we tried democracy. All we got was social chaos. Now we're going to put everything on economic growth.

In those days, the South Korean economy was about the same size as North Korea but the North Koreans were putting 30 per cent of the economy into the military and the South Koreans 4 per cent. So North Korea was just overwhelming. Today the South Koreans put 6 per cent into the military but their economy is 15 times bigger than North Korea's.

The first thing Park wanted to do was make up with the Japanese. He said, we've got to have Japanese trade and investment. Those of you who have spent any time in Korea and Japan know that the number of Koreans in those days who would have voted for that – making up with the hated colonial power – was smaller than the number of people in this room. Park's attitude was, I'm sorry you don't like it but to save the country we've got to do it. You may riot but I've got policemen with big clubs. And they made all those reforms, the difficult reforms that the other places couldn't achieve. They got over to the other side of that market economy.

By the time they got over there I was head of an Asia policy group for Jimmy Carter's campaign in 1976. Carter thought South Korea was one of the worst places in the world. He thought it was another Vietnam, that the human rights abuses and the dictatorship meant that it would be unstable. In his view we should get our troops out before it became another Vietnam. I couldn't convince him that people really liked economic growth. People who had been spending the winter looking for grass and bark to eat really appreciated having enough food and it was stabilising. A middle class was forming and things were getting better.

I had the same problem with Bill Clinton over withdrawing most favoured nation status from China. It hurts human rights. It doesn't help them. We always attack the regimes who abuse human rights but promote successful growth, and we are always surprised when it comes out well in both the economics and human rights dimensions 30 years later.

Economic growth in Asia has promoted human rights and representative government. People who are starving are very docile. You feed them and they become a little more assertive. You take illiterate people, you educate them and they start thinking about broader things – human rights for instance. You end up with hundreds

of thousands of professors and millions of students. They organise and they demonstrate and they demand things and you can't really stomp on them, especially in a Confucian society, because you need them.

The connection between socialism and dictatorship has always been that the government controls your job. As long as I can control your job I can control you. In China the government used to control 100 per cent of the jobs, but today only 18 per cent. When they lose control of 82 per cent of the jobs their controls are weak.

In China there's another major instrument of totalitarian control, the neighbourhood association. They have some old biddies that just watch you every minute. There's always an old biddy, for instance, who watches the menstrual cycles of all the women. When somebody misses and it's not her turn to have a baby, she's forced to go off and have an abortion. That's pretty tough control. When you have 200 million people moving around China, as you do today, the neighbourhood association system doesn't work effectively anymore.

Similarly, you get 15,000 confident, well educated workers in a Hyundai factory in South Korea and they'll form a union whether Park Chung Hee likes it or not.

An open economy liberates the mind. Millions of people start going back and forth to Western countries and nobody can stop them from appreciating the freedom there. People get televisions, they watch CNN and the BBC. In 1992 virtually everybody in China saw Bill Clinton challenge George Bush and defeat him in a presidential election and then saw Bush step down peacefully. In 6000 years of authoritarianism in China, most of the Chinese people never even imagined such a thing was possible. It had a potentially revolutionary impact.

So all of these societies, after a generation or two, have found themselves moving to a different kind of politics. It doesn't necessarily evolve into exactly our brand of politics. Singapore is not Washington or Canberra, but it's a lot better than the rest of the third world.

China today is of course abusive of human rights and it's a dictatorship. But when I first went to China a dozen years ago everybody was terrified to be seen with a foreigner. If you actually got to speak with a real Chinese every question you asked you got a sort of tape-recorded response. Today in Beijing, government officials will say, in the presence of a bunch of other government officials, "Yes, we hate Li Peng but we want to get rid of him our way." You respond, "Is this China? It can't be." In local elections 30 per cent of the Communist Party's favoured candidates now lose. Two years ago when they held the National People's Congress and Li Peng presented his Work Report as it's called – it's the annual budget exercise – they hooted him into making 200 changes to it.

That's a lot different from the way it used to be. My message is

not that success is inevitable. Real people can always mess up any strategy no matter how good it is. But if the strategy continues, it works and it deserves a certain amount of respect because it not only leads to prosperity but also to a loosening of the totalitarianism of the old China.

Everybody is asking today what will happen when Deng Xiaoping dies. Well, what happened when Park Chung Hee died? What happened when Lee Kwan Yew stepped down? In all cases the reforms seemed to hang from the shoulders of one man. And initially they did. But when a society has been flat on its back for 200 years, humiliated by the Western world with most of its people on the edge of starvation, and, suddenly, for two decades, it's the fastest growing country in the world, people get the idea that maybe something is going right. Maybe we ought to continue along this line.

When Park Chung Hee was shot in South Korea, he was succeeded at first by a conservative democrat. That democrat continued all of Park's economic policies. There was also a so-called radical democrat, Kim Dae Jung. His policies were the same as Park Chung Hee's. Then you got a half-baked general, Chun Doo Hwan and he also continued Park Chung Hee's principal economic policies.

It's the same in China today. People like Li Peng worry about social stability and inflation and want to reform more slowly. People like Zhao Ziyang want to forget about inflation and just put the accelerator to the floor. But they're all headed in the same direction.

If you look around the successful countries in Asia you see this everywhere. Thailand has coups, funny elections and changes of coalition, but the economic policies just continue right on course. That's what I think will happen after Deng Xiaoping dies. I think the political headlines are going to be lurid but the economic policy will continue right on course. And at this point in China's history that's the important thing.