China's economy: the time-bomb is ticking

by Mary M. Burdman

The already broken-down Chinese economy is falling into chaos, and despite the brutal government crackdown, it is apparent that the entire country is seething.

The government is not succeeding in one of its biggest objectives: keeping the population tied down. The great *manu liu*—"blind current"—of at least 100 million unemployed people is still moving from city to city, looking for a way to sustain life. Vice Minister of Labor Li Peiyao announced that rural workers would not be allowed into the cities without special permits, and 10 million rural workers have been sent back to their villages. But, reports from Hong Kong say, still 10,000 people are pouring into the city of Guandong (Canton) every day, and the government cannot stop them.

The social and public health conditions this situation creates are appalling. Millions of people are living on the streets in a country in which the biggest industrial city, Shanghai, with 11 million people, has only 950 public toilets, and half its homes—70,500—have no flush toilets. In China, even people with good party connections wait for five years to get a toilet.

January's industrial production in China fell 10% from the month of December, 6.1% lower than January 1989. This was the biggest monthly drop in 10 years. The *China Daily* quoted State Statistical Bureau figures showing that industrial output in January fell to 127.8 billion yuan, or $27 billion. Production had been dropping for months: from an 18% increase for 1988, it fell to 0.9% in September and −2.1% in October. To blame is the austerity policy clamped on in October 1988, which has brought inflation down from an official 25.5% (more likely 40-50%) to 7%, and the rest of the economy down with it. At least one-third of Chinese factories have had to stop or cut production due to austerity.

China is getting little relief from outside. Despite the decision by the World Bank in February to lift the eight-month ban on lending to China, Japan, its most important investor, did not resume lending. "We will not resume lending, but continue to wait and see how the situation develops," Reuters quoted a Japanese banker. A Japanese official said that despite the World Bank decision to approve a $30 million earthquake-relief loan for Inner Mongolia, Japan would still not give the $5.57 billion in cheap loans promised to China for 1990-95.

Only such fools as President George Bush and World Bank head Barber Conable are attempting to prop up the current regime. Conable himself admitted in an interview with the London *Guardian* that there was "dissent" among the bank's executive directors over whether to resume lending to China. Conable said the World Bank had "sent a number of missions to China," and was satisfied with its "revised economic programs."

The Chinese themselves are clearly not so confident. On Feb. 5, the four most powerful economic institutions in China released a circular "giving notice to Chinese enterprises that their poor economic performance must be improved," Xinhua reported. The State Planning Commission, Ministry of Finance, the People's Bank of China, and the State Statistical Bureau told enterprises to "speed up technical transformation, perfect operations, and improve management to help overcome low efficiency." A State Statistical Bureau report issued Jan. 25 admitted that the state-owned enterprises are a disaster. "Profits and taxes in 1989 [were] up by only 0.2% compared with 1988; deficits of enterprises in the red were 1.2 times higher; while the comparable costs increased by 22.4%."

Debt crisis

China also has to repay a $42 billion foreign debt. The State Administration of Exchange Control called a meeting the first week of February "in light of the grim situation with respect to foreign debts and foreign exchange," the Hong Kong paper *Wen Wei Po* reported Feb. 7. "The meeting believed that China is facing a peak period in the repayment of foreign debts. From now on, the annual task of paying principal and interest will get tougher and tougher. While making vigorous efforts to expand export trade . . . cutting imports and accumulating foreign exchange will become a principal guiding principle . . . for a period to come."

China is desperately trying to increase its exports, and, sources in Taiwan report, there will be another devaluation of the currency, the renminbi, of 10-15% soon. It was already devalued 26.9% on Dec. 17. The State Planning Commission announced Feb. 2 a drive to increase exports of "labor-intensive processed products" such as textiles, electric machinery, and processed agricultural products; imports of cars, motorcycles, food, refrigerators, and other goods will be restricted.

The crisis has the Chinese ready to boil over. On Feb. 12, Xinhua reported that the Beijing city government has issued life insurance policies for 4,000 employees it fears are at risk from assault. "Violent actions against industry and commerce [bureau] employees, tax workers, and police have been reported in recent years," Xinhua said. In the southeast province of Jiangxi, the military command issued a circular calling on all localities to strengthen control over weapons depots "to guard strictly against the pilferage or loss of militia weapons and similar accidents." Public Security Vice Minister Yu Lei told the National People's Congress on Feb. 9 that there are "rather serious problems remaining" for public order.