

China's floods show human cost of lack of infrastructure, insane economics

by Michael Billington

The devastation of the floods in the People's Republic of China has resulted in sober and relatively honest appraisals by some Chinese officials as to why the nation was so drastically unprepared. Directors of the flood control programs, food storage officials, and others, have published angry interviews about the fact that even the basic maintenance of the existing infrastructure, let alone the necessary new development, has been sabotaged by the government to sustain the "coastal development strategy," which is based on providing concessions and tax breaks to export-oriented (mostly foreign) enterprises along the coast, utilizing the desperate cheap labor generated by the historic and continuing underinvestment in agriculture. A senior engineer at the Water Conservancy and Hydroelectric Power Research Academy bluntly told the official newspaper *China Daily* that the government's policy in water infrastructure has been the equivalent of a policy to produce "coffins rather than medicine."

These are the murderous policies being implemented under the name of "reform," which are portrayed to the West by both the friends and the enemies of the current regime as "progressive" and worthy of support. These economists at the World Bank, Harvard University, and elsewhere, whose policies have bankrupted the British and U.S. economies, are attempting to return China to the 19th century of colonial "concessions" as a source of cheap labor and loot. The false notion that the only alternative to the insanity of Maoist irrationalism is the equally irrational "magic of the market place," has been used to set up the 1.1 billion Chinese for a holocaust. Both Mao Zedong and the post-Mao reform leaders have sustained the nation by looting agriculture, leaving a continually decreasing level of sustenance for the 80% of the population who still live in the areas, while refusing to develop the infrastructure necessary to transform the nation, or even protect it from natural and man-made disasters.

Although the floods have been described as the worst of the century, no one pretends that the devastation could not have been prevented. Damage estimates are now over \$7.5 billion, as tens of thousands of bridges, dikes, roads, factories, and homes were washed away. The death toll is over 2,000, but the secondary deaths from diseases, including malaria, cholera, and typhoid, are mounting. The threat of famine is being denied by the government and by the authors

of the "reform" policy at the World Bank, but their denials provoke a haunting memory of previous periods when such dangers were ignored even as they came to pass.

The Three Gorges Dam

The State Council, the leading government body, under the pressure of the shocking reports from the flood sites, announced in July that the Three Gorges Dam across the Yangtze River will be constructed during the next five-year plan (1996-2000), and that preliminary work will begin immediately. Had this project been built any time over the past 70 years—it was first proposed by Dr. Sun Yat-sen as part of his International Development of China proposal in 1921—the death and destruction of the past weeks could have been avoided. Although the cost appears great to an accountant at the World Bank, it would have been made up by the prevention of the current flood losses alone, not considering the contribution of the project to the economy, and the lives of millions of Chinese.

However, the project approval does not mean it will proceed. For example, one official described two major drainage channels that were designed in 1958 for the Yangtze and Huai rivers, the two worst hit by the floods. Construction was never finished. They were reapproved in 1985 and again in 1988, with the same result. The cost of the projects would have been \$560 million. The damage they would have prevented this year is nearly \$2 billion, and would have saved many lives. *China Daily* admitted that government investment in water control infrastructure has fallen from 7% in the 1950s to 2% today.

Another admission of the accumulated sins of omission that have brought on the current crisis appeared in the daily *Ban Yue Tan* in Beijing, reporting on the status of the nation's grain storage. Much has been made of the bumper crop last season, when a record 435 million metric tons (mmt) were harvested and a significant amount placed in storage (the exact storage figures are secret, but estimates range between 75-125 mmt). However, an enormous 15% of stored grain is lost to spoilage under normal weather conditions. The article reports that a full 70% of the stored grain is kept in open air barns, and about 25 mmt is simply stored outdoors! Approximately 6 mmt were literally washed away by the floods. Some un-

confirmed reports in the mainland press estimated that as much as 60-80 mmt, half the stored grain, may have been water damaged due to poor storage facilities.

The construction of new storage facilities has not even kept up with replacement needs. Less than 2% of the grain is stored in modern steel granaries, and earthen warehouses constructed in the 18th century under the reign of Emperor Qianlong are still in use.

Looting of agriculture

The history of development in China since the victory of Mao's peasant army has been one of continuous looting of the peasantry. Following the civil war, grain production returned to normal after 12 years of constant warfare. Food consumption levels at best returned to the pre-war levels of the 1930s under Chiang Kai Shek. The emphasis was on industrialization, with Soviet support, which was paid for by extracting resources from agriculture in the form of cheap grain for the urban work force, cheap cotton for the textile industry, and taxes to support the government. Agricultural production itself remained primitive. The myth that the industrialization process in China was turning out large amounts of agricultural machinery, fertilizers, pesticides, etc., is disproved by the fact that between 1958 and 1978, only 10% of heavy industry output went into agriculture.

As physical reality periodically asserted itself, causing agricultural stagnation, Mao took the country through several rounds of bloody and psychotic episodes of forced collectivization, eliminating even the small private plots, and strictly enforcing government procurement of grain and other taxes on agriculture. During the Great Leap Forward of 1958-1960, and twice during the Great Proletarian Cultural Revolution of 1966-1976, the nation's economy and society were thrown into chaos while the peasantry were treated like slaves, with the resulting collapse of production. In the Cultural Revolution, Mao insisted that each *province* be self-sufficient in grain and other agricultural products, regardless of the vastly differentiated types of soils and climates in the different provinces. Areas suitable for grazing, for example, but without the water resources needed for cultivation, were plowed under to meet the grain quotas, leading to a drastic fall in output of virtually every crop, including grain.

The Great Leap resulted in the genocide of 64 million souls, counting increased mortality, primarily from starvation, and the nearly as great rate of reduced births, due to the collapsed state of health of the population. The deaths from the Cultural Revolution were only slightly fewer, although they resulted mostly from murder and forced suicides rather than from famine.

Nicholas Lardy of the University of Washington has demonstrated another aspect of the looting of agriculture. Between 1957 and 1978 (the beginning of the current reform period), the consumption of grain per capita *fell* by 3.2% in China. But *rural* consumption fell by almost 6%, while *ur-*

ban consumption *rose* by over 10%. Edible vegetable oil, the major source of protein, fell by 40% nationwide but only 10% in the cities. Even clothing consumption shows the same urban-rural division. Thus, by 1978, average food consumption was slightly lower than the pre-war period of the 1930s, while that of the peasantry was far lower.

Lardy also points out that while the government subsidizes the sale of grain to the urban work force as part of the wage policy, no such subsidies exist for the peasantry. Half the government's procured grain is sold back to those peasants who are involved in non-grain production, but the price is pegged to the procurement price. Similarly, most of the social benefits, like social security funds upon retirement, are not applicable to the peasantry, who must depend on children for support in their old age. But having more than one child is a crime.

Partially to enforce the "local self-sufficiency" in food, it was forbidden to use the rail system for food transport, and the roads were not adequate for significant inter-province transportation. The entire road and rail system, in fact, was based on *preventing* the movement of people or food between provinces. This policy is still used to varying degrees by the current government.

The 1980s 'reform'

Did this nightmare end with the beginning of "reform," as the free market gurus would have us believe? Production of grain did shoot up after 1979, when farmers were allowed limited control over running their own farms. The same phenomenon happened after the war in 1949 and after the Great Leap in 1961, for the same reason. But, as Lardy points out, although the government increased the agricultural budget in 1979, "the commitment of the Central Committee was abandoned within little more than one year." Advice was pouring in from the Anglo-American elite, with an eye on the cheap Chinese labor and the expanding Golden Triangle drug flow through China as a source of loot for their collapsing financial bubble, while equally anxious to prevent China from a real modernization policy of the sort Japan had undertaken. The initial leap in agricultural output was used to justify *slashing* the agriculture budget, along with the investments needed in transport, energy, water control, communications, and so forth, except where they were essential to facilitate the climate for fast buck investments in the emerging coastal free trade zones.

As a result, the rate of growth of grain output (the source of over 80% of the caloric intake in the Chinese diet), *decreased* after 1983 and became negative by 1985. Extraordinarily good weather in 1989 and 1990 brought the total production back to the 1984 peak level, but per capita production and consumption never recovered when population increases are factored in.

Since the 1988 inflationary explosion, caused by the "hot money" generated by the free trade zones, there has been a

general retrenchment of the economy, with many of the signs of the earlier Maoist reactions. Some 20% of the agricultural land is being recollectivized, reverting to government ownership, while self-sufficiency of the regions is being reemphasized, and movement of food and people is again being closely regulated. This must be seen in the light of the control over political and social freedoms since the massacre at Tiananmen Square, and a renewal of the hated Cultural Revolution-style campaigns against "bourgeois liberalism," "peaceful evolution," etc.

The World Bank solution

The World Bank released a special report on the grain situation in China in July, in which it is ecstatic about the push to remove government subsidies on grain. The Bank is demanding the complete elimination of all regulations and subsidies in the grain market. This is in keeping with their international policy against national protection of food production, aimed at placing food control in the hands of the Anglo-American food cartels.

The report states: "Since market prices for grain in China's free markets have fallen precipitously due to record production in 1989 and 1990, China should seize the moment to raise urban ration prices and reduce per capita allocations in order to reduce the subsidy burden without causing too much hardship for the urban poor."

Such concern for the poor does not extend to the situation "down the road" when the "free market" prices skyrocket due to some disaster, like a flood, intersecting the accumulated failure to develop infrastructure, as is evolving now. The report adds as a postscript that the government, within weeks of seeing the draft of the report, implemented precisely such policies.

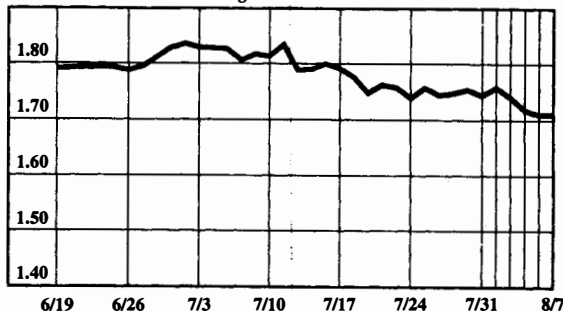
The Bank is quite aware that China is now the world's third-largest grain importer, importing primarily from the U.S. In a crisis, China will be entirely dependent on the U.S., which has demonstrated, in the cases of Iraq, the Sudan, and elsewhere, that it is more than willing to use the food weapon to impose its political will, up to and including causing the mass death of children.

Ironically, the *World Bank Economic Review* for May 1991, published just prior to the floods, points out how the free market policy decisions and China's brutal population reduction programs (both policies advocated and supported by the Bank) have combined to create a situation where "an unraveling of the established safety nets, an aging population, and the advent of high episodes of inflation" have undermined living standards for an increasing proportion of the population. Unmentioned by any of the Bank spokesmen is the vast "floating population" of 100-200 million who wander the nation in search of any means of survival, legal or otherwise. It is this army of unemployed that assures the continued low cost of labor to those investing in the free trade areas—about one-tenth of the average wage in Taiwan.

Currency Rates

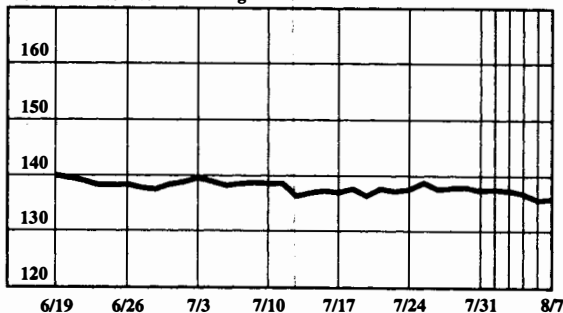
The dollar in deutschemarks

New York late afternoon fixing



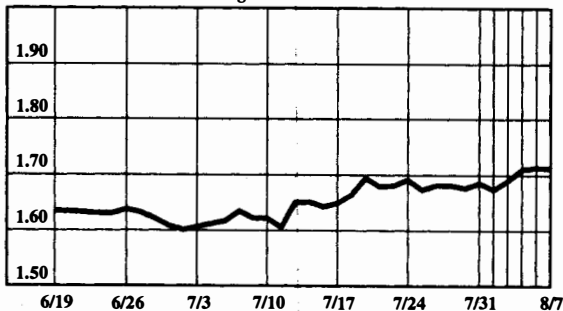
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

