

# Chinese agriculture on a tightrope, threatens new wave of unrest

by Mary Burdman

China's agriculture is walking on a razor's edge, and the leadership of the Communist Party (CP) is fully aware of it. Since autumn of last year, the highest-level government officials have been warning repeatedly of the dangers the nation faces if agricultural production is allowed to go under. For all the international discussion of China's economic growth over the past years, it remains overwhelmingly a terribly impoverished agricultural economy, with 80% of its 1.2 billion people still living in the countryside. Although at this moment the situation is not as critical as it was leading into the 1988-89 economic crash in China, warnings of unrest in the countryside are coming regularly from China's own press and government. China's farmers (average *annual* per capita income is \$130) are not being paid for their grain, and are being taxed unbearably at the same time.

These warnings are to be taken seriously. China only emerged from the horrors of Maoism a bare 20 years ago. The famine of the Great Leap Forward in 1960, in which some 100 million people starved, is in the *living memory* of every Chinese over 40; during the Cultural Revolution, which only came to an end after 1976, such common foods as peanuts were a rare luxury, as one very well educated Chinese told me recently. One got about one kilo a year.

Last Nov. 26, the official Chinese *Farmer's Daily* warned the nation: "We should never forget the serious lessons we learned at a huge cost in the past. It has happened several times since 1949 that a weakened agriculture dragged the national economy down."

An even starker warning came in the editorial of China's official *People's Daily* on Dec. 9. China "must never neglect its number-one priority—agriculture," it said. Establishing a market economy is an "arduous and complicated process" and requires "a stable society," the paper stated. The agricultural portion of national output has decreased as industry and services have developed, leading to the "misunderstanding that agriculture is no longer a major factor in the economy. The weak foundation of China's agriculture is obvious and comprehensive farm production standards need to be raised." In addition, "difficulties in buying or selling farm products will occur occasionally and cause losses to farmers, and consequently affect *social stability*" (emphasis added).

Although Chinese agriculture is among the world's more productive on a per hectare basis, due to intensive methods,

productivity is far lower on a per capita basis. Chinese agriculture faces enormous problems. With one-fifth of the world's population, it has only one-twentieth of the world's arable land. After massive disruption of production under 25 years of Maoism, productivity was briefly restored immediately after Deng Xiaoping instituted his Bukharinite "New Economic Policy" after 1979. But after 1984, it fell again. Deng's reforms have failed to solve any real problems, and the situation is now rapidly worsening.

## Another drop in grain production

National People's Congress Finance Committee Vice Chairman Dong Fureng told the Jan. 8 *China Daily* that China will "probably witness a drop in grain production in 1993, which will jeopardize further reform efforts and rapid economic growth." The State Statistical Bureau reported that grain output only went up 1.7% in 1992 over 1991, leading to another dire warning about grain production by the *People's Daily* on Jan. 4. On Dec. 31, the State Council met and issued 10 measures to boost "farmers' enthusiasm," including the words of Deng that "the economy in the 1990s may be hindered by agriculture." Dong reported that farmers' income "grew" by 5% last year, but the proliferation of billions of yuan worth of IOUs "have made that growth meaningless." At a conference in Beijing on Jan. 5, Prime Minister Li Peng reported that in some grain and cotton areas, incomes were actually reduced. The gap between farmers' and urban incomes is widening: Net income was \$314 in the cities and \$134 in the countryside. With domestic prices approaching those on the world market, the state will have enormous problems continuing state subsidies of grain production, Dong said.

Cheap and (relatively) abundant food, especially in the cities, is the foundation of Deng's "reforms" and the basis of continued power for the CP—along with massive social and political repression. To maintain food supplies, China is a net grain importer, and has been since 1979. It was only after the bumper harvest of 407 million tons in 1984—only equalled in the last three years—that China did not have to import grain for two years. But in the interim, China's population has grown by 15 million persons each year. Over 1984-89, per capita grain production in China had *dropped* by 20 kilos.

Although good harvests the last few years have averted immediate disaster, the problems caused by the reforms are now only undermining agriculture further. As happened in the late 1980s, China's farmers were not paid for their grain crop last year, leading to a crisis before the Chinese New Year festival on Jan. 23. It is an ancient tradition that all debts must be cleared by that time, but the government had to admit, beginning weeks beforehand, that this might not be possible. The *China Daily* reported on Dec. 8 that the state "simply does not have enough money" to pay for the grain purchased from farmers this year, and this situation "has greatly disturbed farmers in many rural areas." The Chinese government, which believes that "there is no stability without grain," is reluctant to relinquish control over grain prices and the purchase and distribution of grain, although prices have risen from the absurdly low levels of the Maoist years by some 140%. The result has been to further drain China's already bankrupt state.

Since the mid-1980s, the government has been "bogged down" with a shortage of funds, forcing state grain companies to "pay" farmers in IOUs instead of cash, or, worse, certificates of deposit from banks, which cannot be readily turned into cash, the *China Daily* reported. Now in some areas, 1992 is being called "the worst year yet." Farmers are only accepting IOUs in some areas, because there are other regions where the grain companies are simply refusing to buy any grain at all.

The Ministry of Commerce reports that the government needed \$11 billion to buy the autumn grain harvest, but at the end of October, the state grain companies had only \$1.95 billion available. Many of the special loans extended to local governments to buy grain, have been diverted to other uses, such as construction of economic development zones. The state grain companies, despite their subsidies, are in financial trouble. They must purchase all that the government orders, and at the same time sell grain only at fixed low prices.

The large harvests of recent years have created another problem. Most of the grain produced is of very low quality, and is difficult for the grain companies to get rid of. Much of their funds are now tied up in stockpiles of this low-quality rice. While the companies could not collect on some \$6 billion worth of grain they sold, the Ministry of Finance is also \$7.8 billion behind in subsidies owed to grain companies.

The State Council ordered that "all other work" should give way to the urgent problem of grain purchasing, and the People's Bank of China has decided to allocate \$6.4 billion in short-term loans to purchase grain.

While the People's Bank of China is studying the commercialization of the grain business, "it will be very difficult for reform to make much progress," a bank spokesman said. The income of China's 800 million farmers, which has stagnated for three years, is far too sensitive an issue for the government to make any substantial changes in the near future, the *China Daily* concluded.

## Reports of unrest

Despite scrambling and dire threats to local authorities, the government was not able to pay the farmers their full earnings before the New Year festival, the Jan. 24 *London Observer* reported. Two top officials in Sichuan, China's most populous province, accused their subordinates of stealing the money intended to pay peasants for their grain. The peasants' traditional forms of resistance—non-compliance with government decrees and policies, abandoning the land, and the growth of secret societies and rural riots—have national and provincial leaders frightened.

The Ministry of Public Security has issued circulars describing more than 1,800 "underground groups" with up to 30,000 members each which "control prices and sales of land and farm products." The Ministry of State Security claims that Communist Party members even lead these groups in some areas.

In early October 1992, China's national banks and post offices issued circulars urging each locality to cash farmers' IOUs in seven days. Included are the money orders for earnings that peasants who leave their home villages looking for work, send back to their families. These IOUs and money orders "represent one disaster after another," the *Economic Daily* reported on Jan. 4. "The craze for establishing development zones is the main cause. . . . Provinces, municipalities, counties, townships and even villages set up development zones even if they have no funds—funds they should use to pay back the farmers. . . . For the sake of the Spring Festival, farmers' spring ploughing, and agricultural development, we should lose no time to cash all IOUs."

China's farmers have also been taxed ever more heavily in recent years. Average annual per capita income of farmers was expected to rise to 770 yuan (\$130) in 1992, and that is a 5% rise over 1991. Farmers' income had stagnated for three years. City workers in China average over 2,000 yuan in annual income (\$340) and have many more benefits, including health care and housing. The "richest" farmers, in Shanghai, earn 2,226 yuan (\$380) a year.

In addition, farmers are taxed outrageously. *China Daily* reported on Jan. 6 that farmers in some regions are so unhappy with the forced "donations" being extracted by local governments, that the situation "poses a potential threat to the development of the nation's agriculture." Farmers are also being "paid" with IOUs instead of cash when they sell their products to the state. Although the State Council had demanded that local "donations" be limited to 5% of their income, farmers often pay 9%. Farmers' "unhappiness" led to the State Council calling on local governments to stop the extortion. Although some provinces took measures, reporters in Hebei province found no changes, and Hunan and Henan provinces are investigating "serious" cases of extortion of funds from farmers. Taxes and "contributions" by farmers in 1991 had jumped over 10% over 1990, the *Economic Daily* reported.