

# China's plunge into 'critical year' draws parallels to crisis of 1989

by Mary Burdman

Fears about the growing tensions and economic problems in China helped cause the Hongkong stock market to plunge on Jan. 6-7, its biggest fall since the crash of 1987. The market, which had been skyrocketing for the past year, fell by another 4% on Jan. 12. Reports from Hongkong say that what is causing the most concern is the extent to which even the official mainland press, to say nothing of the "semi-official" Beijing-backed Hongkong press, is reporting the threat of instability in the period leading into the Feb. 10 New Year-Spring Festival, China's most important national holiday.

At the holiday, by tradition, all old debts must be settled and, now, hundreds of millions of people leave home to seek new jobs. At this critical time, China is in the throes of a national policy fight over whether only very rapid growth—Deng Xiaoping's "reform" policy—or more measured development based on solving China's enormous problems of lack of infrastructure and energy, can work. The debate has been public in the official Chinese press for the past year at least, but the stakes are getting ever-higher. Most remarkable is the fact that the official press is alluding openly to the economic crisis of 1988, which led to the national protests of 1989 and to the Tiananmen Square massacre. Leaders of the international Chinese dissident movement have been warning that 1994 will be a critical year for China; their views are already being borne out.

On Jan. 3, the *China Daily* reported that purchase of electronics and household appliances had grown to "ravenous proportions" because of fears of price hikes due to new taxes. In China, "the fear of inflation has repeatedly resulted in large-scale buying frenzies. . . . Still fresh in the public's memory is the shopping frenzy which broke out in 1988, when people hoarded huge quantities of daily necessities—from salt to toilet tissue—fearing price hikes were imminent. The current buying spree seems to be similarly inspired," it said.

Two days later, it was reported that "major Chinese cities are seeing a new gold rush," after it was announced that Beijing was going to end its dual currency system by phasing out the "Foreign Exchange Certificates" beginning on Dec. 29. In Beijing, gold sales were 60 times the normal rate. The currency change may have prompted the "rush," but underlying this is the fact that, as the *China Daily* reported, "Chinese people often buy gold to keep the value of their savings and avoid inflation."

## Emergency food shipments

The critical situation was building in the last weeks of 1993. On Dec. 21, the Beijing government had to impose emergency price controls on 27 basic commodities as prices shot up by 30-40% in Chinese cities in just the previous week alone. Price controls on these commodities had been lifted last May. To keep prices down, the government announced that shopkeepers who exceed the maximum prices will be punished and, according to one report in the European press, 600 officers are deployed to check prices in Beijing.

By early January, it was reported in Hongkong that emergency extra shipments of rice, wheat, and other grains were being rushed to the eight most densely populated provinces and the cities of Beijing, Shanghai, and Tianjin. The provinces are Guangdong, Guangxi, Fujian, Hainan, Zhejiang in the southeast, and Yunnan, Guizhou, and Sichuan in the southwest. The semi-official Hongkong China News Agency reported that an additional 140 freight trains will be used this month to transport 700,000 tons of grain, 100,000 tons more than originally planned; other reports say that the total will reach 4.1 million tons by March. The Beijing Internal Trade Ministry denied the report, but it is taken as credible in Hongkong.

China's farmers, who have been paid mostly with worthless paper "IOUs" for the past three years, despite urgent and repeated efforts by the central government to get local authorities to pay them in cash, were withholding grain from the market after the government announced in early December that it would raise prices 10% in 1994. The "plummeting" of production and reserves of sugar and edible oil will also cause the government to "sharply jack up" prices in 1994, said the *China Daily* on Dec. 4. Farmers' costs are "rocketing" so high that acreage in production dropped "severely" in 1993, and, despite its bumper wheat crop, China still has a grain shortage. It has had to import 500 million tons of wheat a year.

Last year, before the New Year, the government was forced to announce emergency plans to pay all debts to China's 900 million peasants. Consistent reports all year of peasant unrest and appeals in the national media to local officials to lift the burden on the peasants, give the lie to claims by Beijing that the debts had been paid. Now, it is the turn of China's teachers.

On Jan. 12, the State Education Committee announced that China's public school teachers had to be paid by the New Year. Most teachers have not been paid *at all* for the past year, and total pay owed them is \$35 million. Many have left teaching altogether, especially in the countryside, and in the cities many have gone to private schools. But whatever the Education Commission's intentions, it has no funds and no ability to force the local authorities to pay the teachers. Prof. William Jenner of Canberra National University told BBC in an interview. The fact is, the state is giving up responsibility for education in rural China. The number of children getting secondary or even primary education has gone down by *one-third* in rural China since the Deng Xiaoping reforms were first initiated, while the number of children has gone up by one-third.

## Warnings of troubles to come

In this situation, the national government is making some fast moves, but voices of caution continue to be raised. On Jan. 1, China's new tax and banking policies went into effect, without prior announcement. Within days, there were reports that Deng Xiaoping, at 89 still China's center of power, had appeared in various provinces, to demonstrate that he is still alive and to throw his weight behind the fast-track faction. Hongkong's *Wen Wei Bao*, a known mouthpiece for Beijing, announced that he had appeared on Jan. 1 in Shanghai, the place of his last appearance the year before. The *South China Morning Post* of Hongkong quoted one Chinese official saying that "the central [Communist] Party leadership is faltering and the patriarch fears that radical reforms cannot be implemented without a strong center."

## Scientist warns against ecologist 'totalitarianism'

French scientist Haroun Tazieff warned that "ecologist catastrophism" based on a "deification of the earth and nature," could bring about a new Hitlerite "totalitarianism" and foster the murder of millions of poorer, non-white peoples, in an interview in the Paris daily *Le Figaro* on Jan. 4.

Tazieff, who wrote the preface to the book, *The Holes in the Ozone Scare*, and is a leading volcanologist in France, was asked his reaction to the evaluations made by some top meteorologists, who attribute a great and alarming significance to the current bad weather in Europe. Tazieff said that the weather is indeed strange, but it is not abnormal, historically, for the weather to go through some strange patterns.

Tazieff rejected outright the suggestion "that this unruliness is witness to a more important disorder, caused by human industry": "I know nothing about it, and nobody knows anything about it," he said. "There are catastrophists, but I am not one of them. We can talk about a heating up of the climate only insofar as everything is taken into consideration rigorously, by integrating all the measurements of the planet. The majority are happy to observe the climate from France, Switzerland, or Baden-Württemberg."

## Science has no 'democratic majority'

As for the supposed majority of scientists who support such theories as the ozone hole or global warming, Tazieff

answered, "I don't know that, in science, the concept of the democratic majority has any usefulness whatsoever—it could even be a major imbecility. We know of too many new hypotheses that are criticized and fought against by a majority of scientists. Because the scientific majority is like all other corporatist majorities, it groups together the mediocre. Without mentioning that quality which the scientists share with, among others, artists—jealousy."

In this connection, Tazieff cited "the case of Professor Benveniste, and his hypothesis on the memory of water. I don't understand anything of what he is doing, I am incapable of taking a position, but that has no importance. What matters, is that they make the worst problems for a scholar of great value, who is proposing a revolutionary discovery. That is typical." Benveniste and his historic experiments with water were the subject of a witchhunting campaign led by *Nature* magazine, which used extraordinarily brutal measures to ostracize him as a fraud.

Asked about the "alarmist manner of speaking" which many environmental researchers often use, Tazieff said: "Alarmism and catastrophism serve to make some people rich, abet their drive for wealth and vanity. But I strongly fear that this is not the whole problem. In the domain of the environment, I suspect that catastrophism is only at the service of a totalitarianism of a new type, based on the new deification of the earth and of nature. I was 19 years old in 1933, and I shall recall until my last day, that the three first laws imposed by Hitler were the three first ecologist laws in the world. I fear that this movement has, as its only tendency, to separate on one side the rich, white-skinned peoples, including in this the Japanese, and on the other side the impoverished, dark-skinned people with the key point being to put millions of human beings to death."

—Mark Burdman



*Demonstrations at the United Nations in February 1992 protested Bush's meeting with Prime Minister Li Peng, the butcher of Tiananmen Square, during U.N. meetings. Leaders of the international Chinese dissident movement warn that 1994 will be a critical year for China. Li Peng himself voiced official fears of the instability that the reform drive will cause.*

However, local Shanghai authorities refused any comment on the story, AFP reported, and China is full of rumors that Deng is dying, which is one of the contributing factors to the plunge of the Hongkong stock market.

Prime Minister Li Peng gave a sober interview on Jan. 3 with the *China Daily*. While speaking of a "new era," he also said: "The better our situation, the more cautious we should be in pushing forward the reform drive. . . . Too-rapid strides in price reform would cause instability, and the recent panic buying of grain in some areas is a lesson to all of us." State control is still necessary on prices of commodities which affect the national economy and livelihood of the people, Li said, calling still-to-be-made price reforms on oil, electricity, rail tickets, and other commodities "the hardest nuts to crack."

The "Economic Blue Paper" for 1994 said that China's rate of economic growth has peaked and is expected to slow down in 1994, the *China Daily* reported Dec. 16. Economists of the State Council, the Academy of Social Sciences, and State Statistical Bureau all predicted that the Gross National Product will grow by 10% in 1994, down from 13.5% in 1993. The fall in growth is attributed to a shortage of raw materials, inadequate transport, continuous price hikes, and the government's retrenchment program implemented in July. The economists called for China to adopt a "soft landing package" to further cool down economic growth.

Farmers' incomes are expected to remain very low, and to only rise at half the rate of city dwellers. In addition, the central government's financial problems will remain as serious as in 1993, with a rapidly growing budget deficit. The foreign trade deficit is also expected to continue, but the current big gap between imports and exports is expected to close. While some economists called for allowing the central bank to carry out independent monetary policies, there was also concern that the large-scale state enterprises, one-third

of which are already bankrupt, could collapse once banks are no longer obligated to extend credit to them.

On Dec. 28, the State Statistics Bureau said that China's Gross Domestic Product growth will total 13% for 1993, and the rate will drop to 10% in 1994. After the turn of the year, Wang Changsheng, deputy director of the State Information Center's Economic Department, said growth would be slowed down to 9-10% in 1994, in a bid to end China's recent history of "boom-and-bust economics."

"China should act with caution in 1994, as it needs a stable financial market to pave the way for its bold reforms," Wang told the *China Daily* in an interview Jan. 2. *Wen Wei Bao* cited "top Chinese leaders" on Jan. 7, saying that they plan to curb excessive growth in coming years. "If reforms are not carried out well, the scale of infrastructure projects jumps and prices rise rapidly, there will be social disruption and [China] will miss an opportunity," *Wen Wei Bao* quoted an "authoritative source" as saying.

Other articles gave even more serious warnings. On Jan. 5, a front-page commentary in the official *Economic Information Daily* stated: "Without stability we do not have anything. Without a stable social environment, we will not accomplish a thing. . . . If an enterprise cannot pay its salaries or if it has to borrow money to pay salaries, this is a problem of the distribution of benefits. If it is not handled well, there will be trouble."

In the national *China Youth Daily* of Jan. 4, an article by a researcher at the Chinese Academy of Social Sciences raised the most serious question facing China: What will happen when Deng finally dies? "Of all the variables in the contemporary Chinese political structure, the least certain is the question of unity during the period of transfer of power" from Deng's generation to younger leaders, the article stated. "If the process of transferring power is mishandled, the consequences would be disastrous."