

Beijing attempts to regain control of its looted, inflated economy

by Mary Burdman

The annual two-week session of the Chinese National People's Congress (NPC), which opened in Beijing March 10, is being used as a forum to announce moves toward a national controlled economy. Prime Minister Li Peng and other government leaders continue to call for "reform" and the "socialist market economy." Yet, following the prominent appearance of "ancient" but alert Communist Party (CP) leader Chen Yun, key rival to the senile Deng Xiaoping and his "fast growth at all costs" policy, on national television on the eve of the Chinese New Year Feb. 10, Beijing has enacted a series of measures coherent with Chen Yun's "bird cage" theory of economics.

Simply stated, Chen Yun's view is that the "bird" of the market must be kept confined to the "cage" of the planned economy, as the only way to prevent the "bird" from flying away. The adopted measures include the re-imposition of price controls on vital goods, rents, and energy; the announcement by Prime Minister Li Peng that this year's growth target will be considerably lower than last year's; a halt to approvals for new "development zones"; and an effort to eliminate corruption, which Li Peng equated with the spread of the "principles of the marketplace" to China's national government and institutions.

In his March 10 "Government Work Report" to the NPC, Li Peng said that corruption had doubled in 1993 from the year before. He called the "fight against corruption a matter of life or death for our nation. To apply the principles of the marketplace to the activities of government institutions, or to make deals with power and money, is to grossly distort the principle of the socialist market economy, and such conduct is absolutely impermissible."

This is only one instance of the public reporting of the disastrous effects of 15 years of Deng Xiaoping's economic "reforms" in China—an indication that Beijing is trying to bring the reform policy under control. These disasters include mass unemployment: some 100 million Chinese peasants wandering about the country, looking for work, and another 200 million are officially described as "underemployed"; an official figure of 60,000 fatal industrial accidents in the first 10 months of 1993; and the grim national financial situation. One-third of China's state enterprise industries are bankrupt;

agriculture and the armed forces urgently need funding, while national financial resources are in precarious condition. Crime and corruption are rampant.

Whether the measures will work or not is an open question. This is the second time in less than 12 months that Beijing has attempted to slow down the coolie labor-based export economy, only to be met with the irrepressible investment drives operating through regional potentates linked to outside investment. At stake, in Beijing's view, is the survival of the central government, and even the unity of China.

On March 8, the State Council—China's cabinet—re-imposed nationwide price controls on 20 of the most widely used goods and services, and took steps to maintain reserves of staple foods, the *Economic Daily* announced. The council order gives price departments the right, with the approval of local governments, to impose temporary ceilings on prices, and to carry out "appropriate interference" in the market. The items affected include basic foods, key agriculture supplies such as fertilizer and pesticides, domestic coal and natural gas, rents, water, public transport, and school and hospital fees. Funds were also set up to intervene in the grain markets. The council warned that anyone who did not abide by them would be "severely punished."

The *People's Daily* reported that Deputy Prime Minister Zou Jiahua said that a "massive price inspection" had been ordered by the State Council, which he called a "key and urgent task in China's drive to develop a market economy. To ease controls on some prices during economic reform does not mean that we should let all the prices go adrift." State Planning Commission Minister Chen Jinhua will investigate unauthorized price increases of goods and services by state-owned enterprises, private businesses, and government institutions since last June. Some enterprises had taken advantage of financial, tax, and exchange-rate reforms in late 1993 to "arbitrarily" raise prices of products and services in violation of government regulations. Unauthorized price rises going back to June 1992 will also be investigated.

Zou told governments at all levels to stop market demand from expanding too far, the *China Daily* reported March 8. Price reforms must be carried out strictly according to the State Council's schedule, in order to "reduce any shocks for

consumers.”

Two days later, in his “Government Work Report,” Li Peng called for controlled economic growth. Li said that a 9% growth rate—down from the official 13%-plus of recent years—“will ensure the sound development of China’s economy,” the official *China Daily* reported on March 11. At the 9% rate, “the government expected to strengthen its economic control and curb inflation.”

Li said that agricultural production, especially of grain and cotton, must be strengthened, and he called on local and national authorities to “create a favorable business environment for large- and medium-sized state enterprises.” Starting this year, state enterprises will be exempt from payment of energy and transportation development funds—i.e., taxes—and special funds will be allocated for the reorganization of bankrupt enterprises, the *China Daily* reported.

Repeating warnings made often over the past few years, Li said that “some conditions for the current economic growth are tending to become tense. Bottleneck restrictions and inflationary pressures have increased. Reform also needs a more relaxed environment.” Li Peng also imposed a halt to approvals of new “development zones.” “The central government does not intend to issue too much currency and credit this year,” he announced. Priority will be given to projects already under construction in transport, telecommunications, energy, raw materials, and water management. “Projects to

be supported should be selected on the basis of overall national interest,” the *China Daily* reported.

Growing unrest

There is very good reason for the tensions in Beijing. In 1989, popular unrest was far more widespread in China than has occurred in Russia, for example. Unrest is spreading again, spurred by one positive reform of the Deng era: the fact that the population is now far more mobile than before. A report in the March 15 *International Herald Tribune* said that worker militancy is spreading across China, and Beijing’s fear of unrest led to the public crackdown on dissidents before the visit of U.S. Secretary of State Warren Christopher. Beijing openly defied all U.S. demands on human rights, despite the threatened loss of Most Favored Nation trading status, because the potential for internal upheaval is far greater than any economic effects of possible loss of U.S. export markets.

The official All-China Federation of Trade Unions has reported that there were 15,000 strikes, protests, petitions, and acts of sabotage by Chinese workers in 1993. Lee Chuk-yan, himself an official of the Hongkong Confederation of Trade Unions, told the *International Herald Tribune* that “independent labor unions are far more dangerous than calls for democracy” in China. “Workers’ problems and rights are something deeply rooted in daily life. In 1994, the Chinese

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are more worried about labor unrest than anything else.” A Hongkong analyst said that “at first, we did not understand why China would deliberately provoke the United States. It appears now that horizontal linkages between labor activists around the country are what Beijing is really worried about.”

The extent of the concern was shown by Vice Premier Zou Jiahua’s call on March 10 for a nationwide campaign to protect workers because of the “horrific” increase in industrial accidents last year. On a national teleconference on industrial safety, Zou said that, in an “unprecedented” toll in lives and damage, more than 60,000 people had died in “thousands of incidents” in China between January and October, the *China Daily* reported. The rise in deaths was particularly marked in foreign-funded firms and collectively run mines, he said. Zou called for new laws on industrial safety, and punishment for firms which endanger workers. He said that safety inspections should be carried out regularly, and should target “accident black spots” such as foreign-funded or township enterprises. Zou also said that the press will highlight major accidents which claim many lives or cause severe damage.

Dissidents speaking out

China’s very small but courageous dissident movement is speaking out in a manner not seen since the national demonstrations and protests in spring 1989. Repeated detentions and harassment in the last weeks have driven Wei Jingshen—the leader of the Democracy Wall movement crushed by Deng Xiaoping before Deng launched his “reforms” in 1978—Tiananmen Square leaders Wang Dan and Zhai Weimin, and others from Beijing; yet despite this, several groups have presented petitions to the National People’s Congress. Their demands include not only free speech, but also the protection of the rights of China’s working population, both in the countryside and in industry.

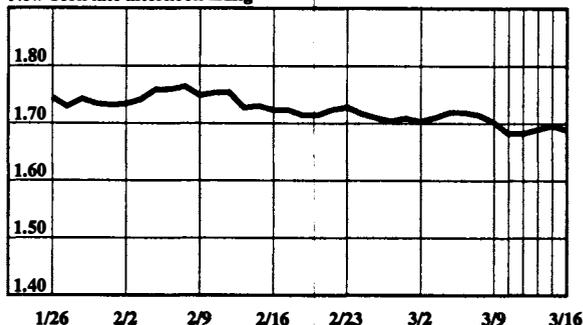
On March 10, seven leading scientists and intellectuals, led by Academy of Sciences historian Xu Liangying, who is one of the translators of Albert Einstein’s works into Chinese, submitted to President Jiang Zemin a petition stating: “We appeal to the authorities to bravely end our country’s history of punishing people for their ideology, speech, and writing, and to release all those imprisoned because of their ideology and speech. We think that only after human rights are respected and all kinds of rights that a citizen should have are secured, will society have true stability.” At the same time, a new Association for Protection of Labor Rights, with 120 signatories nationwide, applied to the Civil Affairs Ministry to set up a nongovernmental group to protect workers, including giving them the right to strike.

Other indications of a gathering of forces against Deng Xiaoping include a report in the *South China Morning Post* of Hongkong that the “leftist” wing of the Chinese CP is preparing to expose Deng Xiaoping’s direct responsibility for the Tiananmen massacre.

Currency Rates

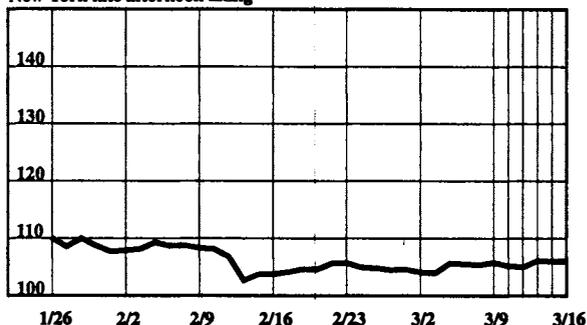
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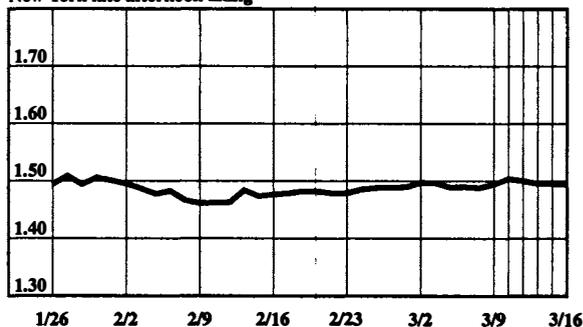
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