

China's Economy Reels Under Maoist Disruption

CHINA

Recent reports of a 20 percent decline in China's steel production last year and of food shortages in North China confirm that China's economy in 1976 witnessed the worst disruptions and resultant loss of output since the peak year of the Cultural Revolution 1967. There is little doubt to the truth of official reports blaming these disruptions on the so-called "gang of four," the four Politburo level members of the Maoist faction who were purged in October and their supporters nationally. The spate of national and local level conferences on every sector of the national economy from coal to handicrafts and the barrage of press and radio articles and stories on the damage to the economy wrought by the "gang" and the necessity of redoubling efforts to increase production, indicate the severity of the existing problems.

It was privately but officially admitted to Western reporters in February that steel production had dropped to 21 million tons in 1976. The admission itself is unprecedented. Production in 1975 was about 25 million tons, down from 1974's all-time high of 26 million tons. The 20 percent drop from that figure brings China's steel production down to the level of 1972. Production figures for most other sectors of the economy for 1976 have not been released at all, unlike the practice in recent years. Areas of the economy dependent on steel have likely suffered severe shortfalls of production as China's steel imports did not rise at all.

A *People's Daily* article in mid-February charged the "gang of four" with undermining production in the iron and steel industry. It said that in 1976, supporters of the "gang" labelled old cadres as 'capitalist roaders' and young cadres who dared to resist the gang's erroneous line as 'capitulationists.' The gang fomented factionalism to create splits among the workers...and instigated their trusted followers to support one section of workers while attacking another, and to resort to force in the struggle." The reported Maoist-instigated factionalism, confirmed by reports of industrial strife at the time, undoubtedly accounted for much of the falloff in steel production.

The rest was probably the result of disruptions of rail transport. A New China News Agency (Hsinhua) release Feb. 21 described a top-level conference on railway work in Peking, attended by 200 representatives from the provinces, the 36 railway bureaus, and the central administration, and by all of the members of the Politburo

residing in Peking. The Hsinhua account accused supporters of the "gang of four" of "smashing and looting," and said they "dismissed the efforts to improve management as 'controlling, checking and suppressing the workers'. All this sowed confusion in people's minds, made a sorry mess of rules and regulations...and dislocated rail transport." A *People's Daily* commentary adds that because of this interference, "rail transport is now a weak link in the national economy," and calls for the extraordinary expedient of "build(ing) the railwaymen's ranks into a semi-military industrial army consisting of particularly good fighters...(with) great drive and good discipline..."

Problems on the railroads in several provinces in South China have been legion, while the Army had to take over the vital rail junction at Paoting, just south of Peking, in January.

The transportation problems may also bear responsibility for the shortages of food reported by foreign observers in Peking this winter. Meat is scarcer and of worse quality; fruits are rarely seen for sale; Peking residents are spending inordinately long lengths of time in lines hoping to be able to purchase basic consumer items. The *People's Daily* Feb. 21 blamed Maoist disruptions for the food problems. "In areas where the influence of the gang of four was strong" it said, "the difficulties (in agriculture) are great." The *People's Daily* admitted that despite the earlier claim that 1976 was "another bumper year," in fact there were serious problems. The U.S. Department of Agriculture has estimated that total grain production in China in 1976 will be slightly less than 1975's 270 million tons. This estimate is based on the weather alone and may need correction downward to encompass losses through disruption.

Fuel shortages are also reported in Peking. Some factories have had to shut down for up to a week, and private homes often have heat for only eight hours a day. A shortfall in coal production and transportation problems probably account for the shortages.

One of the major themes in the Chinese press recently has been the charge that the "gang of four" deliberately fostered anarchy in the factories. A *People's Daily* article in mid-February charged the Maoists with proposing to "set up enterprises which do away with rules and regulations." Other articles stress the importance of absolute discipline and the necessity of strictly complying with all administrative laws and rules of work. One likened the Maoists to the notorious nineteenth century anarchist Mikhail Bakunin. Some results of the shop-floor anarchy are listed in one article

as: production of articles without quality, non-implementation of safety rules which have led to factory accidents, and unjustified absenteeism.

The severity of the economic crisis, whose full dimensions are only now coming to light, explains in part

the apparent suspension of political infighting at the Politburo level, where severe conflicts are known to still exist. However, a battery of still unresolved questions including whether to restore Teng, former deputy premier to power, will shortly interfere with the campaign to restore the economy if they are not resolved.

Squaring The Circle Of U.S. Policy To China

A Seven Springs Conference three-day roundtable this month on "China After Mao: The Global Implications for Great Power Relationships," and Joseph Kraft's public charge Feb. 27 that Kissinger and Nixon had promised China the U.S. would dump Taiwan by 1975, signal that the Great Debate on U.S. foreign policy toward China has reared its head.

The extraordinary murkiness of the continuing faction fight in Peking and foginess emanating from the White House on China policy left the CFR without much to do but clarify how much U.S. China watchers don't know. While the syndicated column by Joseph Kraft reiterated the super-utopian "two-front" strategy for using China against the Soviet Union, the CFR (with Kraft attending) discarded this widely discredited program as impractical.

The Kraft "leak," however, underlines the Carter Administration's bumbling incompetence in foreign policy matters generally. Kraft asserted that at his meeting with Chinese liaison office head Huang Chen, Carter was asked if he was aware of the alleged Kissinger assurances on Taiwan. "It (the Administration) wasn't, and immediately set to work to find a copy" (sic) of documents presumably concluded between the Nixon Administration and the Chinese. This was on Feb. 8. When asked about the Kraft report on *Face the Nation* almost three weeks later, Secretary of State Cyrus Vance gave complete credence to the report of the Feb. 8 meeting: "We are checking to see whether we have all the papers at the State Department. If we don't, we'll get them."

It is hard to draw any other conclusion from this Keystone cops episode than that someone highly placed in the Carter Administration wanted this story publicized. The Schlesingerian content to the rest of the Kraft column suggests that quarter as the source of the "leak." Kraft's column is otherwise noteworthy for resurrecting the long-buried notion that "China, and the ideological threat it poses to Russia's claim to lead the Communist world, is still one of the best things Washington has going against Moscow." Perhaps Mr. Kraft has been dipping a bit too heavily into vintage 1965 Peking Reviews.

Of a piece with the Kraft column was Drew Middleton's article the next day which "leaked" the information that "the prospect of such approaches (by the Chinese to the U.S. to buy weapons) has ignited controversy in the Defense and State Departments." The bulk of the article then implicitly suggests that if China were to acquire

more advanced conventional hardware, this would force the Soviet Union to redeploy their more sophisticated weapons from Eastern Europe to the Chinese border. Citing "qualified sources" in Washington, Middleton said that China is showing renewed interest in purchasing modern weapons from abroad.

The backdrop to the Kraft-Middleton-Schlesinger line is a debate on China ignited in the fall of 1975 by the Rand Corporation's Michael Pillsbury, who proposed in *Foreign Policy* that the U.S. find a way to sell China military or military-related equipment as a pressure point on the USSR. In the subsequent period, most analysts have come to view the policy as misguided and potentially dangerous. With the current level of instability in China, there is a question as to whose hands such weapons might end up in and whether they might be used against Taiwan or even shared with the Soviet Union in the future. Moreover, arms purchases are intended by the Chinese to provide technology, not large quantities of weapons. Even with the technology, the critical bottleneck for China is the economic capacity to manufacture large numbers of sophisticated weapons. China's economic weakness precludes its becoming a serious military threat to the Soviets for decades to come. But "second-front" fantasies die hard.

Preliminary reports indicate that the CFR roundtable was unable to square the circle of U.S. China policy. In the "leaderless group" atmosphere fostered by the Administration's absence of a China policy, participants were divided over whether to "incrementally" improve U.S.-China relations by progress on peripheral questions while continuing to fudge on the central Taiwan issue or to move quickly to break the security treaty with Taiwan and accord the Peking regime full diplomatic status.

Participants were generally agreed, however, that trying to manipulate China against the Soviet Union is a risky business. Countering Kraft's call to "Play the China card," analysts suggested that there may not be a card to play. To more realistic observers in U.S. policy circles, the time for playing China games passed with Mao Tse-tung.

There is no evidence however that this conclusion, or any other realistic assessment, has sunk into the heads at the White House. Apart from Vance's display, National Security Council chief Zbigniew Brzezinski is on record supporting the Kraft line that the Taiwan issue is really tertiary for the Chinese and that what they are really concerned with is seeing the U.S. go eyeball to eyeball with the Soviets. For other reasons, Brzezinski is already