
ECONOMIC CRISIS

War on industry propels China into famine and devolution

by Gregory F. Buhyoff and Richard Katz

The fact of China's dire economic crisis is denied by only two kinds of people: China Card fanatics who enjoy deluding themselves about what goes on inside the Middle Kingdom, and those global Malthusian forces such as the World Bank who view China's descent into industrial collapse and depopulation as a model for the rest of the developing sector.

China's present tragedy cannot be blamed simply on the decades of Maoist mismanagement and the traumas of the 1958-61 Great Leap Forward or the Cultural Revolution. The major continuing cause of China's economic woes is a deliberate campaign by the faction of party vice-chairman Deng Xiaoping to decimate heavy industry, to halt the modernization of agriculture, and to prevent the urbanization of the Chinese population.

Under the cloak of such slogans as "shifting from heavy to light industry," "increasing consumer goods," and "balancing the budget," Deng has deliberately cut the ground out from under the industrial and energy production China must have if it is to build its industrial base and modernize agriculture. Compare in Figure 1 the pattern in 1979, the last year of ousted party chairman Hua Guofeng's heavy industry program, with that of 1980-81 under Deng. Virtually every machinery, infrastructural and material component of real modernization has been decimated: oil down 5 percent, coal down 0.6 percent, power generating equipment down 65 percent, freight wagons down 17 percent, steel down 5 percent, machine tools down 25 percent, tractors down 45 percent.

Neither is China importing the capital goods and materials its industry needs. The reason Japanese and U.S. shipments to China have done so poorly over the past year is because China slashed its machinery and steel imports. Not counting wheat, U.S. exports to China fell by 15 percent in 1981. Other economic indicators are no better. Given cuts in wage bonuses and growing inflation, 1981's huge increases in consumer goods are not likely to be sustained. This is no mere retrenchment, but havoc.

China's rulers have made it absolutely clear that these directed cuts are not simply the unfortunate, unwanted

effects of a budget-tightening exercise. These cuts are the goal! The Dengists scorned warnings from military and civilian heavy industry factions during the summer that such cutbacks were endangering China's industrial and military future. They also disregarded the fact that the millions of layoffs were provoking illegal workers' strikes.

At the December 1981 meeting of the National People's Congress (NPC), China's nominal legislature, Vice-Premier Zhao Ziyang declared: "In heavy industry, which is now being readjusted, the year 1981 will witness a decrease of about 5 percent . . . *These cutbacks are necessary and rational* . . . With regard to enterprises whose products are in excess supply and of poor quality and whose consumption of energy and raw materials is too high . . . we should unhesitatingly apply the policy of *shutting them down, or suspending their operation, or amalgamating them with other enterprises, or switching to the manufacture of other products* . . . The number of small iron plants throughout the country has been cut from 446 to 276 . . . Factories and enterprises that fail to meet these requirements within a certain time limit must either *suspend production pending consolidation or close down* [emphasis added]."

How to prevent industrialization

If we examine three areas of development without which there can be no industrialization—transport and energy infrastructure, education, and modern agriculture—there can be no doubt that the Dengists' plan is to prevent industrialization, to maintain China as a peasant country.

Transportation and energy infrastructure: Transportation bottlenecks are worsening in every sector of China's economy. Shaanxi Province Radio reported Jan. 13: "There are 338,000 tons of coal stockpiled at the Tongchuan Mining Bureau which cannot be shipped out . . . if the stockpile increases there will be danger of the pile coming into contact with power lines, which could cause a fire . . . At present, several hundred factories in Xian are desperately searching for coal, and the workers in some factories are idle because there is

Figure 1

Deng's decimation of Chinese heavy industry, modern agriculture, and imports

Percent change in physical output from previous year

	1981	1980	1979
Industry (total)*	4.0%	8.7%	8.5%
Heavy industry (total)	-5.0	1.4	7.7
Oil	-4.7	-0.2	2.0
Coal	-0.6	-2.4	2.8
Electricity (kwhr.)	2.6	6.6	9.9
Steel	-4.6	8.5	8.5
Pig iron	-10.9	3.5	5.6
Cement	1.1	8.8	13.3
Machine tools	-25.0	-4.3	-23.5
Railroad freight cars	-17.0	-34.1	-5.4
Power generating equipment	-65.0	-32.5	28.4
Motor vehicles	-21.0	19.4	24.8
Supports for modern agriculture			
Chemical fertilizer	1.4	15.7	22.6
Tractors	-45.0	-22.2	10.5
Light industry (total)	11.0	18.4	9.6
Bicycles	31.0	29.0	18.1
Cotton yarn	7.8	11.4	10.5
Chemical fibers (textiles)	16.6	38.0	14.4
Watches	26.4	29.8	26.4
Radios	45.0	117.5	18.2
Sewing machines (consumer)	32.8	30.8	20.8
Grain**	2.1	-4.0	9.0

	Percent change in dollar-denominated trade value from previous year		
Chinese trade			
Total exports	16.0%	43.0%	38.0%
Exports to United States	72.0	83.0	100.0
Exports to Japan	23.0	48.0	45.0
Total imports	20.0	35.0	40.0
Imports from United States	-3.0	118.0	112.0
Imports from Japan	0.2	35.0	20.0



Source: Figures on industrial production are Chinese figures, compiled by the National Council for U.S.-China Trade in Washington, D.C. Grain figures are based on Chinese press reports. Trade figures are a combination of figures from U.S. Dept. of Commerce and Chinese figures for 1981 compiled by the National Council.

Note: *EIR* does not vouch for the reliability of the Chinese figures on industrial production or agriculture. Chinese figures are notably unreliable, because 1) China lacks sufficient statisticians; and 2) the Chinese government has admitted to fabricating figures in the past for political purposes.

* The industrial figures are suspect. Following criticism of Deng's decimation of heavy industry, figures show astonishing "recovery" in very short time periods. For example, industry as a whole, down 1 percent for the year mid-1981, now shows a 4 percent rise; coal, down 2.6 percent mid-1981, shows only 0.6 percent drop. There may also be reason to doubt that the 1979 improvement was as great as the Hua Guofeng faction claims.

Despite such questionable figures, the overall trend of economic cutbacks under Deng is clear.

** As discussed in the text, given the drought, flood and shrinkage of cultivated land, we have serious doubt that grain production actually increased in 1981.

no coal. . . . But nothing can be done because of the freight car shortage."

The same inability to transport goods exists in steel, cement, and finished products. But instead of trying to solve the transportation system's problems, the Dengists are using them as the pretext for cutting back production of needed industrial goods. Why else would Peking have cut, in 1980-81, the production of vitally needed freight cars by 50 percent, and in 1981, cut motor vehicle production by 21 percent?

Despite a critical shortage of delivered energy, Zhao insisted that, in addition to the appalling 65 percent cut

in power generating equipment in 1981, future energy production must proceed on the basis of existing capacity, not expansion. "We must go all out to reorganize and transform existing oil refineries and petrochemical enterprises," he told the December NPC meeting. "In exploiting coal we should lay stress on transforming and expanding existing coal mines now and in the near future."

Where new mines are to be opened, said Zhao, they "should mainly be small and medium-sized ones, involving smaller investments," (also far less efficient). Taking his inspiration from Mao's backyard steel-fur-

naces campaign, Zhao added: "Villages with water power resources should try to build small hydroelectric stations."

Education and human resources: China's greatest deficiency is not lack of material resources, but the dearth of trained management personnel, engineers and skilled workers. Every foreign businessman has heard horror stories of Chinese workers and managers unintentionally abusing modern equipment through lack of training, or of simply being unable to carry out modern industrial processes. The only answer is improving the cultural and material level of China's urban population. Yet, Zhao declares, China "must move away from the one-sided drive to get bigger percentages of students into higher education." Moreover, last year's much-vaunted increase of worker bonuses and consumer goods consumption was replaced at the end of 1981 with Zhao's insistence that, "the present practice of handing out bonuses indiscriminately must be sternly checked" and "the people's standard of living . . . cannot grow too fast . . . cannot run ahead of the growth of production," which, of course, is being cut back.

Modern agriculture: Every successful industrialization experience, from the United States itself to Japan and Korea, has demonstrated that there can be no modernization without the freeing of the population from the shackles of subsistence agriculture. Only modern agriculture with its high yield per manhour makes possible the growth in urban-rural ratios necessary for an industrial economy. Yet, the Dengists oppose both any increase in urban-rural ratios and the modern agriculture which makes these demographic changes possible. Shaanxi Radio on December 2 reminded listeners of government directives to reverse population movement to the cities: "Exercise strict control over the recruitment of workers from rural areas," the government demanded, because "there is a large number of people awaiting employment in urban areas . . . Some comrades do not understand this policy well enough and have raised doubts about it."

The basic components of modern agriculture are mechanization, chemical fertilizer, and irrigation and flood control. Yet, in addition to the drastic cutbacks in tractors and fertilizer cited above, China has all but abandoned its commitment to large-scale water projects. Last year, Peking decreed, "Costly large and medium-sized water projects begun a couple of years ago which will not yield results in the near future . . . should be stopped . . . No large or medium-sized water conservancy projects should be initiated in the next five years."

As far as other capital inputs go, Zhao told the National People's Congress: "The state will not be able to increase it [capital investment] by much. The growth

of agricultural production and other rural development will therefore continue to rely mainly on correct policies and on science . . . it will develop with *relatively little investment* and high economic returns . . . by combining the achievements of modern research with *China's fine tradition of intensive farming.*" [emphasis added]

China's oligarchic tradition

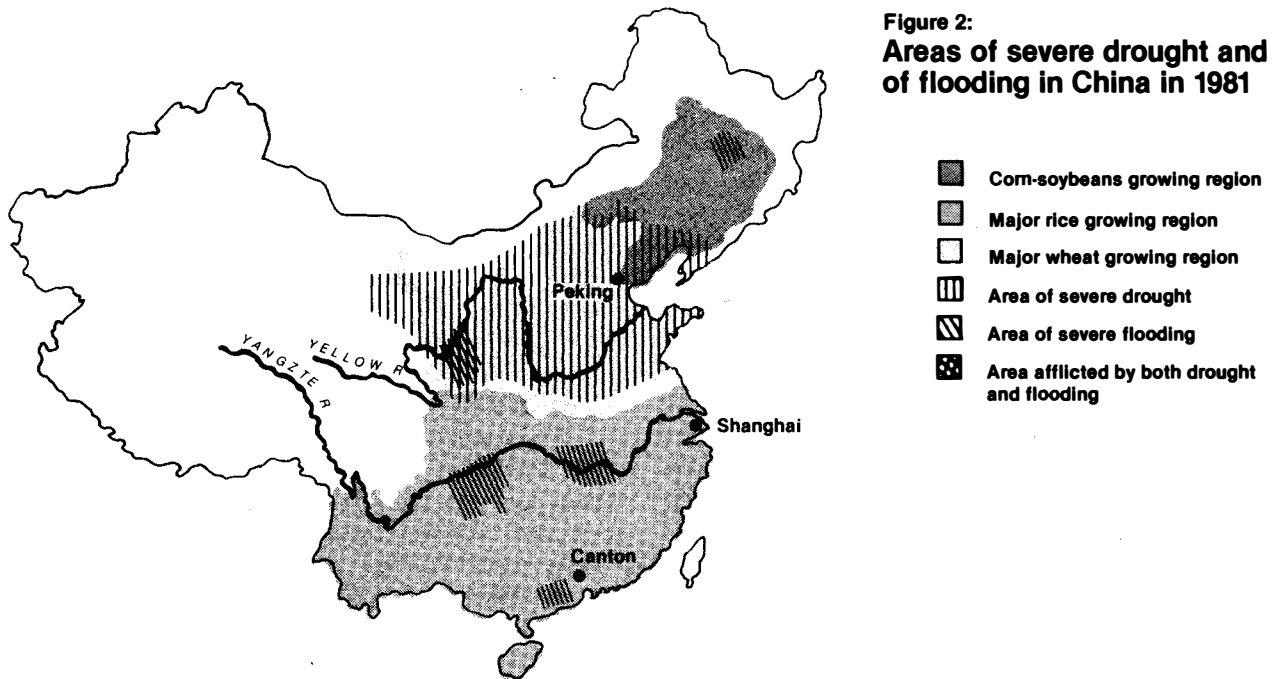
How can a government calling itself modern deliberately prevent every economic activity necessary to industrialization? The answer to this question lies in the fact that the Dengists, like Mao, are determined that China should always remain a peasant country. China's 80 percent to 20 percent peasant-urban ratio has not been allowed to change since the 1949 revolution. Decrees coming out of Peking show the regime expects the country to remain overwhelmingly peasant 100 years from now! On this fundamental issue, Deng is exactly correct when he insists that, despite opposition to Mao's political excesses, he is a devoted follower of Mao Tse-tung Thought.

The secret to Deng and Mao's visceral commitment to "peasant communism" is the truism that "the Chinese Communist Party is more Chinese than communist." In fact, outside of some peculiarities of ideology, the word "communist" has no meaning in China. The structure of Chinese society and the country's economy is no different under the so-called Communists than it has been for the past 2,000 years. China has remained an agrarian society, dependent upon a huge bureaucracy to organize sprawling irrigation and flood control projects by means of mass corvée (serf) labor. Without these projects, agriculture cannot exist in China. In the past, the central bureaucracy was called Confucian; now it is called communist.

Despite the changes from one dynasty to another over the centuries, the Chinese system has remained the same. The dynastic changes were brought about in huge social rebellions led by the ancient secret societies—the Triads, the Elder Brothers, etc.—which survived from dynasty to dynasty. The Communist Party is simply the latest form of these secret societies. Indeed, most of the early communist leaders and members, including Mao himself, were members or followers of the Elder Brothers society.

The curse of China, then as now, is that this oligarchical bureaucracy refused to allow the industrial urbanization that would have threatened their rule over a nation of virtual serfs. Cities were to remain administration centers, not hubs of production that radiate out and transform the surrounding country, as such cities were in the industrialization experience of Europe and Japan. Throughout the millennia, whenever such urbanizing political forces raised their heads in China, including the Japanese-supported New China movement of Sun Yat-sen, the mandarin oligarchs cut them off.

**Figure 2:
Areas of severe drought and
of flooding in China in 1981**



Over 90 percent of China's population inhabits the agricultural regions shown. Though sporadic flooding and drought occurred in many parts of China last year, only areas most severely hit are depicted. Approximately 250 million people were affected by natural disasters of one kind or another in China in 1981.

The extent of the drought in the fertile North China Plain, which is flaring up again after summer monsoons provided some respite, calls into question official claims of increased grain harvests last year. Sichuan, Shaanxi, and Heilongjiang provinces are still reeling from the effects of last summer's flooding. Guangdong, a major rice producing province in the south, suffered an overall drop in grain output due to flooding and crop disease, while in Shaanxi and Guangxi provinces grain production also dropped, according to official sources. In addition, China's total cultivated land fell 6 percent in 1981.

This system has repeatedly brought catastrophe to China, a repeat of which is threatened today. The refusal to change the social form, to urbanize, to modernize technology, has repeatedly created unnecessary population crises, leading to the deaths of millions. From approximately 200 B.C. to the beginning of the Ming dynasty in the 14th century, China's population never rose above 65 million; it simply expanded and contracted in cataclysmic dynastic cycles.

Agriculture and population increased at the beginning of the cycle as the new dynasty made reforms, invested in water control, and so forth. As diminishing returns set in due to lack of sustained technological advance, the Mandarins reduced investments in water-control, just as Deng has done, dooming agriculture.

The ensuing economic and social breakdown was marked by flood and famine, inflation, female infanticide, organized crime and brigandage, and mass recruitment by the ancient superstition-peddling secret societies—all patterns present in China today.

The culmination of the cycle was a shattering economic breakdown resulting in the death of millions. That final element is around the corner if the Dengists persist. Zhao's diktat against agricultural capital invest-

ment—not only against mechanization and fertilizer, but even water control projects—means not simply the preclusion of modern agriculture. Whether Zhao knows it or not, this is a prescription for genocide on a far vaster scale than anything Peking's puppets perpetrated in Kampuchea.

Due to Peking's refusal to industrialize agriculture, China has not been able to raise per capita grain output above 1958 levels, despite massive investments in water control and massive deforestation to create new land. Dropping the water projects now leaves China vulnerable to flood and drought at a time when vast deforestation has made such phenomena more likely.

A hint of the danger was seen in 1981, when, following 1980's 5 percent drop in grain output, China was hit by one of the worst episodes of flood and drought in its history, affecting 250 million people. In the wheat-growing north, drought ravaged the land. One quarter of the wells in the farmland around Peking went dry; factories in some cities had to cut production due to water shortages. In Hebei province, peasants survived on 1,600 calories a day as compared to a minimum requirement of 2,200 for women, and 3,000 for men.

Jesuit Father Vincent LeDany, the “dean of the China-watchers” in Hong Kong, described in the October 9 *China News Analysis* how the floods hit Sichuan, China’s most populous province. There were 87 large and medium-sized irrigation and flood control projects under construction in Sichuan in early 1981. Peking ordered 21 stopped or suspended altogether; another 21 were held up until they could be reviewed. No new projects were to be planned. Then the rains came.

By July 22, “83 counties were flooded, and this affected 10 million people, 90,000 village brigades and 51 cities and towns. 2.2 million houses were flooded, 1.3 million of them collapsed . . . 10 million mou of land (266,000 acres) were flooded, the crops being totally destroyed on 2 million mou; in state grain stores, 250,000 tons of grain had perished; 1754 factories were flooded; 753 persons had died . . . The railroads were cut for 10-20 days. 80 highways and 482 country roads had been washed away . . . 14,000 dams collapsed during the floods. . . .

“Three weeks after the disaster *Sichuan Daily* blamed local leaders who were expecting help from above, when they should know the State is in financial difficulties.” The rains continued for weeks after this report.

LeDany pointed out that one of the biggest reasons for the disaster was the deforestation of Sichuan, both to obtain firewood and to create more land on which to apply the same age-old farming technology. Forests which had covered 19 percent of Sichuan were reduced to 12 percent. The deforested areas were the hardest hit.

Sichuan’s experience was typical. The Dengist program means ecological holocaust.

Deng’s depopulation campaign

Without industrializing agriculture, and the economy in general, there is no way China can support its population. On the other hand, China—which is less densely populated than many nations of Europe—faces no obstacles to supporting its population at a much higher living standard if it would only industrialize.

The Dengists know this, but rather than threaten the continuation of the ancient Chinese ideology and social structure through real modernization, they have committed themselves to lowering China’s population by 300 million people. At a February 1981 meeting, the Peking government committed itself to achieving this goal by the year 2080 by any means necessary. They arrived at the number by figuring out how many people China’s land, water resources, and so forth could support *if it was stipulated that China remained a majority peasant country for the next hundred years*. This they calculated at 650 to 700 million people.

The Dengists’ ostensible tool for achieving this reduction is a one-child-per-couple law. Peking has stopped at nothing to carry it out, including forced

abortions in the third trimester of pregnancy, denying food rations, schooling, and even medicine to second and third children; and jailing of “repeated violators,” according to the pro-Peking Hong Kong paper *Zheng Ming*. The *Asian Wall Street Journal* adds: “Though doctors aren’t supposed to perform abortions past the eighth month of pregnancy, they do, a Chinese source reports. ‘Every day hundreds of fetuses arrive at the morgue,’ he says. *A woman with an unauthorized pregnancy is likely to receive an injection from the hospital doctors before labor, resulting in a stillborn child or a baby so ill it dies in a few days*, the source adds. *There are even reports of infanticide in city hospitals with doctors killing babies immediately after birth if they are third children.*”

The south China newspaper *Nanfang Ribao* admitted last April that village women are murdering their own baby girls, committing the horror that always arises in China’s economic cataclysms. If parents could only have one child they wanted a boy. The corpses are deposited in front of local Communist headquarters.

Such measures have lowered China’s population growth to 1 percent, but long before they could produce negative growth, other demographic horrors will arise. Twenty years of one child per couple will create a massive labor shortage before the year 2000, precisely because Peking insists on labor-intensive forms of production. The ratio of old people to working age people will rise dramatically. The elderly then will not be able to be supported, and will have to be killed off just as the babies are now.

Long before this occurs, the lack of industrialized agriculture will have killed millions and tens of millions in famine and flood, just as Peking admits that 20 million died in the famine produced by Mao’s 1958-61 Great Leap Forward.

We see the hints of this already. Peking is now considering reducing the consumer subsidies, comprising one-third of the budget, which, according to the Agriculture Minister, prevent 250 million from crossing the borderline between malnutrition and starvation. Peking, however, insists the budget must be balanced. Mere rumors of a 30 percent food price hike caused hoarding of food all over China. Has Deng Xiaoping never heard of Poland?

Maintaining Deng’s anti-industry policy means holocaust. Trying to lower the population while doing it will simply bring the holocaust sooner. Whether Deng and his allies know it or not, they are bringing Pol Potism back home to China.

This process, far from horrifying certain forces in the West, has been held up by them as a model for the rest of the developing sector, and even the advanced sector. The 1981 annual report of the World Bank, an institution rivaling Peking in antagonism to Third World industrialization, hailed China’s population con-

trol program as a model. The World Bank report characterized the forced abortions, cutoffs of wages, food rationing, etc. as “disincentives that are mostly social—the community disapproves of those who do not conform to the birth planning policies.” A recent report of the World Bank-allied Brandt Commission on North-South relations exulted, “Those who have pursued such [birth control] programs vigorously have registered considerable success. China . . . has in the course of the 1970s reduced its rate of growth from 2.3 percent to little more than 1 percent. It aims at zero growth.”

Peking’s plan to cut subsidies is warmly endorsed by World Bank officials trying to make similar cutbacks a condition of loans to countries ranging from Indonesia to Egypt.

The industry faction speaks out

By the middle of 1981, a coalition of civilian and military leaders which favors the development of China’s heavy industry warned that Deng was leading China down the path of destruction. The coalition is led on the civilian side by 75-year-old Party Vice-Chairman Li Xiannian, an economic expert who is one of the few officials not to be purged in the last 30 years; his military counterpart is 84-year-old Marshal Ye Jianying, a legendary commander from the revolutionary era and a member of the Politburo. Believing that China’s army buildup, overall national power, and role in the world depend on building up industry, they were shocked at Deng’s willful destruction of heavy industry. Moreover, they feared the effect on the entire regime’s stability of the peasant demonstrations and workers strikes produced by Deng’s layoffs, reduction of army budgets, etc. They were stunned by Deng’s 25 percent cutback in the military budget since 1979.

During the summer and fall of 1981, this faction began placing articles in magazines warning of the consequences of Deng’s folly. At the time they began speaking out, heavy industry had fallen 8.2 percent from 1980 levels, and industry overall was up only 0.2 percent.

Articles in the Shanghai-published *Shijie Jingji Dabao* reported that the heavy to light industry ratios had fallen to the 1965 level of 50-50 under Deng’s program, way below the ratios in industrialized counties such as Japan. While China could not achieve their ratios overnight, they said, the nation should not move in the opposite direction.

In the Aug. 24 issue, of *Shijie Jingji Dabao*, an article launched a direct attack on Deng’s entire economic and social policy: “Without giving priority to the development of heavy industry we will not be able to realize modernization. It is not right to focus our attention only on the initial economic result and ignore the development of heavy industry. We should like to ask: how many products can an enterprise produce by

hand, even if it is very well organized. Without the speedy development of heavy industry in our country, how can we then buy ‘modernization’ from abroad? . . . As the construction of heavy industry requires a long period, the economic result in the near future will naturally be not so good. However, this cannot be used as a reason for giving up the development of heavy industry, because from a longterm standpoint heavy industry determines the development and progress of the whole society. . . . To realize mechanization and electrification of agriculture, to bring all farmland under irrigation and to make extensive use of farm chemicals, priority must be given to the development of heavy industry.”

Others echoed the cry. The Anhui provincial central committee decreed: “No more retrenchment should be made in heavy industry. Coal . . . steel . . . chemical . . . should be pushed forward.”

It is far from clear that the Li Xiannian-Ye Jianying faction could manage China’s economic problems. This judgment is not simply based on their bungling of the economy when they were in power with Chairman Hua Guofeng in 1977-79. More important, as we have stressed before (see *EIR*, Jan. 13, 1981), this faction also believes that China should remain a peasant country. They propose that heavy industry be scattered on the communes. Right now, for example, one third of China’s steel and coal is produced in tiny commune-based mills and mines. However, their approach is certainly less outrightly genocidal than Deng’s.

Following the assault from his factional opponents, it first appeared that Deng might compromise with the Li-Ye faction. Vice-Premier Bo Yibo told the *Wall Street Journal* in September, “We should promote the development of heavy industry once more. Now we can see that light industry needs heavy industry to provide better and more advanced equipment.” *Peoples Daily*, the official Communist daily, added, “This mistake [previous “overemphasis” on heavy industry] doesn’t mean we should substantially downgrade the development of heavy industry.”

Whatever actually happened during those months, it is now clear that the Dengists were only maneuvering to cajole and delay the opposition. By the time of the National People’s Congress meeting in December, Premier Zhao totally reaffirmed the anti-industry pogrom, giving not even lip service to the opposition’s complaints. Zhao even had the gall to claim the cuts in heavy industry would ultimately help the latter by providing new demand from light industry. Zhao promised five more years of such “readjustment.”

The Li-Ye faction, however, did not buy this. The Communist Party leadership could not even agree among themselves on a Five-Year Plan they were scheduled to present to the Congress and none was presented. A month later, the purge was on.