

plus, or even twice that amount, would not be able to solve the problem. Should China choose to buy every year, exportable milled rice will vanish, posing a danger to other nations that may require emergency food supplies. Moreover, with the Soviet Union mopping up 40-50 million tons of wheat and coarse grain annually from the world market, and with the United States and Europe cutting back production, China may also find it increasingly difficult to procure surplus wheat.

Furthermore, China is building up foreign debt fast, a development which may eventually cripple its capability to make decisions freely. In 1984, China's foreign debt was less than \$300 million, but in 1986 it stood at \$17.2 billion. Although exports have soared (to about three times that of India), so have imports, and China's inability to generate resources from within is slowing down infrastructural development—the key ingredient for increasing productivity. Most of the foreign capital that China is borrowing presently is being invested to generate more exports so that more imports can be negotiated and debt can be repaid. It is a syndrome which, by definition, will increasingly preempt the investments necessary to break through the impasse in agriculture.

Brakes on production

The problems with China's agriculture stem from the fact that 50% of the land under cultivation (which produces 30% of total foodgrain output, or about 105 million tons) is non-irrigated. This makes China not marginally, but wholly vulnerable to the vagaries of nature.

In the irrigated areas, China has achieved significant success in enhancing yield per hectare. China's rice paddy yield under irrigated conditions is 5,100 kg/hectare—better than all other Asian nations except Japan and South Korea.

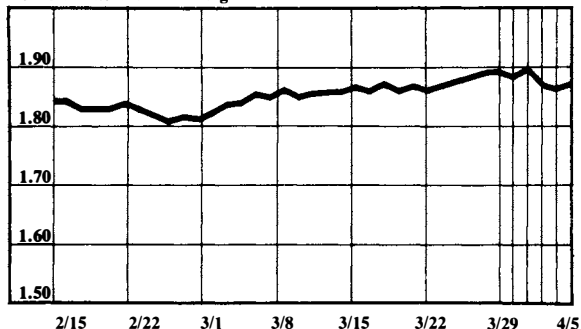
But what it means is that with prevailing levels of technology, China has almost reached the yield-plateau that Japan and South Korea hit in 1975. Now, any further productivity increases will depend on a serious intervention by agricultural science. Alternatively, irrigated acreage must be expanded—but this requires substantial infrastructure investments in the rural areas, which have already begun to be affected by a paucity of funds.

According to a report in the *Agricultural Daily*, published in China, which appeared in October, the Agricultural Bank of China cut back on loans to rural enterprises prior to the autumn harvest and handed interest-bearing deposit certificates to the peasants in lieu of cash. The shortage of cash has also affected government procurement of foodgrains—a major subject of discussion among China's leaders. This may mean further weakening of the foodgrain distribution system in rural areas and less possibility of refurbishing the dwindling foodgrain silos. There is yet another reason why procurement has remained low this year; the government's official support to the free market policy has prompted hoarding of foodgrains among private traders.

Currency Rates

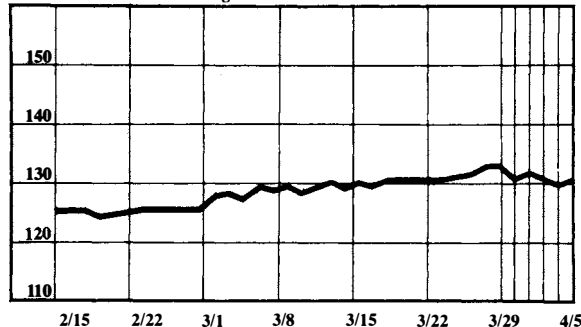
The dollar in deutschemarks

New York late afternoon fixing



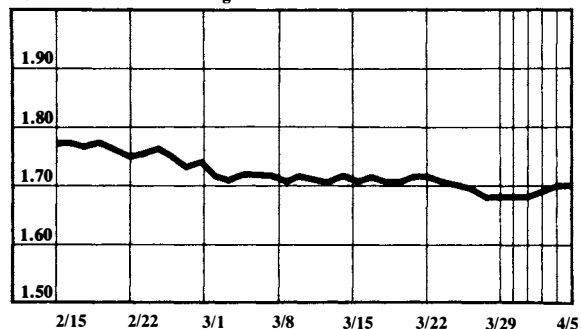
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

