

## The "Chinese Way" Hoax:

# China's Economic Collapse Shows "Labor Intensive" Model Means Genocide

June 3 (NSIPS) — The myth that the labor-intensive, anti-urban economy of Maoist China is the greatest success story of the mid-20th century is one of the most spectacular and vicious hoaxes ever perpetrated by the post-war Rockefeller-Atlanticist cabal.

For the last several years the World Bank, the Club of Rome, the CIA, the U.S. Agency for International Development, the International Labor Organization, the Ford and Rockefeller Foundations, the full range of this network's agencies and agents have been trying to sell the Third World a "development model" premised on continual capital starvation in the context of world depression. This model pushes labor-intensive projects, small rural industries, use of "local materials" and labor, and "self-sufficiency," a recipe which if applied, must spell slave labor, economic collapse and genocide in short order.

To foist this unpalatable concoction on reluctant Third World planners, the World Bank et al. peddle the lie that China, where exactly this strategy has been applied for the last 10 years, has been resoundingly successful in "mobilizing excess rural labor" and "maintaining development with limited capital."

The hoax has been sold to gullible businessmen, especially the Japanese, by the Rockefeller-founded National Council for U.S.-China Trade (NCUSCT) and allied publications in other countries, with invocations of the century-old myth of the huge "Chinese market" and confident predictions of fabulous dimensions for China's exports and imports in the near future. The purpose has been to dupe most importantly the Japanese into looking to China rather than the Soviet Union for trade and investment.

### "Let Them Eat Oil"

The hoax publicly came apart at the seams this spring when China's foreign trade collapsed. In February China halved its shipments of oil to Japan, reduced its purchases of Japanese steel by more than 50 per cent in March, reduced by 20 per cent its volume of exports contracted at the just-concluded Canton Trade Fair, and sent many prime Japanese and U.S. costumers away from Canton empty-handed. This is no momentary cutback; China's Minister of State Capital Construction Ku Mu told a Japanese delegation in March that China would not be a major oil exporter in the future, while many sources have reported that China's entire Five and Ten-Year Plan programs are under review and will be revised drastically downward.

Despite this plainest evidence, the NCUSCT, U.S. "experts" on China's economy, and the gullible Japanese continue to claim that trade prospects are rosy, and the downturn only temporary, with one U.S. business publication even predicting that U.S.-China trade will grow more than six-fold, to over \$5 billion, by 1980!

The fact that fraud, and not mere error, is involved is best illustrated by the wildly kited estimates of China's present and near-future output of oil (the basis for all claims for China's large import-potential) which have appeared widely

in the past 18 months. The CIA, in a study "laundered" through Sen. Humphrey's Joint Economic Committee last summer (CIA authorship of the key articles in the study was recently confirmed by the head of the CIA's China Economy Division), estimated that China would produce 200 million tons (m.t.) of oil by 1980 (equivalent to half total U.S. output!), and export 50 m.t. The NCUSCT's publications have repeatedly cited an alleged Japanese estimate of 400 m.t. by 1980! All other sources fall in the same range. But no source makes the slightest attempt to estimate how China will develop the sophisticated and very expensive technology needed to extract the oil, transport it, or even utilize it, within five years.

The CIA report, the most detailed available, provides its own self-refutation by revealing a curious discrepancy between refining capacity and alleged output from 1973 on:

	(in millions of tons)	
	crude produced	refining capacity
1965	11.0	11.1
1969	20.3	18.0
1970	28.5	—
1971	36.7	—
1972	43.0	—
1973	54.5	44.4
1974	65.3	47.5
1975	80.0	52.0

Soviet and independent estimates confirm the 1974 figure, while the 1975 figure is derived by extrapolating from 1973-74 and assuming no huge jump in capacity (such China lacks much capacity for building its own new refineries — the large 1969-73 jump was based on imports). If oil exports (4, 8, and 8 m.t. in 1973, 1974 and 1975 respectively) are subtracted from the figures for crude oil, there is huge discrepancy of 7, 14 and 24 m.t. of crude in 1973-75 (which would grow to 35 m.t. in 1976) — cumulatively 45 m.t. of "missing oil." We know China is not storing large quantities, or it would never have abruptly cut off a mere 250,000 tons per month to Japan. Obviously the oil was never extracted, and the "experts" have merely passed on China's own bloated figures to a credulous readership. The irresponsible NCUSCT conducting of the "400 m.t. by 1980" figure presupposes that China can increase refining capacity by 600 per cent in four years!

### Parasitizing the Economy

The collapse of the Great Chinese Oil Hoax might nevertheless appear to leave intact the "Chinese model" of labor-intensive "self-sufficiency" so strongly touted by the World Bank and other assorted "experts." In fact, this swindle has flopped so miserably in China itself that it has sparked the fiercest faction fight there since the "Cultural Revolution" massacre ten years ago. Last summer then vice-premier Teng Hsiao-ping, although a gutless former Maoist himself, began an all-around attack on the Maoist anti-development strategy. He proposed inviting U.S. oil companies to rapidly develop oil that China itself couldn't tap, as the only way to

generate the export earnings needed to pay for imports of tens of billions of dollars of desperately needed heavy industrial plant.

Teng and his supporters merely recognized the patently obvious: Maoist labor-intensive, ruralization policy has survived **only** because it was coasting on the achievements of the 1950s, when Soviet aid built up an integrated, high-technology, heavy industry base for the rest of the economy. Ten to 15 years of such cannibalization has now brought on a crisis which demands a new qualitative leap in heavy industry modernization and expansion; if not, collapse, starvation, and depopulation will ensue in a few short years.

The critical weaknesses of China's strongest sector, the modernized, mainly heavy industry sector, are well documented — though little publicized. Steel output reached the limit of mere expansion of the Soviet-initiated projects in 1973, when output hit 25 m.t., and has fallen 8 per cent since. Only one new plant — imported — is now under construction. In coal, failure to modernize mining technology defines a stagnation point in output that has nearly been reached. China has failed to construct adequate facilities to benefit (upgrade) its low-grade coal and iron ore, thereby dooming the iron and steel industry to much lower output and poorer quality. In oil, the cited deficiencies of technology, especially for off-shore drilling, drastic shortages of steel pipeline, and the refining bottleneck severely limit this industry. China has to remedy a major weakness in the chemical industry by importing dozens of plants it was unable to build itself.

More broadly, the Maoist relegation of heavy industry to bottom priority, after agriculture and light industry, and gearing of all industry to serve rural development (precisely the World Bank prescription for the Third World) has, over more than a decade, rendered the heavy industry sector incapable of providing for its own expansion — building the thousands of new steel, oil, power, chemical, machinery, transportation, and other plants needed to support self-sustaining growth. Only the imports sought by the Tengists can now rectify this situation.

#### The "Chinese Model" for Feudalism

Even in agriculture, Maoist China's achievements have been minimal. Bought at the expense of gross distortions of the overall economy, they can only be ephemeral. Hunger had already been eliminated by 1958, and per capita output of agriculture has not risen since. Irrigation has been greatly extended and fertilizer use greatly stepped up, but yields have risen much more slowly than expected from the added inputs. And China's labor-intensive, small scale approach to water control and conservation has failed to stem the twin menaces of droughts and floods, whose control requires much larger projects. Moreover, a large part of China's agricultural advance relative to the rest of the Third World is based not on Mao's reforms, but on the elimination of landlordism achieved by 1952 and the institution of partial collectivization.

The fatal flaw in the Maoist-World Bank strategy is elementary: it aims to keep people in the rural areas, employ them there, and not urbanize. China is still 80 per cent rural — the same as in 1950! The result is the fatal retardation of cultural and educational development among the peasantry

that only the urbanization and industrialization can remedy. Peasant backwardness continues to hamstring Chinese agriculture.

Worse, the Maoist policy has been to foster a truly feudal economy, pushing for as much "self-sufficiency" as possible at the commune, county, and province levels. This policy of internal autarky has led to the most hideous inefficiencies, wastage of capital, and sabotage of development.

Thousands of tiny fertilizer and cement plants dot the countryside, producing very low nutrient-content ammonium bicarbonate (which largely evaporates before it can be absorbed by plants) and low-quality cement. Per unit of output, capital costs are twice that for large plants, debunking the myth that labor-intensivity saves capital. An the fertilizer plants require **125 times** more workers than the large plants, the cement plants eight times, for the same output. The fertilizer plants were so inadequate that anti-Maoists forced through the import two years ago of 13 huge imported fertilizer plants. Fifty thousand toy hydroelectric power units and other small industries represent similar waste.

To develop these industries, China has created a rural work force of 10-15 million while virtually freezing the urban industrial work force at about the same number. As a result of this policy of feudalization, a great many items are manufactured in China without the benefit of the economies of large-scale production and division of labor, meaning a drastic lowering of total possible output. Furthermore, limiting urban industry has imposed similar inefficiencies there, restricting the use of mass production methods and limiting development of intermediary and subsidiary industries on which high growth rates depend. This critical lack of depth is most serious in high technology areas, where unit costs of production must be extremely high, severely limiting the range of different items that can be produced.

#### Quality Shoddy, Statistics Fraudulent

An article published last Aug. 29 at Teng's direction, frantically focusing on the need for improved quality, indicates that shoddy quality is a huge problem under the Maoist regime: "Prefer quality to speed when these two things are incompatible...workers...adhered to the principle of giving first place to quality, paid close attention to project quality, and achieved a high speed without neglecting quality. This also is a very important point."

In fact, a prime means used to maintain at least some semblance of industrial growth over the years has been simultaneous collapse of quality and running into the ground of plant and machinery. China's major synthetic cloth is so inferior that it is not produced in the U.S.; the major insecticides it uses are banned in the U.S. as pollutants or as toxic to humans; farm machinery, largely built by glorified blacksmith shops, is of very low quality; a major proportion of all production is most certainly substandard. The problem derives from the Maoist method of exhortation campaigns to produce more by ignoring the advice of experts and pushing speed and quantity at the expense of quality, as the above quote indicates. This has become institutionalized after the 1966 purge of Mao's opponents in this question, and many of the hair-raising excesses of the 1958-60 "Great Leap Forward" must necessarily have recurred.

Moreover, the cannibalization of machinery is a long-term Maoist practice, making it likely that if China's plant and equipment were properly discounted for its actual wornout condition today, Net National Product might approach a zero real growth rate!

What is the growth rate of the Chinese economy? Most probably, nobody knows. China issues virtually no quantitative statistics. The cited CIA report fraudulently revised an earlier figure of 3.3 per cent annual growth of GNP for 1958-74 upward to 5.2 per cent, based on grossly incompetent statistical manipulation of thousands of fragmentary percentage increase figures for miscellaneous items released periodically in the Chinese press over varying time periods.

But these numbers are always above-average figures, and most have probably been released by the Maoists for internal political reasons, to "refute" their opponents' charges that Maoist policies hurt production. Moreover, the CIA estimate does not even attempt to account for Maoist distortions of the internal proportions of the economy since 1960, or for the falling quality.

Do the Chinese themselves know how their economy is doing? Probably not. China destroyed her Soviet-modeled statistical system in 1958, and those who tried to reconstitute it in early 1960 have all been purged. Given the incessant exhortation to ignore all obstacles, increase output, and view failure as proof of "rightism," there is tremendous incentive to fabricate or inflate figures at every level, from the farm or shop floor up to top management. The resulting statistical chaos and unreliability was indicated by top economic planner Li Hsien-nien as recently as 1972, when he commented to a Japanese delegation that three different economic ministries estimated China's population at 750, 800, and 830 million respectively.

Such statistical disarray implies the degree of anarchism, chaos and inefficiency throughout the country. Without fairly reliable statistics for quantity, quality, depreciation, etc., long-range planning is little more than an exercise in numerology. Just such a total breakdown occurred during

## Teng: "Communism Won't Exist If There Is No Constituency."

June 2 (NSIPS) — Statements made last year by recently purged Chinese vice-premier Teng Hsiao-ping reveal both the breadth of the Teng faction's attack on the central features of Maoist policy — neglect of steel and other heavy-industrial production, destruction of education and culture, empty slogan-shouting — and the havoc this policy has wrought. The statements were recently publicized in anti-Teng wall posters put up in Peking last March.

### On Production and the Economy

\*"If our army is to win wars, what we really need is iron and steel...National economic construction must be pursued earnestly..."

\*"People even say that our living standards have been improved day by day. Only devils believe it."

\*"To undertake construction is something different from pasting up labels or boasting...Communism won't exist if there is no construction...At present, most college students have only one brush in their pockets, which is used for writing big character posters. They can do nothing else...Every day you engage in struggles against the 'Five Categories' (of 'bad elements' — Ed.). Can you reform them

Mao's "Great Leap Forward" escapade, and he has never abandoned either the rhetoric or the methodology of that period.

The problem is further compounded by the application of Maoist "local control," with peasants and workers "democratically" deciding how to carry out production, even in defiance of experts on the scene. A Western observer witnessed an incident on the Shanghai docks in which 50 workers decided to saw off a propeller from a fixture, even though both were to be junked. The foreman knew it was entirely wasted labor, but dared not intervene for fear of being charged with "rightism" and "elitism." Such incidents are assuredly duplicated countless times a day throughout China, leading to enormous wastage.

### The Road to Collapse

Mao, desperate to maintain support for himself, has pushed radical decentralization of the country since 1956 for reasons as much political as economic: he has "won votes" from regional party and military leaders at crucial moments by giving these leaders some degree of local economic and political power. He has thus deliberately reintroduced the bane of Chinese dynasties since 1000 B.C. — feudalism, "local control" of provinces by warlords. That this problem, if not checked, threatens to imminently fragment the country was revealed by Teng himself at a July 14, 1975 Military Commission meeting, where he warned, "Provincialism is dominating the Liberation Army. Because sectionalism has been brought into the military, there are internally divided troops. There used to be faithful acceptance of orders. Things have changed. Individuals and even whole troops at times are not taking orders."

It is clear that the "Chinese model" is a one-way ticket to murderous economic collapse and political fragmentation. Unless the Tengist faction wrests total control from the Maoists in the near future and recommences large-scale capital development, the World Bank-Maoist model will reveal itself to even the most credulous as nothing more than the three-millenia-old formula for dynastic breakdown, chaos, warlordism, starvation, and genocide.

in this way? It is meaningless to beat tigers day after day...Can shouting, yelling be called revolution? It can cheat nobody but yourself."

\*"(Industrial construction) cannot be done without engineers. The Chemical Factory, which cost nearly 10 million yuans, was out of order even before it was formally put into production...Can this be called a great victory?"

### On Education and Culture

\*"The academic level of the students at the Steel Engineering College is only that of secondary school. No college student nowadays is really like a college student...the situation now is that students can get along without studying."

\*"The present model plays (fostered by Mao's wife, Chiang Ching — Ed.) have nothing to do with art, only a group of people walking to and fro on stage...(Referring to a Vienna Symphony Orchestra performance:) Only this can be called spiritual adjustment. The present (Maoist) plays are plays of gongs and drums which make the spectators seem to be not in a theater but in a theater of war."