

China: a new warlord era?

This feature of the periodic breakdown of Chinese society is now being reported from parts of the mainland. Webster G. Tarpley reports.

Information becoming available from various sources in the Far East now provides a more accurate overview of the titanic economic convulsions which are wracking Deng Xiao-Ping's billion-inmate empire, an empire which has marked a minimum of 20 million persons to die during the coming winter as a matter of *raison d'état*.

Despite the recent flailing attempts of the Beijing leadership to avoid catastrophe, mainland China is now in the throes of a breakdown crisis so severe as to rend the very fabric of civilization, perhaps setting the stage for a breakdown in central authority and the emergence of a new warlord era similar to the "Warring States" epoch of Chinese history between 403 and 221 B.C., or to the chaos that prevailed in the country during and after the First World War. The singularity that might precipitate the emergence of warlords could be a power struggle unleashed by the death of Deng.

This is the situation as we approach the tenth anniversary of Jimmy Carter's and Zbigniew Brzezinski's infamous "China card" opening of diplomatic relations with Beijing while selling out the Republic of China, traditionally the staunchest U.S. ally in the Far East. We are also approaching the tenth anniversary of Deng's December 1978 victory at the Third Plenum of the XI Chinese Communist Party Central Committee, where the new "reform course" was charted. Both anniversaries mark obscene failures.

Mainland China is the country where the full fury of the world food crisis is being felt most. On Nov. 20, 1988 a Beijing agricultural official, speaking on condition of anonymity, told Agence France Presse that there is now a severe shortage of grain in state-run stores, which has in turn sparked panic purchases and hoarding. "State-run stores in some northern cities do not have even one grain of rice on their shelves to offer," stated the official. He went on to describe how farmers are simply refusing to sell their grain to state agencies, in part because of the low fixed price, and even more because the government buyers have no cash and must

offer IOUs to the farmers. Farmers are in effect forcing the city dwellers to come to them, selling only to those who are willing to pay cash on the spot and take delivery at the farm after traveling long distances. The official described residents of the city of Anshan in Liaoning province, who must now travel hundreds of kilometers to find farmers willing to sell them up to 250 kg (550 lbs.) of rice.

This pattern is regarded as an escalation of what Beijing has already conceded was the worst wave of panic buying in 30 years between March and August of this year.

On Nov. 23, Reuters quoted the *Beijing Farmer's Daily* on the low levels of grain stocks now remaining. According to the paper, in the city of Sian, grain rations to the population have been cut, while other cities are refusing to grant food rations to workers and businessmen who are not permanent residents. The paper also reported a drastic jump in inflation of food prices at the beginning of November, with the price of long-grained rice in the large southern city of Canton up 60% compared to August of 1988. The record inflation was reported in Nanning, Kwangsi province, where the price of corn rose by 70% between August and November.

But the panic buying and hoarding is not limited to grain. On Nov. 24, Zhang Tiecheng, manager of the China National Salt Company, told the official *China Daily* that salt rationing is now in effect in 19 provinces, although he did not say which ones. It is known that salt rationing has been practiced in Shanghai since August. In Beijing, there is said to be no rationing yet, but all salt disappears from the shelves as soon as it arrives.

Zhang announced that wholesale salt deliveries to businesses and individuals had been halted, and that supplies to retail outlets would be limited in an attempt to stop hoarding and panic buying. He claimed that salt production will reach 20 million tons this year, up 3 million tons from the year before, and that part of the shortage is due to increased demand from chemical concerns.

The increasing issuance of IOUs by state banks to farmers selling grain has been caused by runs on the banks during recent months, with a very large net outflow of deposits. The banks have no cash on hand. Early in November, the official *China Daily* revealed a meeting of branch managers of the Agricultural Bank of China, called to find ways of coming up with 19 billion JMP (U.S. \$5.1 billion at the official exchange rate) needed to pay farmers for grain deliveries. On Nov. 24, Agriculture Ministry official Sun Hsiao-ping told reporters that state IOUs to farmers fulfilling government grain contracts were being used in several parts of the country. He also said that farmers left holding the IOUs were beginning to feel the pinch. Chen Chi-chen of the Commerce Ministry was compelled to deny that peasant riots had occurred when there were delays in paying off the IOUs.

The Beijing State Statistical Bureau announced on Nov. 28 that the official consumer price index inflation rate for October was 26.1% compared with the same month a year earlier. Press reports conclude that this means a real inflation rate of at least 40%. According to the Hsinhua News Agency dispatch, the Statistical Bureau sought to assure the public that the wave of panic buying had "almost ended." On the same day, Beijing television told viewers about a joint meeting of the State Commission for Restructuring the Economy and the State Planning Commission in the Great Hall of the People, with speeches by Premier Li Peng and Vice Premier Yao Yi-lin reporting that progress was allegedly being made, but that more had to be done to cool down an overheated economy. The "cooling" attempts are a part of the havoc: On Nov. 23, Liu Yao-chuan of the Department of Rural Economy announced that the austerity program will mean unemployment for millions of construction workers.

Red Chinese society is dissolving into chaos. On the Canton black market, U.S. and Hong Kong dollars are in demand, and circulate alongside official Foreign Exchange Certificates (FEC). The latter are supposedly convertible to foreign money and can be used to buy imported goods. Last come the "People's Dollars" (*ren min bi* or JMP). The official rate of exchange for the JMP is 3.7 per U.S. dollar, but travelers returning from the mainland report black market rates of up to 7 or 8 JMP per U.S. dollar. Each FEC in turn is worth 70-80% more than a JMP. A huge black market has nothing to fear from the authorities, since some of the most active black market currency dealers are government officials.

Parallel to currency contraband is drug trafficking. Beijing has for the first time officially acknowledged a severe internal problem of drug addiction by opening a drug treatment center at Anting Hospital, in the northern suburbs of the capital. Opium addiction is reported to be on the rise, especially in southern and western China. These are the areas adjoining the Golden Triangle. According to UPI, "Foreign police forces have complained for years that drugs from the Golden Triangle—an area bordering Burma, Thailand, and

Laos—are being transported through China's southwestern Yunnan Province before being shipped abroad, mainly from Hong Kong." A rare moment of candor from UPI.

In marking the tenth anniversary of Deng's new post-Mao regime, the Taipei *China News* referred to the emergence of "economic warlordism" as a by-product of economic chaos on the mainland: "Competition for scarce raw materials has given rise to a brand of economic warlordism in which some provinces have even set up armed guards on provincial borders to prevent coveted goods from escaping."

The demographic precondition for warlordism is the existence of a large pool of otherwise able-bodied young peasant men at or beyond the starvation line, young men who in effect have nothing to lose from embarking upon the life of robbers in an armed band. Deng's reforms have now created that pool.

The economic warlordism referred to is the attempted self-defense of grain-growing interior provinces seeking to stop the looting of their grain reserves by such coastal areas as Kwangtung, where the Canton black market provides rich currency resources.

Warlordism is a feature of the periodic breakdowns of Chinese society that have accompanied severe economic contractions like the one now going on. Typically, long periods of dynastic stability have been punctuated by intervals of civil war and internal upheaval. Examples are the period from the Warring States through the short-lived Chin Dynasty (the latter between 221 and 206 B.C.); the Three Kingdoms (A.D. 220-280); the Five Dynasties (A.D. 907-960), and of course, the warlord period between about 1911 and 1928. Economic breakdown and the weakening of the central imperial power center lead to the rise of competing private armies, each one holding a chunk of Chinese territory.

The demographic precondition for warlordism is the existence of a large pool of otherwise able-bodied young peasant men at or beneath the starvation line, young men who in effect have nothing to lose from embarking upon the life of robbers in an armed band. Warlordism results when these armed bands begin to successfully challenge the weakened imperial troops and constabulary.

Deng's reforms have now created an estimated 50 million homeless and jobless vagabond drifters, who are the basis

Mainland fever, or mainland madness?

The China News, a Taipei English-language daily, commented on Nov. 28 in an editorial entitled "Mainland Fever Raging" on the current debate on mainland policy in the Republic of China (Taiwan). Extracts follow:

The mainland fever currently raging the length and breadth of Taiwan is fast becoming a mainland madness. In fact, the attacks against the government's traditional "Three Nos" policy are reaching something akin to a shark feeding frenzy.

Part of it is undoubtedly the result of declining power and prestige of the Kuomintang's "old guard." But a lot of it appears to be the result of businessmen and academics teaming up to compromise with the devil—on grounds that he can be controlled by capitalist greed or intellectual debate.

Business people see the mainland as a billion-person market and/or a vast supply of cheap labor which can easily be exploited.

These are the pluses as seen through rose-colored glasses by most of the industrialized world, including Taiwan. The United States, Japan, Korea, and Singapore are rushing madly to get on the bandwagon—and stand ready to loan billions to the penniless Communist-run regime in Peking.

While it is true the raw materials "owned" by the Peking regime are undoubtedly the closest and perhaps monetarily cheapest, it is necessary to deal with the tricky Communists to get them, whether you call them "agrarian reformers" or pragmatic "economic reformers."

It is in fact a little bit incredible in this age and time for either industrialists or academics to advocate building factories or expending capital on the mainland as long as the Communists are in power. Now that everything is apparently coming apart at the seams after 10 years of "economic reform," on the mainland it would seem the worst of all possible times to expend hard-earned Taiwanese capital on plants or machinery.

... Economic activities on the mainland remain subject to political whim, poor quality labor, low productivity, corrupt bureaucracy, and inefficient government agencies.

for the current unprecedented crime wave. At the same time, the 20 million slated to starve this winter are only the first contingent of some 150-200 million that, according to converging estimates from several sources, Deng intends to slaughter. Will warlords emerge from this mixture, or will these millions go quietly to their deaths, without attempting armed resistance?

The Red Chinese totalitarian state retains much of its pervasive apparatus intact, but there is some question as to whether this apparatus is receiving its regular rice bowl—the decisive issue for mercenary armies in the Orient.

Inside China Mainland, a monthly summary of the mainland and Hong Kong press published by the Institute of Current China Studies in Taipei, prints a letter that must have made interesting reading for Deng. The letter is from the *Liberation Army Daily*, the organ of the Defense Ministry, and says in part, "To say that inflation isn't affecting people's lives is to say something no one will believe. The effects of inflation have already reduced people's incomes, and the living standard of many households, including those of some military personnel, can't compare to two years ago. Please tell me: How can this problem of inflation affecting people's lives be solved?" The letter is signed by Zheng Ying, Volunteer Private, Brigade 51386. *Liberation Army Daily* responded by telling Zheng that although "in carrying out price reform it is impossible to avoid inflation," he and others should have a "more supportive attitude towards price reform." But when the Zhengs of the PLA begin to grumble, Deng's imperial throne begins to quake.

A 'world without pity'

Travelers returning from the mainland to Taipei report a massive proliferation of thievery and lawlessness. Hotel personnel are organized in gangs to rob their customers, and the role of the local police is to convince the robbery victim that his watch was not stolen, but lost outside of the hotel. According to these accounts, it is no longer safe for unaccompanied individuals to venture forth on the streets at night.

Banditry on a grander scale is also not lacking. In Szechuan province, north of the large city of Kunming, the railroad line runs near the Chicom satellite launching center. Precisely in this area, numerous train robberies have been reported, and Szechuan is by no means as poor as some other provinces, such as the area around Yenan. Travelers' accounts paint a grim picture of poverty and chaos. After 40 years of communism, the railroads are still powered by steam locomotives, and the passengers sit on hard wood benches. Every station resembles a refugee camp in Europe at the end of World War II. It is impossible to buy tickets for an entire itinerary in advance; tickets are only good for trips starting in the city in which they are bought. Even the manager of a factory with 3,000 workers does not rate a berth in the sleeping car. Coal and wood are used to heat water in homes, but

bathing is possible only in public baths shared by entire dwelling units. The common topic of everyday conversation is horror stories of inflation, while farmers bitterly resent the low prices the state pays them for their grain. Farmers use oxen, not tractors. Direct political attacks on the Communist Party, at least in the presence of strangers, are still unusual. Livelihood depends on the party in two senses: Leading CCP cadres are the wealthiest people in the society, and the usual punishment for routine political offenses is to be fired from one's job.

There is a great deal of insecurity because of the advanced age of Deng, who is 84, with many Chinese speculating that the current dictator's death may lead to a recrudescence of all the horrors of the Great Proletarian Cultural Revolution, whose works of destruction are still in evidence everywhere.

The population is acutely aware of its poverty, and most younger people are desperate for a way to get out. Corrupt CCP bureaucrats are delighted to furnish a passport with one-way exit visa to Hong Kong for 3,000 JMP, a hefty sum. According to sources, the average monthly wage for the whole country remains below 50 JMP per month. For mainland Chinese, a watch costing 60 to 100 JMP is a luxury worth saving for for five years. Quite often, these watches fall apart on the first day of use. Production for the domestic market remains junk of abysmal quality. Telephones in private homes are a rarity. People are delighted by gifts of old clothes from the West. The streets are dotted with beggars. Homeless people are numerous; some have occupied squatters' digs inside the Forbidden City, the former imperial palace in Beijing.

Young children are far less common on the mainland than they are on Taiwan or in Hong Kong, as a result of the one child per family policy. Large character posters (*da tze bao*) in public places proclaim: "It is good for each family to have only one child." The alternatives are forced abortions, which remain very common, or the payment of a 10,000 JMP fine for a second child. Paying such a fine of 200 times the average monthly wage generally means bankrupting the entire extended family for a generation. But police informants are thriving. The CCP apparatus in each town is typically a thug-like party boss at the center of a group of brutal retainers drawn from the criminal element. Police spies think nothing of simply barging into a home just to hear what is being talked about, especially when guests are present. These uninvited intruders can then sell pieces of information to the party structure at piece-work rates.

Religion is still considered a form of "cultural aggression" by the CCP, and children under 18 are strictly forbidden to be baptized or attend church. All religious land and buildings were long ago confiscated as imperialist property. The officially tolerated Patriotic Church, a national Catholic formation separate from the Pope, is controlled by the CCP spies and operatives who are its lay activists and deacons, and who

enforce the party line on the priests. The world that Mao and Deng have built is, in short, a "world without pity," as one returning traveler described it.

An economic collapse

Well-informed sources in Taipei describe the current mainland dislocations as "an economic collapse." Their analysis starts with the food crisis. The post-1978 Deng measures, by breaking up the communes and making each farmer a de facto tenant on a piece of state-owned land, did achieve a transient amelioration of the food supply situation. By 1984, grain production had reached 407.3 million tons. But in 1985 that fell by 6.9% to 379.1 million tons, and the 1987 harvest was still very disappointing at 402.4 million tons (see table). According to these sources, the 1988 total harvest will be inferior to that of 1987 in all grains. The summer harvest of 1988, they note, was already down 2% compared to last year.

Grain production, People's Republic of China

(Millions of tons)

Year	Grain produced	% change compared to 1984
1984	407.3	
1985	379.1	-6.9
1986	391.5	-3.9
1987	402.4	-2.8

Data provided by ROC sources

These sources estimate that 150 million people are experiencing food shortages of some kind. To correct the situation, Beijing would need to purchase 16 million tons of grain on the world market, double what was bought abroad in 1987. Party boss Zhao Ziyang has already ruled out any such purchases as "not wise." Reports reaching Taipei tell of emergency meetings of the Central Committee and the State Council on Nov. 2 to discuss food shortages. The sources estimate that next year's harvest will be even worse than this year's. In sum, the Taipei sources conclude that the P.R.C. cannot be self-sufficient in food, and will experience an ever greater import dependency over the remaining years of this century, at the end of which period the mainland will have 1.3 billion people.

The CCP's failure to build infrastructure has also caused a critical energy shortage. P.R.C. energy consumption is the equivalent of 600 kg of coal per person per year, about 1/20th of the U.S. figure. In the early part of this decade, Beijing admitted shortfalls of 20 million metric tons of coal,

10 million metric tons of crude oil, and of electricity. Since 1982, that shortage has only increased. Energy efficiency is low, at about 30% as compared with 57% in Japan. About half of the P.R.C.'s electrical generating equipment dates back to the 1940s and 1950s. This equipment is obsolete and beyond its estimated lifetime. By 1985, the energy shortfall amounted to about 15-18% of total production. At any given time, 20% of all production lines are halted because of a lack of electric power. This is especially acute in the area between the Yellow and Yangtze Rivers—and this is the heart of China—where electricity is rationed by the “Stop 3-Open 4” system, by which factories take a three day weekend and work only a four-day week. Taipei experts estimate that by the early years of the next century, the energy shortfall of the mainland will reach 30% of total energy production.

The Taipei prognosis for Beijing is, therefore, “national economic collapse.” They sum up the factors as follows:

1) The rapid growth of the money supply, with bank notes in circulation doubling compared with the same month of 1987. In 1990, large interest payments to the International Monetary Fund will begin to fall due. Inflationary pressure can accordingly only increase.

2) The social fabric is torn by the fall in workers' purchasing power, while party bosses get rich through corruption, creating social conflicts and increased violent crime.

3) Beijing's budget deficit, which has hovered at 20 billion JMP, has now jumped to an estimated 30 billion JMP in 1988.

4) The rush of families to build individual private homes is exceeding the financial and material resources of the country, taking transport, energy, and materials away from even those few infrastructure projects that are planned.

5) 60% of all companies, totaling one-half million firms, are run by government and party employees and their families. Trading companies managed by moonlighting government bureaucrats are causing severe distortions of the merchandise economy through speculation, hoarding, and insider trading.

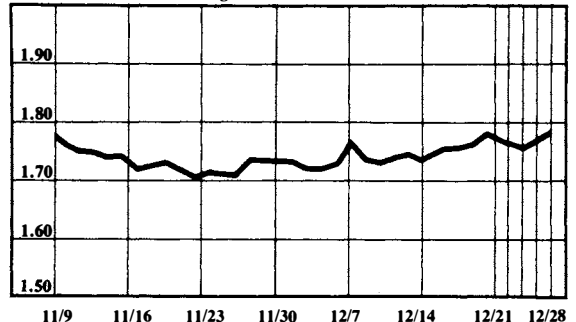
And, in the midst of all this, the central authority is getting weaker. Observers have concluded that the recent austerity measures and “cooling off period” have as much to do with a desire to reassert centralized control as with purely economic factors. But all indications are that it already may be too late.

According to the *United Daily News* of Taipei, Deng Xiao-ping has appointed a five-man collegial ruling group to run the country. These include Zhao Ziyang, the party boss who has been in the doghouse lately; Premier Li Peng, recently in the ascendant; Yao I-ling, Zhao Shih, and Hu Chih-li. The *United Daily News* commentary on these reports was summed up by columnist Thomas S.S. Dunn of the *Free China Journal* as indicating that “the new collective leadership is rather weak and that provincial Communist leaders will probably run things in their own ways.”

Currency Rates

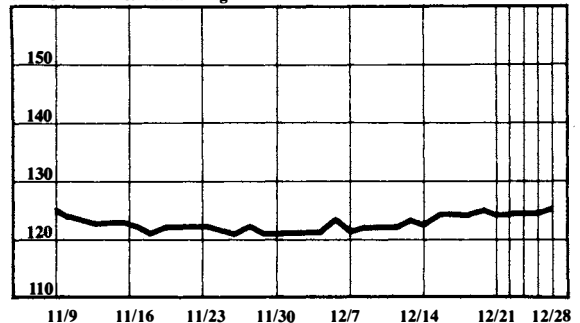
The dollar in deutschemarks

New York late afternoon fixing



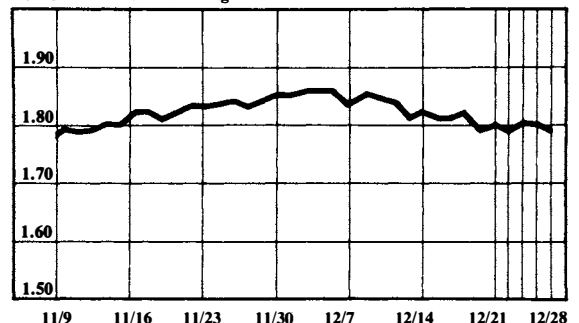
The dollar in yen

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

