

# IMF paeans China's austerity plan

by Michael Billington

In case there were any doubts that the current blood-letting being implemented in the People's Republic of China was made by the International Monetary Fund (see *EIR* April 14, 1989, "Mainland China Takes the IMF Road,"), IMF managing director Michel Camdessus traveled to Beijing the week of April 18 to bestow his blessing on the forced collapse of the P.R.C. economy.

Full of praise for the austerity regimen now being imposed on that nation, Camdessus described himself in a speech to government leaders as a Western surgeon ready to wield his scalpel if the Chinese failed to extract the pound of flesh willingly from their population.

It was a ghoulish parody of the late 19th-century carving up and looting of China by the Western powers, who left the Middle Kingdom government ostensibly in the hands of the Manchu dynasty while the economy and the people were drained of anything extractable.

Asked by the official Xinhua news agency of Beijing if his demands for austerity conditions were not a threat to national sovereignty, "imposing the will of industrial countries on the poor Third World nations," Camdessus rejected this formulation: "If you postpone for too much time to see the doctor, then you have to go to see the surgeon. We prefer to have a nice doctor applying nice Chinese medicine to having old-fashioned surgery."

The effects of the policies of the "nice doctor" so admired by Camdessus can be seen in the following examples:

- **Grain**—Six months of "emphasizing agriculture" have failed to reverse the steady decline in grain output. Refusing to significantly increase investment in agricultural infrastructure and limiting price increases to less than the inflation of production costs, the government has now desperately implemented "negative incentives," by imposing punitive taxes of as much as 30% on farmers who grow other crops which are more profitable to them than grain!

- **Pigs and poultry**—Pig and poultry farmers, faced with 65-80% inflation in forage costs and stagnant or falling market prices, are slaughtering their stocks. It is expected that this will create a shortage by the end of 1989.

- **Metals**—Non-ferrous metals are also a "development emphasis" sector under the current retrenchment, but production dropped in the first two months of this year. Copper, lead, and zinc ores were in short supply due to inadequate transportation systems. Electrical power shortages forced plants to operate at only 70% of capacity. But "lack of funds

is perhaps the most serious problem for the industry," according to Xinhua news agency.

- **Power**—The chronic power shortages continues to take their toll. It is officially estimated that the nation has lost over 200 billion yuan (US\$54 billion) in industrial and agricultural output in the past year because of power cuts. In the southern provinces of Guangdong and Guangxi, officials admitted that the power shortage will not even be "eased" for two or three years, and no solution is feasible before the turn of the century—and then only if major hydroelectric projects are begun immediately, which is highly unlikely. Urban residents have reverted to using candlelight for their homes.

Camdessus praised the policies that have brought on this collapse. He was "pleased to see that inflation is now being tackled by the Chinese government by increasing interest rates and cutting spending. . . . The government has taken the right direction to reduce deficits and expenditures and to allow stronger steps to be taken for tax reform (i.e., tax increases)." He also praised the communist regime for "close collaboration with the Fund."

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Not mentioned in the press reports, but unquestionably a major area of discussion and agreement between Camdessus and the Chinese leaders, was the ongoing proliferation of Hong-Kong-style free-trade zones all over the mainland.

These fast-money, unregulated centers for foreign investment are meant to substitute for small and medium-size export industries for any long-term development projects.

Also exemplary of IMF policy alignment with the communist Chinese, Camdessus was in town to celebrate his passion for malthusian depopulation, as the P.R.C. declared April 14, the day that the 1.1 billionth person was born in China, to be a "national day of mourning."



Michel Camdessus