

# Beijing's New Year resolution for the agriculture crisis

by Cho Wen-pin

At each year-end, reports on China's agriculture arrive at Zhongnaihui compound, where the core leadership of the Communist Party and the government issues its New Year's resolutions. In 1995, the matter of food sovereignty has become a critical, strategic issue for China. To avoid the vulnerability caused by being dependent on food imports, as seen in Egypt and Russia, will require a fresh, new policy toward agriculture and agriculture-related industries.

For decades, the first annual document from the central government, Circular No. 1, has addressed the past year's harvest, in order to spell out a new agricultural strategy. As the end of 1994 approached, Zhongnaihui indeed is nervous, as it has been in many years. For farmers, 1994 was another bad year, but the 57 million hectares of crops hit by drought in central China, and by floods in southern and northern areas, hardened not only the farmer's life: Reports on labor migrations, soaring food prices, skyrocketing inflation, and the peasants' urgent appeals to control the corrupt grassroots party apparatus, present the real picture—agriculture is again in trouble and it could drag down China's economy to unprecedented crisis, the Beijing government warns.

But the reality is that national policies as a whole, not only toward agriculture, need fixing, because for decades they have been sucking resources out of the land to rejuvenate dying industries, holding the peasants back from being modernized, and thus reducing their purchasing power as consumers for domestic industry.

A recent report from southern China provides the latest proof of this: Days before the new year, police in Zhuhai city dispersed 500 peasants after a protest outside a government office against insufficient compensation for the sale of their land for commercial development, turned into a riot.

## More than a land problem

China's agriculture has experienced several major crises which forced the central government to readjust its rural policies. Each time, a new policy was centered on granting more land-use rights to the peasants and more free market access on grain prices. The periods 1958-63, 1966-73, and 1978-83 demonstrate the setbacks and shifts of these policies, as well as the ups and downs of Beijing's political power groups.

The latest policy, implemented at the end of 1978, divid-

ed and leased the majority of state land to peasants. This resulted in a big leap in grain output, which peaked per capita in 1984. But to the 800 million peasants, the policy also meant that they could only count on themselves, because the government no longer took responsibility for agricultural infrastructure investment. The bitter result was seen in 1992 and 1994, when heavy flooding and drought forced China to expand food imports from the United States and other countries.

The state councilor responsible for agriculture, Chen Junsheng, warned the nation about the danger in its agricultural production, the *People's Daily* reported on Dec. 29. According to Chen, in some areas, especially coastal provinces, planted crops have dropped to under 10% of peasant family income, as a result of the increasing migration of the rural population into urban areas.

In talking to Chinese government officials and researchers, or American agricultural experts on China, one often hears about the famous "land problem"—China's arable land per capita amounts to only about 11% of what the average American has, or, China is feeding 22% of the world population on about 9% of the world's arable land.

Such claims, while statistically correct, often come from senior leaders as an apology for Beijing's unsound economic policies, which today ironically encourage enterprises to take scarce arable land for commercial use, and, throughout history, have often sacrificed agriculture when facing big losses in the state industrial sector.

During fiscal year 1990-91, in order to bail out state firms that are losing money, the central government pledged 150 billion yuan worth of loans to solve the "triangular debt" problem among the large state firms. At the same time, it scrapped subsidies to smaller state firms responsible for purchasing and distributing farm goods. These firms responded by investing their limited capital, which was supposed to be used for purchasing food to supply the cities, into quick-profit schemes such as real estate, food services, and entertainment.

Farmers, who had to sell grain to such state distributors, saw sales drop by 20%—what city residents see only as a hike in the price-tag on food staples. When farmers are unable to get their product to market, they migrate. But worse yet, they become consumers in the cities where food shortages

are more likely.

In 1993, partially as a result of the 1990-91 policy, average national inflation hit 27%, the highest since the Communists took power in 1949; in some coastal cities, rice prices doubled within a year, while some cities in provinces such as Gansu, Xinjiang, Anhui, and Liaoning, reintroduced government coupons to enable the poor to buy cheap rice and edible oil. Grain prices in China's 35 major cities rose at an annual rate of 59.5% in November.

### The agricultural policy of 1995

The current policy from the central government, which has a long-held objective of food self-sufficiency, is set to achieve its goal of 500 million tons annual output of grain by the year 2000—a 10% increase from that of today. To that end, China has decided to direct more loans to the agricultural sector, and strengthen the Communist Party organization at the village level—a policy which emerged from a four-day annual economic strategy session of top leaders in December.

For the new year, Beijing is also promising to strengthen the series of laws, first activated in the beginning of 1993, to rescind several improper tax-levying regulations that had been placed on farmers by local governments across China, according to a vice chairman of the standing committee of the National People's Congress.

In December, the *People's Daily* issued an urgent appeal for investment in agriculture. The new State Development Bank announced that its working policies in 1995 will emphasize grain production, by increasing loans by up to 20% to agriculture-related water projects. In addition, China will keep its ban on the export of grain and other agricultural products to stabilize rising prices, plus all imports of grain, oil, cotton, sugar, and fertilizer will be put directly under central government control. The state will also require local authorities to fulfill grain-purchase quotas from farmers, and will then supply grains and edible oil to areas most in need.

As on other matters, the top leaders are not united on agricultural policy, while all economic activities remain “experimental” and under constant debate.

To one faction, peasants are there to sacrifice for the nation's economic takeoff. Its policy bonds peasants to the land with *hukou*, a resident registration system. This group is now calling for tightening the screws with a variation of Mao's commune.

Others, while realizing that China's limited arable land will eventually release more than 200 million peasants by the year 2000, promote rural industries and small townships scattered along roads and rails. According to *China Daily*, the objective is to build 3,000 towns. The government comes in with blueprints and supervision, but no investment. The excuse is that when up to one-third of state firms are facing potential bankruptcy, there are simply no resources available to build big new cities which require infrastructure and jobs.

### The local models

The local governments on the other hand, advised by young experts, advocate a trial-and-error approach in various villages. The top models being showcased are, first, the “twin-field system” of Pingdu County, which divides farmland into two uses, one for basic household consumption, or *kou liang tian*, and the other for contracted sales to the state and markets, or *ze ren tian*; second, the “free circulation” model of the southern coast, in which farmland leased for longer terms changes hands quickly according to market fluctuations, in the form of stocks or contracts; and third, the “collective farm” model of relatively rich Wuxi County, where the village pays farmers wages equivalent to those earned by workers in their own village industries.

The models to “fully tap the potential of the peasants' input,” or to “mobilize their initiative,” will invite future troubles, because there are technical and physical limits to such individual farming. Some in Beijing clearly foresee this. But policy as such is still being touted by the party paper. “At present, and for a relatively long period to come, our rural policy should emphasize improvement of the internal institutions of the contracted responsibility system on a household basis with remuneration linked to output,” said a signed article in the *People's Daily* on Dec. 16, 1994.

The problem with this policy is that with the current farming techniques applicable to this type of tiny-paddy, labor-intensive production (small waterpumps, new types of seeds or fertilizer), yield per hectare, high by world standards, is rapidly approaching its limit; stagnating yield per capita can't possibly raise the income of the grain producers without raising the grain price.

How the increased loan and other measures of control, including the agricultural law of 1993 to ease improper taxes on the peasants, could be applied to agricultural production in order to halt wrong practices which are “still rampant and sparking rural discontent,” as a senior legislator put it to the People's Congress, relies on the party's plan of overhauling its grassroots organization.

Under the current political system, most of the party's grassroots cadres, although few have decent education or strong morality, redistribute loans, collect taxes, and raise funds for the local government. They also administer land distribution and, more importantly, implement the birth control policy.

In early January, senior Communist Party officials were quoted saying that about 80% of its 800,000 village branches are “lax and paralyzed” when encountering rapid economic changes, causing “chaotic security” problems in rural areas. The party is to renovate the branches in 1995.

Beijing's 1995 policy pushes agriculture a little higher among its priorities, a move that is overdue. But a far-sighted plan, one which does not prefer agriculture or industry but would develop both, has yet to come.