

Why China is so unequal by Mobo Gao

China's economic miracle has become a cliché. The figures bear out the country's amazing economic development. Its economy has maintained 9 per cent annual growth for almost three decades. It has overtaken the United States as the world's largest recipient of foreign direct investment, with an inflow of something like \$500 billion by 2004. It has taken more than 300 million people out of absolute poverty in a period of less than two decades, an achievement unprecedented in human history.

There are now more than 100 million middle-class Chinese and the number is growing, says the *Los Angeles Times*. The total number of internet users is already the second in the world, nearing 100 million. According to one estimate, during the early 1990s three-quarters of the world's construction cranes were in China, and a quarter of them were in Shanghai alone. Indeed, if one takes a trip to Guangdong, a province that has a population larger than that of the United Kingdom, one can see that the whole province has been a construction site, "the contemporary equivalent of the 19th century Manchester, a workshop of the world," according to the *Economist*. China produces 50 per cent of the world's cameras, 30 per cent of its air conditioners, and 25 per cent of its washing machines.

Or, if you want yet more figures: 15 per cent of the world's economic growth and nearly 60 per cent of its export growth in 2002 came from China. Measured in purchasing power parity, China's gross domestic product already ranks the second in the world. China will be as big a force as the economies of the European Union put together within the next four to five years. And so on, and so forth.

However, beneath these hyperboles there lies a grimy reality that often escapes media attention. China is a country in which 70 per cent of the population are still rural and, by Western standards, live in poverty. For at least the past two decades there have been 100 million to 150 million rural-to-urban migrants who are either looking for work or working in sweat shops. The average wages of these migrant workers have remained the same since the 1990s: \$50 to \$70 a month. That is China at its worst. But even for the other China, the better-off urban China, the average income per head of the officially registered 480 million urban residents was just \$830 in 2001.

Health care has fallen shockingly behind what it was in pre-development years. Even official spokesmen now admit that more than half of the rural

population have not got the money to see a doctor when they are ill, even when there happens to be a doctor around. Increasingly, more and more urban residents have begun to fall into this category too, as more and more workers lose their jobs: there may be as many as 15 million unemployed in the towns, and ten times that number in the countryside. I ADDED THOSE FIGURES. ARE THEY OK? (That is OK and may be an underestimate)

The polarisation of China, and the dispossession of the poor, is so sharp that China's leaders themselves repeatedly give warning of the kind of social unrest that could put the regime in danger. This danger can be measured by the Gini coefficient, which is used widely by economists to gauge whether wealth is distributed fairly within a country. According to officially released Gini figures, the disparity in wealth is steadily growing, and has been greatly underestimated.

In the post-Mao era, ever since Deng Xiaoping took over in 1978, the central government has invested enormous amounts in such coastal cities as Shanghai and Shenzhen, and has created favourable conditions, in terms of infrastructure and tax concessions, for foreign companies to operate. As part of this investment, rural China was taxed. In return, the central government has spent little on rural education or health care. Local governments at county, township and village levels owe huge amount of debts. The whole rural bureaucracy is bankrupt.

According to Li Changping, a former Communist Party secretary of a township, who in 2002 wrote a celebrated letter to the then Chinese premier, Zhu Rongji, and subsequently published a book on the plight of people in the countryside, the debt in the township where he worked amounted to 1,000 Chinese yuan (\$85) per head in 1999. An estimate released in Beijing recently suggests that the total debt owed by county, township and village governments amounts to about 800 yuan for every rural resident. And that figure is certainly an underestimate,

How do local governments find the money to pay their teachers as well as paying the interest on these debts (interest which is sometimes as high as 30 per cent, and is very often gathered by debt collectors who are the party and government officials themselves)? Moreover, money has to be found for local bureaucratic extravaganza, such as banquets and cars and office buildings, for fancy projects that advertise the country's economic advance. The answer is levies and taxes on the peasants, which in some places amount to more than 100 different kinds of tax. Not only is there a tax on slaughtering, even when you do not have a pig to kill, but there is

also a tax on family planning. Families may be fined by local officials if they have more pregnancies than allowed, and rural women are brutally forced (sometimes kidnapped) to have an abortion. IS THIS EDITING CORRECT (yes except it does not seem to say to the reader that the rural people are paying for the cost of getting themselves operated forcefully)?? Many rural families manage to pay the various taxes only because their teenage children, working thousands of miles away, have saved money to send home. Thus farming and rural taxes are paid by migrants working their hearts out in the coastal cities.

Have we in the West not noticed that the prices of consumer goods in the shops, such as shoes and electrical appliances, are getting cheaper and cheaper, while the prices of industrial goods, ranging from iron ore, copper and zinc to timber and cement, have skyrocketed in recent years? This *non sequitur* springs from a combination of three factors: cheap Chinese labour, tax concessions granted by the Chinese government, and labour/environmental conditions that are virtually unregulated. Expensive raw commodities are shipped to China for foreign firms to produce cheap products.

The coolie labour comes from rural Chinese migrants. City-born Chinese, even the unemployed, would not want to work in these sweat shops. And migrant workers are not allowed jobs that urban residents are willing to do. An average migrant worker slaves 14 to 16 hours a day for seven days a week to earn about \$70 a month, from which they have to pay for their lodging and food.

On top of that they have to pay for temporary resident fees, identity cards (which they have to carry with them all the time), registration fees or whatever fees a city government fancies. They are also charged higher rates for basic public services. For instance, in some cities a migrant worker has to pay more than a city resident for a monthly bus pass. Even postal delivery can be more expensive for a migrant. It would cause outrage if this happened to a foreigner in any Western country. But it is accepted as normal when Chinese citizens, who are considered non-residents of a town, are given this kind of apartheid treatment.

How can it be that a country run by a Communist Party whose *raison d'être* is to bring about equality in human society, and whose political manifesto is to bring privileges to the working class, has become one of the most exploitative and unequal countries on earth? The question can be answered by looking briefly at three salient features of today's China.

The first is the ideology of development, development, development. Deng Xiaoping's dictum of "development as the core value" (*fa zhan shi ying dao li*) has become the guiding principle for policy-makers. Economic growth is the key performance-indicator for Chinese officials climbing the career ladder. To catch up with the developed West is the goal, no matter what. No matter, for instance, the environmental degradation. Ten of the world's most polluted cities are in China. Deforestation, desertification, undrinkable water, you name it (see page xx). Anyone who is worried about environmental problems in the United Kingdom, should go and have a look at China. It is already a human disaster of unprecedented scale.

The development push has political advantages. It satisfies Chinese nationalists who have long believed that a backward China needs to catch up fast. It also keeps orthodox Chinese Communists quiet since it is Marxist doctrine that the advancement of production is the ultimate basis and force for human progress. Finally (and this is expounded on below), the belief that development requires the rule of the market economy has become a religion for elite Chinese economic liberals.

That is the second salient feature of today's China: the increasing influence of neo-liberalism in policy-making. This neo-liberalism dictates that China, in order to catch up with development, has to go through a primitive capital-accumulation process similar to the process of British industrialisation. Profits have to be made at somebody's cost. And the somebodies, in this case, are the rural poor, who have to shed sweat and blood to develop China. Only when the burden of China's benighted peasantry is thrown into the rubbish bin of history, will China be modern like the West. A Chinese commentator calls this economic policy the Europeanisation of coastal, urban China, and the Africanisation of the rural heartland.

Perhaps an illustration of this way of thought is the building of the super-speed Maglev (magnetic levitation) railway, a \$1.2 billion development toy that Zhu Rongji wanted in order to demonstrate China's modernity. The Maglev train has a normal speed of 430 kilometres an hour, but it still takes 18 minutes to travel the 30 kilometres from Shanghai city to its Pudong airport because, as soon as the train gathers speed, it has to reduce speed to stop.

The third feature is the expansion of what I call the comprador class (a nineteenth-century term that referred to the Chinese chief agent of a foreign business-house). The people now in charge of the country,

whether they are the friends and relations of Deng Xiaoping, Zhu Rongji or Jiang Zemin (the general-secretary of the Communist Party until three years ago) or party and government officials at every level, are the direct beneficiaries of China's no-holds-barred development policy. When foreigners do business with or in China, such people are either their partners or their intermediaries. When dispossession takes place, such as land enclosure, or when state assets are sold, they are the beneficiaries. When huge infrastructure projects, such as the three Gorges Dams, are planned, they have first (and sometimes the only) access to contracts.

Many of the comprador class have studied in Western countries, and more are being sent there (Britain is one of the countries to benefit). They have bank accounts and properties in the West. Their mentality, their life style and their very existence depend on compradoring China. China is the workshop of the world, owned by foreigners but managed by Chinese compradors. Kodak dominates the photographing industry, Coca-Cola the beverage industry, Japanese, German and American companies the motor-vehicle industry, and so on.

These three features of Chinese life may help to explain why the disparity between urban and rural China, between the rich and poor, seems to have become part of the rationale of the country's development. Perhaps they also explain why a bestselling book "An Investigative Report on the Chinese Peasantry" (*Zhongguo nongmin diaocha*) which details the misery of the countryside, was banned in China, and why the authors, a husband and wife team called Chen Guidi and Chun Tao, were brought to court by one of the officials described in the book. The court case continues, and the jury is out.