

China Congress Told It Faces 'Volatile' World

by Mary Burdman

China's Prime Minister Zhu Rongji delivered a very sober "National Work Report" to the Ninth National People's Congress which opened its annual session in Beijing on March 5. His and other Chinese government leaders' speeches emphasized that China would strive to continue the fundamental economic, domestic, and foreign policies of, especially, the past five years. However, while confident these policies will sustain real economic growth in China, and improve international relations, particularly with China's neighbors, Zhu Rongji concluded that "this year, the work will be quite arduous."

"The international situation changed dramatically in 2001," Zhu told the Congress. China must "correctly size up the complicated and volatile international political and economic situation," to be able to continue building its economy at the rate essential for national security and stability. The warning on the "complex and volatile" world situation, was echoed by other Chinese leaders, especially State Development Planning Commission Minister Zeng Peiyang, at the Congress opening.

Zhu first reviewed the "good momentum of development" of China's national economy—something worth highlighting, given the drastic decline of the world economy during the year. He said Beijing's commitment to develop its huge domestic market, and its "unswerving implementation of the proactive fiscal policy and stable monetary policy"—launched in 1998 to counter the devastating financial crisis in Asia—have made it possible to create growth which can be sustained. Such astonishing "great projects" as the Qinghai-Tibet Railway to the "Roof of the World," and the west-to-east power transmission grid were launched; the "Move South Water North" project will be next on the agenda. No other nation is carrying out infrastructure construction on this scale.

Industrial/Rural Problems

Yet China has severe economic and social challenges, and, Zhu Rongji said, "we must be soberly aware of these problems that demand urgent solutions." The most urgent, is bringing China's vast 800-900 million rural population into a developing industrial economy. That is the *real* issue China faces; at the National Congress, it was presented more flatly, as the problem of stagnating incomes in the rural economy. At the same time, reform of the state-owned enterprises has meant growing unemployment for the urban workforce. For

the first time in so public a forum, Zhu Rongji acknowledged that, in some sectors, workers' wage payments are "seriously" behind.

The first task the Prime Minister laid out, was to "adopt all possible means to increase farmers' incomes and lighten their burden." The number of surplus workers in the countryside is estimated at between 100 and 150 million; they must have work. In the cities, most pressing are subsistence for laid-off workers from state-owned enterprises, and basic pensions which must be paid—even if "new construction projects have to be cancelled" or "reduced in scale," he said.

China remains burdened with an "irrational industrial structure," which the government has painstakingly been attempting to reform over years. And it has severe physical economic problems—primarily its lack of sufficient water, in the densely populated northern half of the country, and backward, and therefore inefficient and polluting, energy and transport sectors.

These problems can be solved—but China will need another revolution to do so. This will have to be a scientific revolution, which would bring the most advanced technologies online throughout the economy. Nuclear energy, the magnetic levitation (maglev) train, use of nuclear plants to desalinate seawater, are all there in China—which is building the first commercial maglev in the world—but on far too limited a level. Expansion of such capabilities should be the basis of China's cooperation with its neighbors, especially Russia, India, Japan, and South Korea. This, however, would require a world working on the principle of "common development," as China's President Jiang Zemin has advocated. The world, however, is heading rapidly in another direction.

Internally, China faces social problems: Zhu called them localism, "formalism and bureaucracy," and corruption. "Some of these problems are left over from the past, and some are associated with the shortcomings and mistakes in our work. We must attach great importance to these problems and take effective measures to solve them." He said China's intellectual and political leadership must be rallied to this, to the principles—national reunification, world peace, and common development—which President Jiang Zemin set forward in July 2001.

The Chinese leadership's commitment clearly remains to the "New Deal" program of national investment begun in 1998. This year, as last, Beijing will issue 150 billion yuan (\$18.1 billion) of long-term treasury bonds, to ensure "the necessary level of investment . . . to stimulate a relatively rapid growth" of national construction, especially in the western regions. Work on most of the projects begun since 1998 must be finished this year. China's leaders are confident about this construction program. Zhu said that "there is still room for issuing more long-term treasury bonds for construction without incurring great risks." It is more than safe; it is beneficial: "The investment of treasury bonds in construction of . . . projects urgently needed by society will not only help

stimulate economic growth and expand new sources of revenue, but also help pool resources . . . for accomplishing large undertakings, and improve the results of all investments."

However, China is also getting more and more enmeshed in world markets at their worst possible juncture. Zhu Rongji emphasized that China must adapt to being a member of the World Trade Organization (WTO), to which it was only finally admitted late last year. It must be a bitter irony to Beijing, that just after Zhu delivered his speech, U.S. President George W. Bush announced an increase of up to 30% in tariffs on steel imports, demonstrating the highly fragile condition of the WTO. Zhu Rongji made big—President Bill Clinton called them one-sided, at the time—concessions to the United States, to enter WTO. "We are facing new difficulties and severe challenges" due to WTO entry, Zhu Rongji said, correctly, on March 5. Even more than the industrial sector, agriculture will be hit hard by enforced imports of cheap grain and other products—if the WTO survives much longer.

'Virtue As Well As Law'

Zhu Rongji did emphasize fundamental principles which will help China face the "severe challenges." Education is a priority, especially as China has more than 10% of the world's illiterates, over 85 million people. China still has to strive to make basic education universal. Broadly, "we will continue to run the country by virtue as well as by law," those virtues being "patriotism and observance of law; courtesy and honesty; solidarity and friendship; diligence, frugality and self-improvement; and devotion and contribution," Zhu said.

The Prime Minister also emphasized that China will continue to modernize its military; a 17.6% defense budget increase was announced by the government. But reactions should be muted—the amount of the increase, is only 25.2 billion yuan (\$3.1 billion), and China still has, per capita, one of the world's lowest defense budgets.

Chinese international policy will continue to focus on building cooperation with its neighbors. Despite the dramatic changes in the world situation, "the trend toward a multi-polar world remains unchanged," according to Zhu, and China still has more opportunities than challenges in the world. Local wars, tensions, and turmoil, rather than general strife, is the world situation, he said. Unfortunately, while even this statement was relatively honest for a leading world political figure, the world's economic and strategic situation is far more dangerous than Zhu was willing to admit to the Congress. He stressed the measures of cooperation China had been taking. First was the Shanghai Cooperation Organization, founded by Russia, China, and four Central Asian republics last July, to promote regional security. Next, increased economic and other cooperation with the nations of Southeast Asia through ASEAN, and improving relations with both Koreas and the South Asian (Indian Subcontinent) nations.

Only finally, Zhu noted the improvement in relations with the Group of Seven nations, including the United States.