

THE CHINESE ECONOMIC EXPERIMENT: LESSONS FOR INDIA

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The predominant theme of the post Second World War years has been economic growth. Rich and poor nations alike have been aiming at increase in the rate of their economic growth. Of all countries, experiments in two, with radically different ideologies, have attracted world-wide attention. One is India, the other, Communist China. The reasons are not difficult to seek. First, both are huge countries with world's second largest and largest population. They embarked on their adventure of economic growth around the same time. They followed two different ideological paths when the debate between supporters of those ideologies was sharp.

After about 30 years of economic experimentation, today both India and China have emerged as major Powers in the world. The question is how far each one of them has succeeded in achieving economic growth and giving a better life to people.

Till recently, China was a closed book for rest of the world. Shielded by a self-imposed barrier, very little of China's achievements or failures were known to the rest of the world. When events like the Cultural Revolution shook the Chinese state, rumblings were heard abroad but very little of what actually had happened was known.

It should be noted that China has opened up its doors only in recent times and, therefore, there is a rush of visitors, executives, tourists, industrialists, journalists and all sorts of people to that

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country. As it was closed to the international world for a long time, everyone shows keen interest in knowing as much about China as possible. You will, thus, see a spate of articles in Indian Press, British publications like the "Economist" of London and "Times" magazine of New York and many other journals and daily newspapers. All the information given in these articles is not always correct as they are based on impressions and only to a limited extent on actual experiences and observations. Therefore, the information should be treated with caution.

China does not publish any statistics and, therefore, whatever statistics are quoted are either those which have been given by them or which are published by China watchers or United Nations.

I had an opportunity to visit China recently as a member of the Federation of Indian Chambers of Commerce & Industry delegation. I was the only person in our team of nine who had been to China before, 20 years ago in 1958. Hence, I had a chance to compare the situation as existed then and as it is now.

Our stay in China was only of 10 days during which period we visited Peking, Shanghai, Hanchow and Canton. Half the time was spent in Peking and the rest distributed amongst the other three places. Thus, our stay was rather very brief and we could not see very much at close quarters.

In view of this, I have to draw upon the experience and observations of the group of Indian journalists who had left before us but were still there when we were in Peking. They spent more time in China and, therefore, could see more. Besides, as journalists, they had only to look to the various political and economic features whereas we had to meet various national corporations and discuss business and industrial subjects. I have also drawn upon the experience of the British

Minister of Education, Mrs. Shirley Williams, and Secretary, Mr. Dell, as well as certain other articles written by European and American journalists and executives who had spent some time in China. This only confirms and elaborates our experience.

We must also understand, right from the beginning, that our system and Chinese system of Government are totally different. Ours is a democracy with freedoms, particularly after the Janata Government came to power in 1977, and theirs is a Totalitarian Socialistic type of Government. In view of this, there is really no comparison between the two countries and one should not come to any final judgement without taking into consideration various facets of the political systems of the two countries. For instance, there are no independent newspapers in China. There is no freedom of expression. There is no freedom even of movement from one city to another in the country as this requires a permit. Everything practically is rationed and the people are expected to live their lives as dictated by the Government. To quote a simple example: the legal marriageable age is 18 years but the State advises that girls should not marry before 25 years and boys before 28 years and, therefore, everybody follows this rule. Even here, they require the permission of the respective heads of the department before marriage. The main reason for delayed marriages, according to them, is that it facilitates family planning.

AGRICULTURAL PROGRESS

One can easily see the tremendous progress which China has achieved in agriculture and afforestation. Since leaving the airport, we could see nothing but greenery all round and large trees on both sides of the road, covering the wide roads with shade. This is true of almost all the roads, all over China, except where they are very wide or it is a big square. According to the Chinese,

Chairman Mao gave far more importance to agricultural economy than industry, as he had a long-standing bias for the agrarian revolution. Agriculture is the predominant factor in the Chinese economy. About one-fourth of national production is derived from agriculture. We have indeed something to learn from them in the matter of water conservation and building of canals. The Chinese claim to have almost 99% irrigated land against our hardly 28% and for the same arable land as ours, they grow 280 million tonnes foodgrains against ours of 125 million tonnes. Of course, they include not only cereals but also potatoes, beetroots, soya beans and fruits, etc., and therefore, we have to make an allowance of about 25% for such items which we do not include in our statistics. Thus, their production of cereals can be estimated at 210 million tonnes. Even then, it is almost 1.7 times that of ours, over the same area of land. They grow 3 crops per year as they do not have to depend so much on rainfall as we do. They are surplus in rice but short of wheat and, therefore, they export rice and import wheat. Between January and August, 1977, about 12 million tonnes of wheat are said to have been imported. They have reclaimed all available land and the farms reach up to the edge of the road, railway lines, airport etc. They are trying to mechanise and use more and more tractors, fertilisers, pesticides, spraying equipment etc. Their agricultural production per acre is higher than ours but their **per capita** production is much lower than ours as they employ more men than necessary.

At the same time, they have wide open areas, lakes (both natural and artificial), wide roads, beautiful parks. Even the cities do not look like a jungle of concrete structures. This is a great improvement over what I had seen about 20 years ago when they had launched a programme for cleaning their cities and villages and eliminating

the four pests, namely, flies, mosquitoes, rodents and sparrows. It was the period of the "Great Leap Forward". Subsequently, they found that sparrows were useful for their crops and, therefore, they stopped killing them. We could see some sparrows during our recent visit.

The sparrow elimination campaign demonstrates two lessons. First, man should not destroy any species of life because it upsets the ecological balance. When sparrows were destroyed, pests multiplied to such an extent that crop destruction by them was much more than the crops destroyed by sparrows. Secondly, highly centralised decision-making leads to mistakes on a colossal scale whereas in a decentralised decision-making system damage is restricted to a small area or to a few people.

COMMUNES

Chinese agriculture is operated mainly through Communes. These Communes are, in fact, small townships supposed to be more or less self-contained. We visited two of them; one near Shanghai and another near Canton. Initially, these were started as farm cooperatives like some of ours but then subsequently they were merged as they were not very efficient and were formed into Communes. Each Commune has a number of Production Brigades and Production Teams.

Commune MALU near Shanghai has 750 families with a population of 30,000. They have 14 Production Brigades and 48 Production Teams. They have cultivated about 226 hectares of land. Their main crop is grains and cotton. They grow one crop of wheat and two of rice. They have also an animal husbandry section with piggery, poultry, small scale and cottage industry. They have a workshop for making agricultural tools, and many other small industries. Each Commune is responsible for

the basic education of its own population and also public health. The Communes compete with each other in increasing production and they proudly claim that their production went up by a high percentage over the previous year. For instance, this particular Commune is not only self-sufficient, but also sold 3,500 tonnes of foodgrains to the State, bred 3,400 heads of pigs and sold 96,000 eggs, 240 tonnes of mushrooms etc. to the State. They have about 24 schools, primary and middle class, a hospital with 30 beds, a nursery and a medical team. Medical treatment is either free or very cheap. Basic education is compulsory and free. In 1977, the income **per capita** in this Commune was 252 Yuans (1 Yuan = approx. Rs. 5). People have their own private houses or all are provided with housing and a little land around the private house. This land is allowed to be used by them for growing vegetables and selling them freely in the market. The rent is 5 to 10% of the income. This includes water and electricity charges. In contrast, it is said that there is an acute housing shortage in cities. At the end of the year, the profit is shared between the members of the Commune and people are able to save something for their own private purposes. We were told that there was a branch of a bank in this Commune with a deposit of only 3,000 Yuans in 1957, whereas in 1977 it was 1.73 million Yuans. This should prove that people have private savings.

These Communes are managed by a Council of members with a leader and a deputy leader. The Council consists of 23 members out of whom 7 are nominated by the Government and the rest are elected but approved by the Government. This Council is responsible for looking after the affairs of the Commune including agriculture, industry, sanitation, health etc. This Commune had 8,000 bicycles, which is the only available form of transport. About 63% Labour in the Commune was

employed in agriculture, 6% in animal husbandry, 20% in small scale industry and 3% in education, health etc. They were very proud to show us their cows, which gave them an average yield of 15 kgs. milk per day. Similarly, the other Commune called the Shing Hua people's Commune had 17,500 families with 69,000 people. It had 20 Production Brigades and 313 Production Teams. The Production Brigades are of a supervisory nature and Production Teams are responsible for regular production and for increasing it year after year.

This Commune has a mini cement plant, producing about 50 tonnes per day and also a mini paper plant, producing about 15 tonnes a day. They have dug 100 km. of canals for irrigation purposes and have 70 pumping stations. They get two crops of rice and one crop of wheat per year in their 5,500 hectares of land besides growing peanuts, sugar, soyabeans, medicinal herbs, etc.

According to them, these Communes are autonomous in nature and besides being self-sufficient, they sell their extra production to the State and in turn buy their requirement, i.e. whatever is not produced by them, from this income.

INDUSTRIAL PROGRESS

The Chinese admit that since the Russian advisers left their country in 1960, they had hardly any new technology and, therefore, whatever progress they have achieved was only by way of multiplication of their existing industries. For instance, they have increased their steel production, which was 6 to 7 million tonnes about 20 years ago, to about 25 million tonnes against ours of less than 10 million tonnes at present. They expect to increase this to 60 million tonnes by 1985. Similarly, they have increased production of heavy machine tools like engineering goods, textiles, coal mining, oil exploration and refineries and in other directions

to a considerable extent. For instance, their present coal production is estimated at 250 million tonnes against ours of 110 million tonnes and they expect to increase it to about 400 million tonnes by 1985. In the same way, they have increased the production in textiles, chemicals and other industries and they have a very ambitious plan to achieve considerable progress by 1985 by installing 120 large projects which include 10 Steel Works, 9 Non-Ferrous Metal Complexes, 8 Coalmines, 10 Oil & Gas Fields, 30 Power Plants, 6 Principal Railways, 5 Principal Wharfs etc. They have, recently, signed an agreement with Japan for a turnkey steel plant to manufacture 6 million tonnes and another project to produce 10 million tonnes is being negotiated. The agreement with Japan stipulates a business of 20 billion Dollars between now and 1985. Recently when Vice-President Teng was in Japan, he said that this amount may be doubled and redoubled. Similarly, they have some petro-chemical industry but they intend to instal many more projects and produce all types of chemicals, plastics, synthetic fibres, synthetic rubber and a host of chemicals. They, therefore, are approaching all the developing countries for new technology and are signing contracts for turnkey plants.

In fact, there is a scramble amongst the Western countries to get orders from China for various industries and hence a constant exchange of high level personnel between China and the developed world for negotiating such contracts. Whilst we were there, we were informed that they had just signed a contract with Germans for 500 million Dollars for coal mining equipment. They propose to finance these projects by sale of their surplus oil and coal and also long-term borrowings in the form of loans with payment by instalments. Thus, in financial matters, they have completely changed their policy and become more international in their approach. They have also opened up tourism

which is expected to be a substantial source of foreign exchange and that is why all their hotels are always full and they are building more of them. Last month they have signed a contract with Inter Continental—PanAm Group—for 5 large Hotels.

They do not have enough skilled or technical personnel to manage such industries, particularly having closed down many colleges and universities after the Cultural Revolution. They are opening them again calling back professors from retirement and trying to send thousands of students to different countries of the world for learning, for gaining technical training and knowledge of modern management at state expense. They expect to send 3 to 4 thousand students to England alone and similarly to other countries. During the next year, they expect to send 10,000 students abroad.

Their present slogan is Four Modernisations : Agriculture, Industry, Defence, Science & Technology. In place of the concept of self-reliance based highly on rural economy, the present leadership is signing numerous contracts for turnkey projects with multi-nationals.

To understand the present policy of China, one can usefully study a passage from the speech of Chairman Hua at the National Finance & Trade Conference on July 7, 1978 : "We are now lagging behind, not only in technology, but in managerial skills too. Since the founding of New China, we have accumulated certain experiences in economic management, but still have many weak points to eliminate. . . .Low productivity poor quality of products, high production costs, low profits and slow turnover of funds—these can be found in most enterprises. . . .only when we are fully aware of the problems created by our low standards of management and inept managerial work, can we sum up experience and lessons in

earnest, study and master advanced science and technology and advanced scientific methods of management. Otherwise, we will continue to waste time, manpower and funds, and cannot fulfil the grand task we have set out to accomplish within the country."

Thus, they are looking to the West for new industries, learning new science and technology in which they are much behind India, except in the matter of defence where they have very much concentrated on technological advance and are reported even to have an Hydrogen bomb. It is, therefore, difficult to foresee whether they will be able to achieve all the targeted ambitious programmes by 1985. Even if they achieve a substantial part of it, one can assume that they would have made considerable progress in the industrial field by then.

GENERAL IMPRESSIONS

Living Standards of People

The Chinese claim that they have no unemployment. However, we found that there was a lot of overemployment. They employ many more people than they need. For instance, in a petrochemical plant which we visited, they had employed 33,000 people of which 27% are women. It is very difficult to understand why they require so many people in a modern petrochemical plant where most of the equipment is operating under automation. However, everyone is paid a minimum wage of 40 Yuans which is equal to about Rs. 200. As prices of essential commodities are controlled, if there are two members working in a family, they can live comfortably on 80 Yuans. Their overemployment policy is something similar though in a different way to Social Security payments made to those who are unemployed in Western countries. Everybody

in China appears to be properly fed and we hardly saw any case of under-nourishment. There are no beggars on streets. Villages, parks and public places are very clean. People are asked to do any type of work which they cannot refuse, as they are being paid by the State. They are employed in building parks, planting trees, cleaning roads, digging canals or reclaiming land, building houses or whatever type of work that may be available. They have no choice in the matter.

Although salaries are low, most essential items are rationed and prices are subsidised. They have remained constant for a long period. However, recently there has been some talk of suppressed inflation. The following will give an idea of prices, although in the case of food items there are said to be variations in different parts of the country owing to transport costs and ready availability :

(1 Yuan = Rs. 5)		Rs.
Milk	1 litre	3.25
Potato	1 kg.	1.40
Sugar	1 kg.	8.00
Rice	1 kg.	1.60
Wheat	1 kg.	1.70
Bicycle		750 to 900
Wrist Watch		500
Timepiece		85
Transistor (2-Band)		170
—do— (3-Band)		390
Kerosene Lantern		11
Ladies Skirt		75/100
Polyester Trouser		65
Cotton Trouser		35/40
Cotton Shirt		29

Synthetics are free.

(Cotton cloth is rationed: Per capita, 6-8 metres annually)

The people are neatly dressed though very simply with no sign of affluence. When we were there, it was summer and hence we could see all men, women, boys and girls with half-sleeved white shirts and blue and grey trousers but no tattered clothes. There are many department stores in large cities and people appear to be buying all sorts of things at controlled prices, particularly those which are not rationed. The food rations are quite liberal and sufficient for a family of four but if there is a larger family, they will have to work harder to earn more. There are no private cars and the only means of transport are either the bicycles, buses or in some large cities underground trains.

They are now adopting the system of giving incentives to people who work harder and produce more and thus of changing the slogan of Marx from "From each according to his ability, to each according to his need" to "To each according to his work" and oppose equalitarianism and see to it that he who does more work gets more pay.

There is no theft and hotel rooms have no locks on doors. There are no night clubs nor prostitution. In Peking everything is closed down at 11 p.m. but in cities like Shanghai and Canton activities continue during the night also. Places of interest to tourists are not only being kept very clean but are all being renovated and shown with great pride. People have been instructed to be very courteous to foreigners as their guests. All this is in sharp contrast of what was happening a few years ago when westerners were considered foreign devils and looked down upon with contempt.

Disparity in wages and salaries is not high. Whilst the minimum is 40 Yuans, the maximum for a top manager is 200 Yuans and only some

artists and specialists get the maximum salary of 400 Yuans. Of course, there is no income-tax. The difference in wages of workers is only between 40 and 60 Yuans as compared to our country where it varies anywhere from Rupees 100 in rural areas to about Rs. 1,000 in an organised sector in urban areas for an unskilled worker.

China was always ahead of us in home and cottage industries and small scale industries and they have made further progress in this direction, particularly in the Communes.

Wherever we went and whatever discussion we had, everybody said that they have achieved considerable progress in the last two years after having smashed the "Gang of Four" and the subject of the "Gang of Four" would crop up one way or the other in every discussion.

Recent Changes in Chinese Thinking

There has been a radical shift in China's economic policy recently. An article in "Economist" of London, dated 21-27 October 1978, has aptly summarised these changes. First, the dogma that communism is perfect has been discarded. The President of the Chinese Academy of Social Sciences, Mr. Hu Chiao-Ma, is quoted as having admitted that socialist countries had to learn a lot from capitalist management techniques. Secondly, enormous emphasis is placed on value of time ("each enterprise and each of its workers must never waste even a minute"—Hu) and severe punishment, including dismissal, are proposed. Bureaucratic controls and methods of work are under attack for their inefficiency. The core of Stalinist policy of communism, viz., autarchy or self-sufficiency in everything, is condemned as involving wastage of manpower and resources. The shift away from Marxist ideology is so com-

plete that now it is said that "whatever measures help accelerate the four modernisations and increase labour productivity at the maximum speed are correct."

LESSONS FOR INDIA

There are many valuable lessons for India in China's economic experiments. From 1956, i.e., Second Five-Year Plan onwards, India adopted a disastrous economic policy by imitating the communist strategy of planning. Undue emphasis was given to heavy industry, to the gross neglect of agriculture which is our basic asset. Conservation of natural resources, particularly our valuable forests, was neglected. The infrastructure of the economy such as rural roads, national highways and primary education were not given any attention. Employment generating areas of the economy such as road building and afforestation did not receive any consideration. On top of this, heavy taxation drained savings away from the people and these scarce resources were burnt up in inefficient public sector projects, an unproductive bureaucracy and large-scale corruption. Administrative controls hampered growth of production.

The new economic policy in 1977 has sought to correct some of these mistakes. But neither the policy itself nor its implementation are sufficient to give a proper developmental impetus to the economy. It is here that we can usefully learn some valuable lessons from China. These are, to concentrate on agriculture and conservation of natural resources, particularly conservation of water and afforestation; undertake massive road construction and other asset-building projects to create employment. Also, remove controls on the economy to allow it to grow rapidly and thus create new employment opportunities. Encourage use of suitable and upto-date technology wherever necessary,

but at the same time encourage local skills. Cost consciousness should be encouraged in all production process by suitable fiscal and other measures.

It is necessary at the same time to notice the enormous price the Chinese people have paid for their economic achievements. There have been periodic upheavals resulting in disruption of normal life; millions of people, including many innocent ones, have been physically liquidated; dissident intellectuals have been suppressed or rooted out; freedom of expression including that of the Press and other freedoms have been totally eliminated. This price, our people are not willing to pay. The 19-month Emergency Regime, which gave a glimpse of such a policy to Indians, was repudiated by our people in 1977.

It is, therefore, necessary and possible to adopt a path of prosperity for the masses with freedoms. It requires pursuit of realistic economic policies, and not outdated ideologies. It requires a Government which stimulates people to give their best; and citizens who can shoulder their responsibilities without looking up to a "Ma-Bap Sircar" for everything. Willynilly, India seems destined to tread this path eventually. Why not hasten that process?

Have you joined the Forum?

The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

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