

# China's Economy After the National People's Congress

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## Summary

At the Fourth National People's Congress, held in January 1975, China's political structure was precariously balanced between "traditionalists" and "radicals". These factions are now fairly evenly represented in the Political Bureau of the Communist Party, among the Vice Premiers in the Council of State and in the top echelon of the Armed Forces. Though younger men are in charge at the next lower rung of the hierarchy, the political balance is still being maintained by a leadership which is one of the world's oldest gerontocracies.

Though the report on the state of the nation, given by Premier Chou En-lai at the Congress, left many matters of fact unanswered, it revealed that during the last decade, despite remarkable progress in certain sectors, the economy as a whole has grown at a less buoyant rate than immediately before and immediately after the Cultural Revolution. At about 5 per cent a year, China's national product increases a good deal faster than old industrial countries can claim, but her rate of growth is less than China achieved during the best periods of her economic development.

## I. Introduction

At long last, China's Fourth National People's Congress, the first in ten years, has taken place. It was held in such circumstances as to tarnish a little the image, which China's friends like to portray, of an open society. Whilst the attention of the mass media and the diplomatic corps was concentrated on the courtesies exchanged between Chairman Mao of the CCP and Chairman Strauss of the CSU, more than 2,800 delegates met, apparently in secret, at Peking's Great Hall of the People. Indeed, so effective was the news black-out that the world Press was still reporting the meeting of the Party's Central Committee, which preceded the National People's Congress, when the Congress delegates were in fact leaving its last session for home. Where the political leadership is able to keep to itself so important an event, the prospect of a full and frank disclosure of the country's economic performance must be rated rather low. In fact, the economic analyst of China's past record and future intentions tends at times to resemble the soothsayer stirring the leaves of a rather muddy brew of tea.

Even after the National People's Congress the 'China watcher' finds himself where Sovietologists were before Khrushchev in his secret speech had dissociated himself from the worst of his predecessor's distortions. In China, the secret speech with which to deliver the past from its skeletons has yet to be made. In this situation, the casual remark of a disillusioned red guard or a loyal factory foreman is sometimes given an importance which elsewhere is reserved for the statements of the leader of the opposition or the president of the national bank. Often the economic per-

formance is assessed willy-nilly on the strength of imprecise indices which are based upon data of unknown origin or questionable validity. In any more normal circumstances such a procedure would rightly be condemned as irresponsible. Yet, short of refusing to comment on contemporary affairs, the analyst has no alternative. The absurdity of the situation becomes evident when it is remembered that China is the country with the largest population and the third-largest area on earth. Yet less factual information can be gathered about her economy than is possible in the case of some small island States in, say, the Indian or Pacific Ocean.

## II. Politics take Command

In China, even more than elsewhere, "politics take command" over economics. Thus a few words seem in order about the political setting within which the country's economy operates. In this way the growth of the nation's product and its distribution can be seen in the wider context of the ambitions of the leadership and the expectations of the masses. These aspects are particularly relevant now, since at the Fourth National People's Congress a period of long drawn-out uncertainty was brought to a close, and a new leaf was turned in the history of post-revolutionary China. The truce which was reached between political factions, prior to the Congress, was foreshadowed in December 1974, when Chairman Mao was reported to have called for unity in place of the cultural revolution which had been "going on for eight years". Of course, this political turmoil was terminated officially almost six years ago at the Ninth Party Congress, held in April 1969.

However, no sooner had the nation recovered from the dislocations of the past and been prepared for the start of the fourth five-year plan (1971–1975) than it was faced with yet another crisis. The disappearance from public view, and the mysterious death over the Mongolian People's Republic of Lin Biao, the second of Mao's ill-fated heirs apparent, caused considerable confusion throughout the ranks of the armed forces as well as the Party and the civil administration. At the Tenth Party Congress Lin, having only recently been celebrated as the Chairman's most intimate comrade-in-arms, was politically buried as "a plotter, swindler, renegade and traitor".

In the Tenth Central Committee (of 195 full and 124 alternate members), elected in August 1973, a balance was struck between the veterans of the Party, the armed forces, whose representation was drastically reduced, and the cadres who had emerged from the cultural revolution and whose participation in the Party's Councils was greatly strengthened. The appointment to the post of Vice Chairman of Wang Hung-wen, the young textile worker from Shanghai, who had rapidly risen from the ranks of the cultural revolutionary committee to the third most senior position after Mao and Chou En-lai, was taken to be the final act in the creation of a new balance of political forces. At the other end of the political spectrum the return of Teng Hsiao-ping to a position of public duty after years of disgrace implied a search for a state of normality which had long been absent from the political scene. Thus the way seemed to be open for summoning a National People's Congress at which to adopt a new constitution and to fill, in the Council of Ministers and in the armed forces, the posts which during the cultural revolution

and after the Lin Piao affair had remained vacant. However, this return to normal business was not yet to be.

### III. The National Congress

The reshuffle, early in 1974, of leading army commanders and the separation of military and political responsibilities in the regions indicated that the process of readjustment was far from complete. In the course of 1974, the nation's energies were sapped by the campaign which, though seemingly directed against the continued respect for Confucian teachings, was in fact aimed at less esoteric targets. Chou, who at some stage seemed to be among them, escaped by attending to the nation's affairs from his sickbed until he was once again called upon to speak to his country and to the world. Without the Prime Minister's skill it might not have been possible to reach the consensus which emerged at the Fourth National People's Congress from Chou's carefully phrased report on the work of the government. The Congress has been described by some commentators as the manifestation of a newly gained moderation. It would perhaps be more appropriate to call it the work of China's most experienced pragmatists. An air of realism can be detected which has been absent from China's pronouncements in recent years. At the Congress the radicals were honoured in the seating arrangements, but they were not accorded any of the senior ministerial posts that had to be filled.

Although the acts of the Fourth National Congress — China's version of Parliament — were, even more than those of 1954, 1959 and 1964, of ritual rather than of real significance, it served nevertheless as a platform for the pronouncement of policies which, barring the unforeseen, will govern China for many years to come. The Congress confirmed the appointment, previously approved by the Party's Central Committee, of 12 Vice Premiers, 26 Ministers and three Chairmen of State Commissions (for planning, capital construction and physical culture). Several of the administrators formally appointed had been known for some time to be in their present posts. Among them were Marshal Yeh Chien-ying, Chiao Kuan-hua and Li Chiang, in charge respectively of Defence, Foreign Affairs and Foreign Trade. These Ministers continue to be supported by a team of economic and technical specialists including the Ministers in charge of planning (Yu Chiu-li), metallurgy (Chen Shao-kun), machine building I (Li Shui-ching), water and power (Mrs. Chien Cheng-ying), agriculture (Shu Feng), light industry (Chien Chien-kuang), commerce (Fan Tzu-yu) and foreign economic relations (Fang Yi). The appointment of others became known only at the Congress. Among these were in particular the heads of the Ministries concerned with machine building II–VII for civilian and military purposes, who had been kept for years from public view. Of the Ministers, the three in charge of capital construction (Ku Mu), planning (Yu Chiu-li) and public security (Hua Kuo-fung) have the rank of Vice Premiers. The coordination of policy decisions made by the Government and by the Party falls upon the twelve Vice Premiers of the State Council, eight of whom are in any case simultaneously members of the Party's Political Bureau (of 25 full and alternate members). Among these men is the all-important Minister of Public Security, mentioned above, who in his dual capacity is able to watch for any signs of opposition within the organs of both the State and the Party.

On the whole, these two wings of China's elitist regime are more closely integrated than is sometimes appreciated by those looking for discord rather than for unity of purpose. This does not, of course, rule out fierce differences over doctrinal and practical issues. In the Political Bureau of the Party, as among the Vice Premiers, the factions owing allegiance to traditional and radical policies respectively are fairly evenly represented. The balance between men, whose agreement or otherwise may well change from case to case, is being maintained for the time being by some of China's oldest political practitioners. Among them are: Chu Yeh, 87 years of age, father of the Red Army and for the third time Chairman of the National Congress; Chou En-lai, 76 years old, Prime Minister for the last 25 years and for almost twice as long a member of the Political Bureau, the policymaking body of the Party; Yeh Chien-ying, 75, a former associate of Lin Piao and now China's Minister of Defence; Teng Hsiao-ping, 70, once accused of being the "number two person in authority taking the capitalist road", but since 1974 entrusted with some of Chou's responsibilities, and now the most senior of the Vice Premiers and also a Vice Chairman of the Party; and Li Hsien-nien, 68, a leading economist and financial adviser and one of Chou's closest associates. There are younger men at the next lower rung of the hierarchy of Party and State administration, but China's elite is still one of the world's oldest gerontocracies. In this situation, the present rulers may continue for some time or a change may suddenly become necessary. Difficulties are bound to arise when Mao's successor has to be chosen. The Chairman's absence from the National Congress suggests that this day may not be far off.

#### IV. The Soviet Model

The fortunes of men in power and the fates of their general policies are reflected in the economic arena. In fact, the vacillations in China's economic strategy and performance cannot be separated from the overall politics which are "in command". To follow every twist would be tedious, but there are a few major turnings which must be pinpointed if China's present economic position is to be understood.

Preceding and following the revolution, the views of Russia's leadership were listened to with more than mere respect; indeed where else could a revolutionary regime have turned in 1949 but to the Soviet Union? It is true that there had been disagreements over strategy and tactics during the urban risings of the late 'twenties; and there had been disappointments in the early 'fifties over the dismantling, in Manchuria (Yung-pei), of former Japanese railway tracks and industrial plants. However, on the whole Soviet advice and expertise were accepted readily and the Soviet pattern was followed faithfully during the period of rehabilitation and the First Five-Year Plan (1952-57). In the economic sphere this entailed three over-riding decisions: to expropriate foreign — and later indigenous — capital; to lay the foundations of a heavy — as against the previous consumer-goods orientated — industry; and, last but not least, to carry out a drastic redistribution of landed property, to be followed — sooner rather than later — by the re-amalgamation of the cultivators' lands in mutual aid teams and collectives. An economic programme of this kind

was bound to be demanding in human and material terms and heavily dependent on massive foreign aid.

When China was engaged in designing the second plan (1958–1962), the Soviet leaders were preoccupied with political events in Eastern Europe, where control could be regained only at an expense equivalent to about \$1,000 million in short-term assistance<sup>1</sup>. Thus whilst the Soviet Union was busy bailing out what to Chinese eyes must have looked like highly untrustworthy regimes in Europe, Soviet aid could clearly not be expected in support of China's ambitious capital investment programme. Thus, the East European upheaval not only led to the premature termination of the Soviet Five-Year Plan; it also put paid to Chinese planning on the Soviet pattern.

In search of alternatives, the Chinese leaders seized on the country's single readily available resource, its manpower, in place of foreign industrial equipment which was not to be had in the circumstances. Here then lies the prime cause of China's turning inwards and of her calling on the nation to join, in the Great Leap Forward, the multi-purpose communes – the first innovation in 25 years of Communist practice. China's claim to doctrinal originality and Russia's claim to doctrinal dominance were bound to lead to a schism which became final as a result of rivalries in the wider context of the military and international aims of the two communist powers. By now the conflict has become a generally recognised – and probably irreversible – fact. At the time there were mutual assurances of brotherly friendship and monolithic solidarity which might have looked like deliberate attempts at deceiving the outside world, but which were, no doubt, backed in China (as in Russia) by economic planners and military men, like Kao Kang and Peng Te-huai, who could see no viable alternative to Sino-Soviet collaboration.

### V. Changed Economic Priorities

The effects, on China, of the traumatic experience of the schism and in particular the withdrawal of Soviet experts and the removal of Russian blueprints, were far-reaching indeed. In place of cooperation with the Soviet bloc, national self-reliance became the mainstay of Chinese economic policy. As to priorities in this sphere, agriculture was declared to be the "foundation", with industry being the "leading factor". Within this context, light industry, which was primarily to provide for the needs of the farm and export sectors, was to rank ahead of heavy industry. Whilst these priorities were clearly subject to certain adjustments in changing circumstances, they represented a definitive break with the past.

It would be wrong, however, to interpret this change as a complete rejection of the 'Soviet model'. On the contrary, not only were the original political targets modified rather than abandoned, but the means by which to achieve them continued to resemble the techniques applied in communist societies throughout the world. Whilst the size and complexity of China demanded a certain degree of decentralization, such aspects of economic policy as planning techniques, basic commodity

<sup>1</sup> W. Klatt (anon.) Sino-Soviet Economic Relations, in: G. F. Hudson et al., *The Sino-Soviet Dispute*. p. 37. *The China Quarterly*, 1961.

production, large-scale investment, national defence, allocation of labour, wage and price regulation, and foreign trade, aid and exchange patterns were subjected to the kind of central control practised in the Soviet Union. In fact, in these areas of economic decision-making the similarities between China's and Russia's administrative practices were — and still are — greater than the differences.

The continuing debate in the Chinese elite about the advantages of a "leap" over "balanced growth" is also familiar to planners in other communist countries. In China, unlike Russia, there is, however, a distinct policy of industrial dispersal in operation, which by the end of the current plan (1971—1975) is intended to result in one-half of total industrial output being produced away from the coastal areas in "the interior". This policy of dispersal of industry is not only designed to take account of the location of human and material resources, but is also dictated by considerations of defence against possible Soviet military intervention — a contingency which looms large in Chinese planning at all levels.

As four-fifths of the Chinese nation live in the countryside and three out of four of the working population earn a living on the land, the changed policy is clearly more in line with the country's basic needs and opportunities at home and abroad than was the case when the Soviet concept of industrial concentration prevailed. In its application, however, this policy has not always lived up to expectations; in fact, it frequently suffered severe setbacks.

To begin with, it was fallacious to believe that farm labour, though abundant at certain seasons of the year, could be readily transferred, at the time of the harvest, to work outside agriculture. This withdrawal of agricultural workers cost China dear in a year when a bumper crop had to be gathered. A sizeable part of it was lost, whilst the gain in industrial output from "backyard furnaces" turned out to be minimal. The mistaken policy led to the premature termination of the second plan, to large-scale dislocation throughout the economy, and to the "three bitter years" (1959—1961) during which farm and factory production stagnated or declined. There was one important gain, however, from this experiment. It produced a large force of working people who for the first time had "burned their fingers" in a process of industrial mass education, the like of which the world had never seen. From it China's first generation of factory foremen emerged.

## VI. Economic Booms and Crises

Unlike the "Great Leap Forward", the second experiment in social engineering was not expected to disrupt China's industrial and agricultural production. These at least were the official instructions. However, when the Red Guards began to requisition trains and to invade factories in the name of Mao and his "Great Proletarian Cultural Revolution", the output and distribution of goods and services were impeded once again, affecting badly a Plan (1966—1970) which had got off only recently to a promising start. Due to changes in economic policy, such as those in operation during the Great Leap and the Cultural Revolution, China's industrial output experienced fluctuations in the last two decades, by comparison with which the post-war booms and crises in capitalist industrial societies must seem rather

modest<sup>2</sup>. The periods of steady industrial growth were limited in China to the years 1953–1958, 1963–1965 and 1969–1973. The intervening periods from 1959–1962 and from 1966–1968 were years of industrial stagnation, if not of retreat from advanced positions.

This seems to be true also of some sectors of industry during 1974. Judging by the text of "Document Chung-fa 21", said to have been issued by the Central Committee of the Party on 1 July 1974 (and translated and circulated by the Chinese Information Service in New York on 3 December 1974), the output of coal and the transport by rail of coal, steel, non-ferrous metals, fertilizers, cement and equipment from ordnance factories were affected by the anti-Confucius campaign.

During the years in which production and distribution were not disrupted, much time had to be devoted to the recovery of lost ground before further expansion was possible, often helped by supplies of industrial equipment from either the Soviet bloc or, more recently, from Japan, Western Europe and North America. This assistance from abroad may seem to contradict the concept of self-reliance, but for the last two decades the guide line in this respect has always been as formulated at the time of the First National People's Congress (July 1955) by the then Minister of Foreign Trade, Yeh Chi-chuang, that "export is for import, and import is for the country's socialist industrialisation". In any event, foreign trade accounts at the most for one-twentieth of the nation's total product. The principle of self-reliance is thus not violated.

The need for foreign assistance changes, of course, according to the emphasis given at different times to various sectors of the domestic economy. Whereas the first plan was devoted to the development of the country's basic industries and the next ten years to machine building — at the time the fastest growing sector of the economy — more recently chemicals, petro-chemicals and electronics have been added to the list of sectors earmarked for rapid expansion. Meanwhile defence, and the nuclear programme in particular, have always had the attention of China's chief planners. As the growth rate is accelerated and the range of products is widened in the industries of national importance, the domestic output as well as its foreign component becomes more complex and sophisticated.

## VII. China's Economy in 1974

It is far from easy to give a measured account of China's economy today. For the last eighteen years, hardly any aggregate figure has become known from official Chinese sources. In this situation any estimate published outside China is bound to be conjectural. In accepting or rejecting such an approach the critic ought to take into account the position inside China. Data on which any assessment of past performance and any forecast of future development are based either do not exist or are of doubtful validity. This applies to the population and its regional and professional distribution, to plan targets and fulfilment, to human, financial and material

<sup>2</sup> W. Klatt, *China's Economy: A Statistical Balance Sheet: 1973*, in: Chan Lien (ed.), *Proceedings of the Third Sino-American Conference on Mainland China*, p. 744. Taipei, Taiwan, 1974.

inputs, to trade and transport, and to many other essential ingredients of any economic analysis worth its name.

Instead of reliable aggregate information, China's press and radio provide items such as the following release, on New Year's Day 1975, by the Hsinhua (New China) News Agency: "In the Takang oilfield, the drilling team no. 32,147 fulfilled its target 114 days ahead of schedule." This statement, valuable though it might be for boosting morale, leaves one-fifth of the working time unaccounted for. If this implies "over" fulfilment of the Plan, it leaves open the question whether or not the Plan was at fault; if it was not, how were the unplanned requirements of raw materials, equipment and wages met? Thus, information of this kind raises as many questions as it appears to answer. Yet thousands of items such as the one quoted serve as the fragments from which to construct a picture of China's economy.

Occasionally the Chinese media are a little more forthcoming. Thus, in their editorials on New Year's Day 1972, the People's Daily, Red Flag and Liberation Army Daily, the three leading official newspapers, revealed a few data on China's industrial and agricultural achievements. Subsequent New Year's messages were limited to generalities, merely recording the fulfilment or overfulfilment of the previous year's Plan. Such assurances carry little weight — since plan targets have not been published for the last fifteen years or so. At the Tenth Party Congress, the Chinese leaders were no more forthcoming, but in his report on the work of the Government, presented at the National People's Congress on 13 January 1975, Chou En-lai gave an indication of China's output of eight industrial and two agricultural commodities. This information was given in the form of indices (for 1974), based on unpublished industrial output data (for 1964) and on somewhat uncertain farm output data (for 1949). Had the agricultural comparison been based on the record of the last ten rather than 25 years, it would have given a fairer, though a less impressive,

Table 1: Chou-en-Lai's Statistics for China 1974

	Indices			Absolute Data			Annual Growth %
	1949	1964	1974	1949	1964	1974	
Population (mill.)	100	—	160	500.0	—	800.0	1.9
Grain Prod. (mill. to)	100	—	240	108.0	—	259.0	3.5
Cotton Prod. (mill. to.)	100	—	470	0.4	—	2.5	7.0
Agric. Output	—	100	151	—	—	—	4.2
Ind. Output	—	100	290	—	—	—	11.2
Production:							
Cotton Yarn (mill. to.)	—	100	185	—	1.0	1.7	6.4
Coal (mill. to.)	—	100	191	—	200.0	382.0	6.6
Steel (mill. to)	—	100	220	—	10.0	22.2	8.2
Electricity (mrd. kWh)	—	100	300	—	36.0	108.6	11.6
Fertiliser (mill. to)	—	100	430	—	3.5	15.0	13.0
Art. Fibres (mill. to)	—	100	430	—	n. a.	n. a.	13.0
Tractors ('000)	—	100	620	—	12.6	78.0	20.0
Min. Oil (mill. to)	—	100	750	—	6.9	51.7	22.5

Sources: Joint Economic Committee, China: An Economic Assessment, Washington, 1972. Peking Review, China's Economic Position, 24 January 1975.



picture. Even so, on the whole Chou's indices bear out the views held by Western analysts.

For the last decade, the average annual growth rates for industrial items given by Chou range from approximately 6½ and 8 per cent for coal and steel to 13 and 22½ per cent for chemical and petroleum products, at present the most rapidly increasing industrial commodities in China. As these items have been singled out, one may assume that others which have not been quoted have done less well. According to Chou, total gross agricultural and industrial production increased in the last ten years at annual rates of about 4 and 11 per cent respectively. The figures would imply a growth rate of 7½ to 8 per cent for total material production (excluding "non-productive" services, which are not counted in China)<sup>3</sup>.

### VIII. Chou En-lai's Assessment

The most puzzling of Chou's statements relates to China's population. At the National Congress Chou reiterated the claim made by Huang Shu-tse, China's Vice Minister of Health, at the World Population Conference in Bucharest in August 1974, that China's population was at present almost 800 million. A few days earlier China's agricultural population was given as 600 million (NCNA, 8 January 1975). This would be equal to 75 per cent of the total population — a plausible ratio for China's present farm population. Whilst the figure of 800 million tallies with the lower among Western population estimates<sup>4</sup>, Chou claimed that his figure of 800 million represented an increase by 60 per cent since the liberation, i.e. the victory of the revolution. His two statements are inconsistent, unless it is assumed that China had approximately 500 million people in 1949. At that time the population was officially taken to be 542 million excluding overseas Chinese, students and Taiwanese and 563 million including all Chinese believed to live abroad at that time. Chou did not explain the obvious discrepancy; nor did he say whether Chinese living outside the jurisdiction of the People's Republic were included or not in his statement. He did, therefore, nothing to clarify the all-important matter of China's population. In all probability, he did not know the answer to this question. In the absence of an unambiguous statement from China, Western analysts will be unable for the time being to clarify the position.

The situation is no clearer with regard to agriculture, still the largest single sector of the Chinese economy. At the Congress, Chou said that China had had good harvests for 13 years running — a rather dubious claim in view of frequent references to natural disasters during certain seasons or in certain areas of China. If the population was almost 800 million and the grain harvest (including potatoes in grain equivalent) 259 million tons in 1974, output per capita would have been 325

<sup>3</sup> It must, of course, be borne in mind that these Chinese figures do not allow for double counting nor for any overvaluation of new products. Gross material production must therefore not be mistaken for 'value added' product.

<sup>4</sup> See Leo A. Orleans, *China's Population*, in: *Current Scene*, Vol. XII, No. 3. p. 15, where China's population is given at 753.4 million in 1970. See also W. Klatt, *Economic Survey of the People's Republic of China*, in: *The Far East and Australasia*, p. 733, London, 1974, where China's population is given at 750 million for 1970.

kilos — an improbably high figure for a country in which grain consumption, according to the FAO, is approximately 175 kilos per capita (equal to 225 kilos before processing), and seed, feed, waste and industrial use account for another 50 kilos per capita. Why should there be any need for net grain imports to the tune of 7–8 million tons in this situation?

The conclusion seems inescapable that harvests are exaggerated. If, as Audrey Donnithorne reported on her return from China<sup>5</sup>, the ratio at which potatoes are converted into grain equivalent was changed in 1970 from 4:1 to 5:1, this change of procedure alone might account for a discrepancy of 5–6 million tons of grain. Losses between the fields and the barns could account for another 10 per cent or more. A net grain harvest of 230 million tons, supplemented by, say, 8 million tons of wheat, maize and soyabeans could provide about 300 kilos per capita — a fully sufficient level of grain supplies in a country of China's climatic location, age composition and workload of the population. Any larger quantities cannot be explained satisfactorily.

### IX. Economic Self-Reliance

The position of China's industry, as it emerged from Chou's statement at the National Congress, is less ambiguous than that of agriculture. As no output data were given, Chou's indices had to be applied to Western estimates<sup>6</sup>. The outcome is much as was to be expected, except that the production of steel looks modest in comparison with that of those industries which are among the chief steel consumers. Against this, the supply of mineral oil has increased more than seemed likely only a few years ago. It is one of the marks of oil exploration that new finds can lead to more rapid expansion than is possible in the case of solid fuels — which still supply four-fifths of China's energy needs. Little information is available at present as to the use to which the new oil finds are being put. A pipeline of 1,000 kilometers has been built linking the Taching oilfield with the port of Chinghuangtao, and the supply of 200,000 tons of steel needed for large calibre pipes has been secured from Japanese steel mills. Current refining capacity falls short of crude production, and much of the crude oil has to be transported in small coastal tankers, in tanker lorries and by single-track rail. In the absence of suitable port facilities, the 4 million tons of crude oil exported to Japan in 1974 had to be shipped in small vessels. Thus refining capacities and transport facilities will have to be expanded and improved before China will reap the full benefit of its oil resources. Eventually they will be one of China's principal means by which to gain economic self-reliance.

Recently China's dependence upon foreign supplies has increased considerably. Chou gave no account of China's foreign trade or payments position. However, the foreign trade statistics of China's trading partners help to fill this gap.

<sup>5</sup> Audrey Donnithorne, *Recent Economic Developments*, in: *China Quarterly*, No. 60, p. 772. October/December 1974.

<sup>6</sup> Joint Economic Committee, *Congress of the United States, People's Republic of China: An Economic Assessment*. Washington, 1972. See also: W. Klatt, *Economic Survey of the People's Republic of China*, in: *The Far East and Australasia, 1975* (forthcoming). London, 1975.

Due to increased world market prices and to Chinese purchases and sales to meet their effect, China's foreign trade turnover increased from 1972 to 1973 by 67 per cent to the equivalent of almost \$10,000 million. Provisional figures for 1974 suggest a further increase to some \$13,000 million and a trade deficit of at least \$500 million overall, and at least twice as much in trade with industrial trading partners outside the Soviet bloc. Allowing for price increases, China's foreign trade seems to be increasing by about 15 per cent a year or three times as fast as the overall economic growth rate. Recently, China's leaders decided to reduce the country's dependence on foreign trade and on deferred payments. A similar reaction was noted in 1971 after China's trading deficit had risen to \$200 million. The advantages which can accrue from the international division of labour are unlikely to be exploited to the full by men who have not forgotten the predicament which China's dependence on the Soviet Union caused.

Table 2: **China's Economic Position**  
(International Comparison)

	Gross National Product \$	Steel Production kilos per capita 1972	Energy Consumption kilos coal equiv. 1972
China	160	33	567
India	110	16	186
Japan	2.130	644	3.251
Soviet Union	1.400	490	4.767
United States	5.160	663	11.611
United Kingdom	2.430	406	5.398
Germany, Fed. Rep.	3.210	648	5.396

Sources: World Bank Atlas, Washington, 1973. U. N. Statistical Yearbook, Washington, 1973. GNP and Energy Consumption in China probably overestimated (possibly steel as well).

## X. Aggregate National Accounts

If Chou's statement at the National Congress has been interpreted correctly, the country's material production increased during the last ten years on average by 7-8 per cent a year. The conclusion to be drawn from this is inescapable. Despite remarkable progress in certain sectors, the economy as a whole has grown at a less buoyant rate than immediately before and immediately after the Cultural Revolution. It would seem that during the current plan period, which ends in 1975, the total national product - as against the gross material production - is unlikely to increase by more than 5 per cent a year. This is, of course, a great deal more than old industrial countries can claim nowadays, but it is less than China achieved during the best periods of her economic development. Perhaps the explanation for the slackening performance lies in a certain amount of unproductive activity as reflected during the National Congress by such appeals as Mao's dictum "dig tunnels deep and store grain everywhere". Defence arrangements, necessary though they may be, are notoriously wasteful in terms of national wealth and

income. A siege mentality seemed to set the tone of such important political statements as the report on the revision of the constitution.

As to the future, at the National Congress Chou En-lai looked forward to 1980, the end of the next Five-Year Plan, when the first era of planning would have created an "independent and relatively comprehensive industrial and economic system", and beyond that to the year 2000, when China's economy would be sufficiently modernised to put the country in the front rank of the world's nations. The prospect that Chou's expectations will materialise is promising, provided that such upheavals as the Cultural Revolution can be avoided and the succession from the present to the future leadership can take place without another convulsion. No sooner had the delegates to the National People's Congress returned to their "constituencies" than some of the radical elements in the Party seemed to launch a return to prominence in a new public debate, directed at the "study and enforcement of proletarian dictatorship" over "a newly emerging bourgeois class". Thus the precarious consensus reached at the Congress is being brought into question.

At present, the country's political structure is precariously balanced between "traditionalists" among the ruling elite, such as Teng Hsiao-ping, first Vice Premier, Vice Chairman of the Party's Central Committee and now also Chief of Staff of the armed forces, and "radicals", such as Chang Chun-chiao, once the spokesman of Shanghai's revolutionary committees, and now, as Vice Premier, as member of the Political Bureau of the Party and as newly appointed Head of the army's political department, the most important balancing factor in the precarious power structure. Only time can tell whether the young cadres and intellectuals, often disillusioned by the setbacks they suffered during the Cultural Revolution and offended by an unpopular process of re-education (hsia-fang) will back or break the existing balance of political forces. On the young people's stand, more than on economic opportunities, will depend whether Chou's vision of China in 1980 and in the year 2000 will come true.