China's Rural Reform: Crisis and Ongoing Debate

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Despite China's dramatic transformation in the last three decades, its countryside is in a state of crisis. This study examines the dark side of the country's economic "miracle", looking into the various adverse effects that have followed the break-up of communes in rural areas and analysing their causes. It also examines the contentious issue of privatising landownership, which iss favoured by those sympathetic to a neoliberal agenda, and reports on recent grass roots and government efforts to rebuild communities at the village level.

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China has undergone a dramatic transformation in three decades of economic reform. One of the most often heard claims is that it has shifted from being an agrarian country to an industrial one. As China rapidly becomes factory to the world, few would think twice about this statement. But it is not true. In terms of gross domestic product (GDP), China's industrial output was already twice that of agriculture by 1976. In terms of population, the rural population was about 80% in 1976 and it is more than 60% today. So if one looks at output, China was already an industrial nation in 1976; if one looks at the population, China was and still is an agrarian state.

Despite China's "economic miracle", its vast hinterland is in a state of crisis. Experts have coined the term "three-dimensional rural problem" (agriculture, peasants, and rural areas) to summarise a multitude of troubles, such as stagnant incomes, declining public services, overstaffed but inefficient local government, rampant corruption, declining social capital, a degraded environment, escalating crime, and growing protests and demonstrations. In China, the rural crisis is generally recognised as the most urgent challenge facing the government. In this paper, I will trace the history of rural development in China, analyse the root causes of the present crisis, report on grass roots efforts to rebuild communities and discuss the hotly debated issue of land privatisation.

1 The Plight of Rural Areas and Its Making

Deng Xiaoping's reforms began with China's rural areas in the late 1970s. Initially, agricultural output and rural income increased significantly, a fact that was used to justify further reforms in rural as well as urban areas. But economic growth in rural areas slowed down considerably in the mid-1980s. By the late 1980s and early 1990s, most rural areas were in a state of stagnation or even degeneration. Today, China's rural areas face an unprecedented crisis.

1.1 De Facto Privatisation of Agriculture

Before 1978, most Chinese farmers were organised into collective communes. Several studies found that about a third of the communes were doing very well, another third showed potential but were facing some problems, and the bottom third had serious mismanagement problems and were stagnating.[1] Based on this data, some communes required serious reform, including possibly new forms of organisation and management, but the majority only needed fine tuning. Nevertheless, from 1978, the entire commune system was put through a major overhaul.

The first step was the implementation of the family contract system. This system broke up the communes and gave land

contracts to individual families. They were obliged to sell a certain amount of grain to the state at a set price and pay certain taxes, but could keep everything else. In September 1980, the government took another major step when it ordered the de-collectivisation of agricultural production. This involved a series of measures to replace the commune-based system with a family-based household production system. While a majority of officials and farmers in the bottom third of the communes welcomed the top-down reform, many of the other farmers were critical. However, officials who opposed the plan were persuaded or pressured to change their position, while the stubborn ones were fired and replaced.

Privatisation of the agricultural sector in China is only partial: the land itself is still the communal property of villages; only the right to use it is contracted to individual families and this can be traded under certain conditions. The communal ownership of land is probably the most important factor preventing increased land concentration and the emergence of large numbers of landless farmers. We will visit this issue again later, as the privatisation of land is probably the most hotly debated subject in rural China.

1.2 Short-term Boom and Its Real Causes

Increasing agricultural output and incomes made the early reform years (1978-84) rural China's golden years. The official narrative still attributes the rural boom largely to decollectivisation. Justin Yifu Lin, a current World Bank chief economist and senior vice president, put forward this explanation in his doctoral thesis "China's Rural Reforms: Theory and Empirical Evidence".[2] However, such neo-institutional economic interpretation of the early "success" of China's rural reform becomes questionable when one looks closer at the facts.

More than two-thirds of the increase in agricultural output was achieved before 1982, the year decollectivisation was carried out on a large-scale. In 1979, the government raised the price it paid to farmers for the grain they were obliged to sell to the state by 20% and offered a 50% premium on grain above the required quota.[3] Needless to say, the price hike contributed more to an increase in peasant income than the growth of agricultural output.

During this period, Chinese agriculture was also transformed by the introduction of chemical fertilisers, pesticides, and hybrid seeds, which was made possible by the industrial and technological build-up of the pre-reform era. A highly successful hybrid rice strain was developed in 1975 and subsequently rolled out. High-yielding varieties (or more precisely, high response varieties, as a high-yield requires high input) worked wonders, thanks to the water works and irrigation system built in the previous 30 years. Between 1978 and 1984, the use of fertilisers more than doubled, helping farmers achieve record harvests. And the chemicals have remained vitally important until today. According to Philip Huang of the University of California at Los Angeles, the average use of chemical fertilisers increased from 6.15 kg/mu (15 mu=1 hectare) in 1980 to 21.55 kg/mu in 2003, an increase of 348%. Based on calculations of fertiliser effect by Dwight Perkins, a political economist at Harvard, this increased use should have pushed up grain production by 189.5 kg/mu.[4] However, the actual increase during the period was only 119.5 kg/mu (from 203.5 kg/mu in 1980 to 323 kg/mu in 2003).[5] So if we exclude the "wonders" created by chemical fertilisers, the contribution of all other factors is actually negative.

1.3 The Rise of Chemical-Based Agriculture

As mentioned above, the implementation of the family contract system coincided with a "green revolution" in Chinese agriculture, and the latter was largely responsible for the short-term rural boom. But there are no free lunches – the same technical factors also contributed to the stagnation that followed. After the state price control on agricultural inputs was lifted in the mid-1980s, prices skyrocketed. In two years, fertiliser prices rose 43% and pesticide prices rose 82.3%.[6] And they continued to rise by more than 10% a year throughout the 1990s. When the price of fossil fuel soared in early 2008, fertiliser and pesticide prices went up by more than 60% in many places. By now, farmers were trapped in a vicious circle, compelled to pump more chemicals into their fields to keep up yields while the soil lost organic matter. All these chemicals have created a huge environmental problem in rural China, polluting waterways and damaging people's health. For many peasants, the "miracle" chemicals have become both an economical and environmental liability.

Another factor that contributed to the short-term increase in household incomes was the exploitation of communal assets. For example, there was no control over the rampant cutting of trees, which had been planted by communes over the previous 30 years as roadside windbreaks to prevent erosion. In merely four years, between 1985 and 1989, there was a 48% decline in the area covered by windbreaks nationwide.[7]

The de facto privatisation of agriculture has had profound long-term environmental and economic effects. Given the high population density, family farms are often smaller than one hectare, or even half a hectare. This stands in the way of achieving economies of scale, and utilising equipment once owned collectively, such as tractors. Such inputs are too expensive for individual families. So, many villages experienced demechanisation in the initial years of privatisation. And as farmers put more labour into tasks once done by machines, they have had to cut back on other types of work, including good environmental practices like the application of organic and green manure. Compared to the communes, the family farms are also much more vulnerable to natural disasters and market fluctuations, which again puts pressure on farmers to overtax the environment. The small size of the farms leads to other environmental problems. As one farmer observed, "When I apply pesticide, the pests simply migrate to my neighbour's field; the next day, when he applies pesticide, all the pests come back to my plot. We end up wasting a lot of chemicals while achieving very little." In many villages, even the tiny family farms are spatially fragmented, posing further difficulties for integrated management. Following demands that land distribution be fair and equal, a family may have a high-grade plot of land at one end of a village and a low-grade plot at the other end, with a medium-grade plot somewhere in between. Some villages have a different scheme: each family is allocated a chunk of land, and the plots are rotated over the years. But this

creates the problem of farmers losing the incentive to invest in land and soil fertility for long-term gain.

1.4 Negative Impact on Women

The family contract system has also had a negative social impact with the male heads of households being designated contract holders. Such restoration and strengthening of the old patriarchal tradition has had serious implications for women.[8] In the collective labour arrangement, women's contributions were officially acknowledged and rural women enjoyed unprecedented participation in public affairs, as reflected in a famous slogan of the time – "Women can support half of heaven". The communes also provided a public space for socialising. In the well-run communes, collective labour was often quite enjoyable: elders told stories, young people engaged in friendly competitions, and people sang songs while working. Or even flirted, giving rise to many romances and marriages.[9] The disappearance of this has thrown women back into the constraints of their families and many patriarchal traditions have returned. Not surprisingly, in many villages, young women are the first to leave in search of job opportunities in the cities as nannies or assembly line workers.

1.5 Declining Public Services

Decollectivisation would not have been so catastrophic if the government had invested in rural collective institutions, such as health and marketing cooperatives that could work with family farms and supply the services and functions earlier provided by the communes. But this did not happen. Government expenditure on agriculture, as a percentage of total national expenditure, has been in steady decline since the 1980s. From 10.5% in the period 1976-80, it had fallen to 5% in 1981-85, and 3.3% in 1985-90.[10] Though the total infrastructure investment increased several fold in the reform era, the share of infrastructure investment in the rural sector decreased from 10.6% in 1979 to 2.8% in 1992, and 1.7% in 1994.[11] In addition to direct monetary investment, the government used to provide plenty of human resource support for the good of the rural public, including water works, flood and drought management, healthcare, and public education. Most of these programmes deteriorated or completely evaporated in the reform era.

Starting in the mid-1980s, the effects of rapid appropriation of communal capital and declining investment in rural infrastructure began to be felt. Tree farms were cut down and the loss of windbreaks resulted in more soil erosion. Declining canal networks and other water works led to a loss in productivity and increasing vulnerability to droughts and floods. For example, deforestation in the Yangtze and Songhua river basins accelerated greatly since the late 1970s,[12] which eventually resulted in flooding in the 1990s.

Under the family contract system, water control infrastructure such as small dams and canals remained under collective management. Yet the collectives experienced a massive decline in investment capital while simultaneously being stripped of their authority and assets.[13] While water works fell into disrepair and decline due to the lack of labour and capital, it often lead to serious overdraft of alternative water resources (for example, over-pumping of groundwater) in many areas.

Many state-guaranteed entitlements for individuals have also declined during the reform era. For example, those who could not work and did not have family support had the "five guarantees" of food, clothing, shelter, education and a decent burial. . They still exist nominally, but have deteriorated considerably without the institutional support of a collective economy. The declining entitlements undermine state legitimacy and reduce the government's leverage to carry out its policies. Take the birth control policy. Due to the small acreage of arable land per person, most of China's peasants are acutely aware of population pressure and support the government policy in principle. Yet recent social changes, which have resulted in neglected elders without family support, or rural women with eroding rights, have given rise to a conflicted mentality in farmers, Summing this up, one said, "I hope everyone else abides by the one-child policy (so more land will be available per person), but I want to have a son, I want to have more kids". As birth control is so vital to the long-term sustainability of China, the government has to resort to combative means to implement it.

With declining support from the central government, rural expenditure is increasingly financed by local taxation and fees. So while local government services are in decline, expenditures and taxes continue to rise. Several empirical studies find that in the mid-1990s, various taxes and fees added up to a fourth or even a third of peasants' income, much higher than the 15-20% levied on the communes in the collective years.[14] The fundamental reason is that de facto land privatisation has fragmented Chinese rural society, and administration costs are much higher than before. Further, fragmented village communities have lost their collective power and fall prey to the unchecked bureaucratic power of rural cadres and their corruption.[15]

Rural fragmentation is also cited as a reason for the rise in crime. According to Dongping Han, a US sociologist who grew up in rural China,

> The collective created a new community spirit in rural China, and people cared about each other's well-being. It was very hard for criminals to operate in the countryside when there was strong coherence in a community. The individual household system destroyed the rural community created by the collective institutions, which created an environment more susceptible for crimes.[16]

He points out that while the rural police force has quadrupled in size, most cases go unsolved, reflecting the fact that crime has become a social problem beyond the control of the police.

1.6 Collapse of Rural Healthcare

Before 1980, China's healthcare system developed under the socialist planned economy. By 1980, more than 90% of the population was covered by state or collective healthcare systems. Between 1949 and 1978, average life expectancy rose from 35 to 68 years; and infant mortality dropped from more than 200 per 1,000 to 42 per 1,000, one of the fastest improvements in the world during that period.[17] Despite its huge population, China was the first developing country to eradicate smallpox and polio. By the late 1970s, China's two key health indicators (life expectancy and infant mortality) were not only much better than the average for low-income countries, but also better than the average for

middle-income countries. In 1978, at the World Health Organisation (WHO) conference "Health for All by the Year 2000 in Alma-Ata", China's primary healthcare system was featured as a model for the world.[18] Much of this achievement could be attributed to the innovative "barefoot doctor" system. Each rural community had a local doctor who provided basic healthcare. This system was a cost-effective measure geared to provide preventive and routine healthcare to villagers and the treatment of more serious diseases was undertaken by higher level clinics.

The dissolution of the communes led to a medical "free fall" for the rural population. The barefoot doctor system and collective rural clinics crumbled without the support of necessary infrastructure. It is estimated that a third of the public health organisations (clinics, hospitals, monitoring stations and the like) below the county level are on the brink of bankruptcy and another third have collapsed. Though the total number of hospital beds has grown significantly in the last 20 years, their numbers have fallen or stayed the same in rural areas. They have decreased on a per capita basis in seven poor provinces – Guizhou, Tibet, Qinghai, Hubei, Hunan, Jiangxi, and Xinjiang. In 1998, per capita government spending on healthcare was 130 yuan for urban areas and 10.7 yuan for rural areas. Between 1993 and 2000, the rural share in total healthcare expenditure fell from 34.9% to 22.5%. From 1975 to 2001, the total number of rural doctors fell from 1.5 million to about 1 million, and the total number of rural nurses fell from 3.28 million to only 2,70,000. Many doctors and nurses who are still serving in the villages were trained 30 years ago, with little further training since then. When they retire, who will carry on their work? As Mao once commented in 1960s (before he launched a big public campaign to publicise the barefoot doctor system), the public health ministry is serving the urban elites once again.

Diseases that were once under control, such as tuberculosis and schistosomiasis, are making a comeback. The occurrence rate of tuberculosis has quadrupled in recent years. New diseases such as AIDS are spreading rapidly due to illegal blood selling and needle sharing. Many poor farmers in central China have contracted AIDS by selling blood and estimates of their numbers range from 2,00,000 to several million. Because of the collapse of rural health monitoring, no exact estimate is available. According to the World Bank, China's mortality rate for children under five years, regarded by United Nations Children's Fund (UNICEF) as the single best indicator of social development, stopped declining in the early 1980s and stagnated until 1991. In addition, the percentage of rural children with very low height for age (an indication of malnutrition) increased from 1987 to 1992.[19]

China's progress in average life expectancy and infant mortality has slowed down so significantly since 1980 that it has been lagging behind many other countries in the improvement of the two key public health indicators. Average life expectancy only increased from 68 years in 1978 to 71 years in 2003. Even this tiny "progress" was largely due to urban improvement: the urban life expectancy (79 years) is approaching the level of Organisation for Economic Cooperation and Development (OECD) countries, while rural life expectancy is only 67 years. During the so-called "economic miracle", China's improvement in the two key public health indicators has been less than the average improvement of low-income and middle-income countries, and the world average. In the WHO's World Health Report 2000, China ranked 188 out of 191 countries in terms of fairness in financial contribution to health and 144 out of 191 countries in overall performance of the healthcare sector.[20] In summary, the Maoist era brought health to Chinese people, while the reform era has almost liquidated its achievements for quick money.

1.7 Education as a Form of Cultural Colonisation

Rural education has also suffered greatly in the reform era. Apart from financial problems like diminishing funds and skyrocketing tuition fees, it has gone through a dramatic regression towards elitism in the last two or three decades. This makes it much harder for rural children to get a good education and widens the divide between the mass of Chinese peasants and the urban elite.

To better understand this, let us briefly examine the history of education in China. Education has played an important role in Chinese history ever since the "imperial exam system" (Ke Ju Zhi Du) was introduced 1,400 years ago. From 605 to 1905, imperial rulers used the system to select the best educated to be state administrators. At its birth, the exam system was far more advanced than the hereditary systems in many other parts of the world, and it made a significant contribution to Chinese civilisation. But as history progressed, it became a tool of the educated elites to promote their self-interests and became a barrier to equality and democracy. Though the exam system was officially banished in 1905, the elitist tendency fostered over centuries was not so easy to shake off. During the first 17 years of communist rule (1949-66), despite of the strong egalitarian tendency of the central government, most of primary and secondary education was focused on perfecting exam-taking skills – the goal of a student was to pass the national college entrance exam and thereby move up the social ladder. The system was essentially a re-installation of a system very similar to the imperial exams. Not surprisingly, rural education made little progress. In his paper "Impact of the Cultural Revolution on Rural Education and Economic Development – The Case of Jimo County",[21] Dongping Han documented that a county of 7,50,000 people only produced 95 high school graduates a year during 1966-76; more importantly, more than half of the graduates left the countryside for good.

Many are familiar with the disasters brought about by the Cultural Revolution, but many positive changes took place during the period as well. Rural education was one of the major beneficiaries. The privilege of the educated elites and their stronghold on education policy was challenged and shattered during the Cultural Revolution. The educated elites were required to learn from workers and farmers though regular participation in manual labour; an "open door education" policy was implemented where working people were actively involved in the education process. As a consequence, primary and secondary education in rural areas exploded – the above-mentioned county produced 2,362 high school graduates a year in comparison to 95 in the previous years.[22] A "popular model" of education was developed in response to the demand of peasants. Schools introduced new sets of textbooks with local legends and local

knowledge; experienced workers and farmers were invited to give lectures and contribute to curriculum design. In a paper titled "Professional Bias and Its Impact on China's Rural Education: Re-examining the Two Models of Rural Education and Their Impact on Rural Development in China",[23] Dongping Han described some of the better-run rural schools of that time.

> Since the village school was completely under the control of the local community of the village, the content and structure of education had been completely transformed. There was a high level of integration between education and village life at the time. The curriculum was oriented towards rural needs. For example, the important lessons and experiences farmers accumulated over the years entered the language textbook, like when it was time to plant wheat, to plant beans and sweet potatoes, how to take care of different crops. These materials were not only useful to rural students but were also much easier for rural children to learn … Students studied the fundamentals of internal combustion engines, generators and electric motors, and water pumps, and how to operate and repair these machineries. Instead of studying traditional biology and chemistry, students studied plant genetics. Students in Fuqian village middle school experimented in their own fields the crossing of two different corn crops to see the result. In mathematics classes, students studied how to measures the volume of piles of grain, a pile of organic fertiliser and the size of a piece of land, as well as principles and rules of book-keeping for the collective farm.

The transformed schools became an important part of village communities and helped to centre attention on village life; most of the energy and effort was focused on building the local economy and improving community conditions. There were documented cases where people gave up better paying jobs in the cities to come back to the countryside because they preferred the environment: other than the short busy seasons, farmers only worked four to five hours a day and working in nature was much less stressful.

All this changed in the reform era. Deng's famous quote "Education should be oriented towards modernisation, the world and the future" was used by the educated elite to restructure the curriculum. In the name of quality control and standardisation, national standard textbooks were adopted. Local content was fully eliminated and working people no longer had a say in the educational process. The national college entrance exam was reintroduced in 1978 and has once again become the most important yardstick for evaluation. As an example of what is being taught and tested in today's schools, here are a couple of multi-choice questions from the 2002 college entrance exam.

(1) Frankfurt is Germany's
(a) Most populated city
(b) Biggest harbour city
(c) Biggest airport hub
(d) Biggest hi-tech centre

(2) Which of the following countries belongs to the European Union, is next to North Sea and Baltic Sea, and is not using the euro?
(a) Sweden, (b) Germany, (c) Denmark, (d) Poland

Millions of children are forced to memorise trivial facts about distant western countries while learning nothing about their own communities – the detachment and alienation has gone so far that some high school students in villages I visited did not even know whether their own parents kept chickens or ducks as part of their livelihood. Many educational materials carry the implicit message that everything urban is modern and desirable; everything rural is backward and despicable, and should be discarded as fast as possible to achieve modernisation – or more precisely, Americanisation. Farmers' traditional attachment to the land is considered a stupid sentiment that has to be replaced by upward mobility at all costs. For the majority of rural children who have little chance of entering college, education becomes irrelevant after learning to read, write, and count in the first few grades. Combined with rising tuition fees, this has driven many children out of schools. One case study by Dongping Han found that the high school enrolment rate of a rural county had dropped from more than 70% in 1976 to less than 10% in late 1990s.[24] Those who are lucky enough to enter colleges either leave the countryside for good, or come back as government employees or officials. Needless to say, it is questionable whether their education has prepared them to be community leaders and decision-makers.

In short, the elitist model of education has become an active agent for cultural colonisation of the rural areas. While it has inspired a few to be fierce competitors in the catch-up game, it has demoralised the majority and helped to poison the spirit of community. In many rural areas, the brain drain and labour drain are so severe that some Chinese sociologists have coined the term "empty nest villages": the most capable escape by entering college; the young and healthy become migrant workers; those who are left behind are predominantly women with heavy family burdens, elders, children, and the handicapped. Young and healthy migrant workers spend their best years building highways and skyscrapers for urban centres, toil in sweatshops, or serve as domestics for the urban middle class. Yet with minimum labour protection and no social safety net, most of them will be cast back to the countryside when they become old, sick or injured – which is quite common given the harsh labour conditions they often face.

Educational problems like skyrocketing tuition fees have caught the attention of the general public and the government. In March 2005, Prime Minister Wen Jiabao announced a new policy abolishing fees for 14 million students in China's poorest counties. Since 2007, primary education (nine years) has become free for all rural students. But the government still needs to realise that besides fees, the style and content of education is also a vital problem. This is best exemplified in the case of Tibet. The Chinese government has poured a huge amount of aid into Tibet in the last 30 years. So, unlike other areas, most schools in Tibet have remained free, and in some places parents are even paid to send their children to school. Yet, many children are not going to school, especially in traditional communities of nomadic pastoralists. The mainstream media often blame the problem on parents, saying they are backward and do not understand the importance of education. Nothing is further from the truth. Many herders still have fond memories of the horseback schools or tent schools in Mao's era. As their names indicated, these mobile schools travelled with the nomads and were integrated into their community life. But today's schools are centralised and settled, which means a pupil has to live away from his or her parents. The problem goes beyond the high living cost or separation from family. In the words of some parents, "Today's school only teaches a child to be lazy and picky. The family tent is no longer good for

him, traditional food is no longer good for him, and tending to animals is a stupid task for him. When a child comes back from school, he just thinks everything is wrong and does not want to do anything". These parents are not backward or stupid. Many of them would like their children to get an education, but they also understand that the current system of education is destroying their children instead of empowering them. The problem is with the educators who fail to deliver the type of education most wanted and needed in rural areas.

2 WTO Accession – A Further Blow to Rural Economy

China entered the World Trade Organisation (WTO) in December 2001. As the peasantry was too fragmented to be a viable political force, the Chinese government made huge concessions in the agricultural sector during the accession negotiations. Once the WTO rules are fully implemented, China's agricultural market will be more open than those of Japan or South Korea. Ever since the country opened its borders to cheap, highly subsidised agricultural commodities from industrial nations, the already ailing rural sector has been further challenged. While the full impact of the WTO on China's agriculture is yet to be assessed, here I present two case studies, on sugar cane and on soya bean.

2.1 The Taste of Sugar Is Not Always Sweet

According to the China's terms of accession to the WTO, tariffs for agricultural imports had to be reduced from an overall average of 31.5% to 17% by January 2004. As the domestic prices of most agricultural products were higher than international prices, this was a big blow to many agricultural commodities, as exemplified by the case of sugar cane.

Second only to cotton and oil seeds, sugar cane is one of China's most important commodity crops. Guangxi, one of the poorest provinces in southern China, is the country's leading producer of sugar cane. Sugar cane farming accounts for more than 8% of the region's total agricultural output, and the sugar processing industry accounts for 10%t of total industrial output.[25] Twenty-six million peasants in Guangxi depend on sugar cane and integration into the world market has been quite disastrous for the region.

In October 2001, domestic sugar prices started to plummet in anticipation of the WTO accession; in six months, the price dropped by 35%.[26] Government revenue fell significantly, and many processing plants were adversely affected. But farmers were the hardest hit because much of the loss was transferred on to them in the form of a much lower sugar cane price. Sugar cane prices plummeted from 250 yuan per tonne to about 190 yuan per tonne between 2002 and 2003, then to 170 yuan per tonne for 2003 and 2004.[27] With the production cost estimated at around 138 yuan per tonne,[28] the profit was marginal. It is noteworthy that in 2004 both the domestic and international price of sugar rose due to increased demand. But the higher sugar price did not translate into a higher sugar cane price for the farmers, showing that small growers are increasingly disadvantaged in the globalised commodity market. As China joins the global trade network, the commodity chain that connects producers to consumers has become longer. Now the long link involves trading companies and major retailers in other countries, making producers more vulnerable to added uncertainties and a skimming off at each segment of the chain.

As shown in the accompanying table, the sugar cane farmers in Guangxi are losing out not because their production cost is high, but because of the unfair subsidies paid by rich countries. It has been estimated that the European Union (EU) subsidy alone depresses the world sugar price by 10-20%.[29]

Table Sugar Production Cost Per Tonne Unit
(Yuan/Tonne)

	Sugar Production Cost Per Tonne	In Comparison to Guangxi
Guangxi	2,230.44	
Thailand	1,900	330.44
Brazil	1,700	530.44
EU	5,623	-3,392.56
US	3,100	-869.56
World average	4,400	-2,169.56

Source: Research Centre for Economics, Guangxi government.

Some Chinese WTO proponents have argued that more food imports will be good for China's environment: with more cheap food imports, Chinese farmers will no longer need to farm so much land and it can be restored to its natural state as grassland or forest. Even if we forget about issues like food security or the real cost of transporting food over long distances, such predictions have little to do with reality. Despite depressed prices, sugar cane acreage in Guangxi has increased in the last several years: from 0.53 million hectares several years ago to 0.77 million hectares in 2004.[30] Nationally, a total of 1.36 million hectares of sugar cane was planted in the 2004-05 season, a year-on-year increase of 6,667 hectares.[31] Apparently, local people and the local government have chosen to increase the area under sugar cane to make-up for the diminishing profit.

2.2 The 'Invisible Hand' of the Market

Largely a commodity crop, soya bean production in China has been exposed to the forces of the world market in recent years, with drastic consequences. Soya bean has a long history in China, where it was domesticated almost 5,000 years ago. The legendary Emperor Shennong (literally, the Emperor of "Magic Agriculture") included soya bean as the only legume in his list of five life-sustaining grains. Millennia of cultivation have produced an enormous range of varieties, as well as a vast body of indigenous knowledge concerning it. Until the 1990s, China had a long history of exporting soya, and it had been largely self-sufficient until the early 2000s. But after the accession to the WTO, the tariff for soya imports was cut to 3%. Since then, soya imports have soared. In 2003, soya imports reached 20.74 million tonnes (doubling within three years), and China became the world's biggest soya importer. In 2005, soya imports were 26.5 million tonnes, 1.6 times domestic production. Most of the imports are genetically modified (GM) soya from the US, Brazil and Argentina. Soya bean has become one of the few food items which China depends on imports for – in 2007, imports accounted for more than two-thirds of domestic consumption.

Media attention has mostly focused on soya bean-producing countries. On 28 April 2008, German magazine *Der Spiegel* ran an article "The Struggle to Satisfy China and India's Hunger". In it, soya production in Brazil, which is driving deforestation and pushing hundreds of small farmers into bankruptcy, was described as

"a culture of death". According to the article, "From the Río de la Plata to the Amazon, the Chinese are sucking the markets for soya beans dry. Large segments of the state of Mato Grosso are already covered with a green, pesticide-drenched monoculture."

The other side of the story, which plays out in China and has received far less attention, is unfortunately just as sad. Soya bean producers in China have not only been assailed by surging imports, but also suffered from declining exports. In the mid-1990s, China used to export more than 1 million tonnes of mostly organic soya beans a year to South Korea and Japan. In recent years, the export has steadily dropped to 2,00,000-3,00,000 tonnes a year, partly because the buyers are concerned about genetic contamination by China's GM soya imports. Needless to say, soya bean farmers in China are devastated. In the north-eastern province of Heilongjiang, about 20 million small farmers used to grow about 40% of the country's soya beans. According to a news report in September 2006, the soya bean price in Heilongjiang had dropped to 28 cents a kilogramme in 2005. This was below the production cost even if the cost of labour was not included. Consequently, in 2006 alone, the province saw the area under soya bean cultivation shrink by 25%. The shrinkage continued in 2007 by at least 5%. Millions of soya bean cultivators scrambled to switch to other crops, or simply abandoned their land to join the crowds of migratory workers.

During this transition, a few major players on the international market did not fail to make a tidy profit, while operating side by side with big governments, as often happens in the WTO and other "free trade" arrangements. Towards the end of 2003, the US and China were on the brink of a trade war due to the large trade deficit run up by the US. To reduce the tension, Chinese Prime Minister Wen Jiabao visited the US in December 2003 and announced that the Chinese government would send delegates to purchase agricultural products, primarily soya and cotton. Such an announcement could be regarded as a laudable peace offer, but in the modern financial world, no such good deed goes unpunished. Before the announcement, the monthly average of soya bean futures on the Chicago Board of Trade was $7.70/bushel. It soared to $9.82 and $9.89/bushel in March and April 2004, respectively when the Chinese made the bulk of their purchases. Then it declined rapidly and reached $5.93/bushel in August 2004. In comparison, the monthly averages of soya bean futures in April 2003 and April 2005 were only $6.04/bushel and $6.23/bushel respectively, more than 35% below the April 2004 price. While all this was perfectly legal, it made waves in China, and the so-called "soya bean crisis" will be remembered for a long time to come. A study by the Chinese Academy of Science has estimated that China overpaid at least $1.5 billion for its soya during this period.

Eventually, it was the domestic oil mills in China which became the biggest losers. The overpriced soya beans from the US were passed on to them and put them into a serious financial squeeze. In 2005, big agribusinesses came to the rescue, massively buying out the Chinese oil mills. Today, the big four in agribusiness (ADM, Cargill, Bunge and Louis Dreyfus) are estimated to control about 85% of the market, as they partly or solely own 64 of the 90 large-scale soya bean oil mills in China. This kind of market concentration has made the soya bean oil market in China quite vulnerable to market manipulation, as shown by price surges: the soya bean oil price increased from 5,000 yuan/tonne to 8,000 yuan/tonne in just two months, between September and November 2006. Needless to say, mills controlled by the big agribusinesses often prefer GM soya growers from North America or Latin America to domestic growers, as the former are vertically integrated into their global operations. This has delivered a further blow to local growers.

Since China's accession to the WTO, Chinese soya bean growers, oil producers, and consumers have all been losing out to big international agribusinesses. Another loser in this so-called "free trade" is the future of soya bean itself: with the rapid and massive bankruptcy of huge numbers of small growers, the incredible biodiversity of soya varieties and the indigenous knowledge associated with them are dying out. To neoliberal scholars, all this might appear as necessary adjustment costs during a shift to more cost-efficient soya bean production and distribution. But if all the external social and environmental costs were counted, this drastic and rapid shift of soya bean production from traditional farmlands in China to former rainforests in Brazil would most likely show up as what it really is: a disaster.

2.3 Who Will Feed China and How to Feed China?

When it comes to the three major food crops – rice, wheat and corn – China is still more than 98% self-sufficient. Given that global rice trade is only about 10% of annual rice consumption in China, one barely dares to imagine the kind of storm it could generate domestically and internationally if China gave up self-sufficiency and expected the global market to feed it, as some neoliberal economists have been proposing.

The claim that US-style industrial farms are more efficient is nothing but misleading: they are only more efficient when we consider the return on capital, but if we consider return per land area, peasant farming is much more efficient. With only 9% of the world's arable land, the Chinese peasantry has been feeding 21% of the world's population. There is no overstatement for such achievement. As land is the most crucial factor for agriculture in populous countries like China and India, nothing but sheer stupidity would let capital return dictate agricultural policies. If we ever achieve the best return on capital according to free market rule, many people would be without food. Unfortunately, this is where the world is heading to with the WTO rules.

So far, the negative impact of the WTO on major food crops is generally much less than that of commodity crops like sugar cane and soya bean because a large part of the harvest is for self-consumption, thus making it less vulnerable to market influences. But this may not continue for very long unless the fundamental threats to small peasants posed by international trading regimes like the WTO are addressed.

3 Exceptions and Some Hints of Hope

The rural crisis has helped to create a seemingly "indefinite" supply of cheap labour that has largely fuelled China's boom in the last 20 years. Yes, the hinterland crisis and the booming coastal export zones are two sides of the same coin, the latter could not exist without the former. Yet one cannot help asking:

what have these hard-working people got in return? While the most capable and lucky among the migrant workers (certainly less than 20% of them) may eventually realise their urban dreams, one should not forget the opportunity cost for them and their communities. If they devote their youth and hard work to build their own villages and their own region, maybe they and their children will not have to leave for distant cities in desperate search for a better life.

This is the case in some villages which are exceptions to the general rural crisis. It is estimated that there are 7,000-10,000 villages that have continued with the cooperative commune model by resisting the top-down pressure to break up. It is reported that most of them are doing much better than their privatised neighbours: living standards have improved without large social polarisation and public education, healthcare and other benefits have been maintained and improved. For example, in Nan Jie village, a well-known collective, even the full cost of college education is now being paid by collective funds, a facility envied by many urban dwellers. Instead of leaving for big cities in search of greener pastures, about 70-80% of the college students from Nan Jie return to work and live in the village after graduation. But these collective villages only account for 1-2% of the rural population, a small minority.

On the positive side, the communal ownership of land has continued and this offers some hope of reviving collective farming, or at least the communal provision of certain basic services. Many older villagers had accumulated rich experiences in the collective era; they could be remobilised to build up the commons once again.

Recognising that the current model of industrialisation and urbanisation is neither scalable nor sustainable for China's huge population, some rural experts have put forward plans to revive the spirit of community and empower rural people to rebuild a people-centred and community-based local economy. Over the years, many peasants have also reached similar conclusions and have started to self-organise and explore alternative means to a sustainable and dignified livelihood. Answering these calls, some scholars and activists have joined the peasants to form a loosely connected, yet vibrant New Rural Reconstruction Movement.

The roots of this movement are old and diverse. Y C James Yen, a Chinese educator and social activist, developed an integrated programme of education, livelihood, public health and self-governance for rural development in China during the 1920s. This was the start of a rural reconstruction movement that Yen and his colleagues later adapted to other developing countries. Liang Shuming, a Confucius scholar, led another rural reconstruction experiment in northern China until the Japan invasion in the 1930s. The New Rural Reconstruction Movement draws its inspiration from these and other movements, like the cooperative/commune experience of the Maoist era and the Kerala People's Science Movement.

Scholars and activists have organised seminars on topics such as organic agriculture, permaculture, ecological building with local materials, community organising, and rural cooperative building. The seminars are free for peasants – the only requirements are junior high school education and an interest in community building. Selected trainees are given seed money (in the form of micro credits) to start rural cooperatives, credit unions or other organisations back in their villages. Periodically these trainees are brought back together for re-entry programmes where they share experiences. So far, graduates have founded more than 30 village cooperatives or other types of cultural and civic groups across China. Some of these cooperatives and other non-governmental organisations (NGOs) have initiated community-supported agriculture, linking consumers in big cities to organic farmers in the countryside. On the policy level, several academics and progressive officials have successfully pushed for China's cooperative law, helping rural cooperatives gain more legal protection and governmental support.

Besides these projects, a vital aspect of the movement is bringing the agrarian perspective back to the development narrative. During the last quarter century, the discourse on modernisation in China has been predominantly about copying the industrialisation and urbanisation model of the west. West-centred and urban-centred education has fuelled a brain drain and labour drain from the villages, contributing to the rural crisis as well as the growing number of sweatshops in the coastal regions. Migrant rural youths bear the most horrendous abuses in export-oriented factories as they are convinced that there is no future in their own villages. With so many young people leaving, this becomes a self-fulfilling prophecy. Fortunately, the rural reconstruction movement is challenging this kind of cultural colonisation.

Professor Wen Tiejun, who is generally considered the spiritual leader of the movement, is one of the few Chinese intellectuals who are openly questioning the west-centred development paradigm. In his 2004 books, *Deconstruction of Modernisation* and *What Do We Really Need?,* he emphasises China's resource constraints and describes how the vast hinterland has served as an internal resource and labour base to fuel the hyper-growth of the coast. Without another hinterland to exploit, the remaining rural population cannot copy the western modernisation path. He and his colleagues have formed rural focus groups in more than a hundred college campuses across China, bringing student volunteers in touch with the rural reality – a powerful antidote to elitist and urban-biased education.

Many aspects of traditional Chinese culture, including harmony with nature, community values, and a sense of sufficiency instead of an endless pursuit of wealth and consumption, are being re-evaluated in a more positive light by many advocates and practitioners of the movement.

With the mad rush towards "modernity" in recent years, peasants' bonds with the land and within rural communities have already been seriously weakened. An Jinlei, a long-time organic farmer and a volunteer instructor, is trying to restore the love of land and community among his fellow peasants. While teaching green techniques, he emphasises that organic agriculture is not just about money-making by eliminating chemicals or taking advantage of a niche market. Farming is a way of life instead of a business for profit. A good farmer is a humble steward: he deeply appreciates the land and what it offers, and takes good care of it in return; he realises all animals and plants are connected with us as precious life forms, and thus works with them, not against them. Moreover, instead of competing for market advantage, fellow

farmers work with each other to be a healthy people on a land in good physical condition. Such a vision of reconnecting with the land and each other may sound sentimental to hard-headed economists and industrial agriculturists, but it is really nothing but down-to-earth. As the driving force for the rural reconstruction movement, it maybe China's best chance of solving its rural crisis.

To give the Chinese government due credit, there have been many positive changes since President Hu Jintao and Prime Minister Wen Jiabao took office in 2003. The previous government had emphasised that "development is the absolute need", implying that development is the paramount goal overriding everything else. In contrast, the new leadership has advocated that the country use "scientific development" and "people-centred development" to build "a harmonious society", signalling a possible rethinking of China's trend towards neoliberal economics. According to the Eleventh Five-Year Guidelines (2006-2010), the goal of rural development is to build a new socialist countryside with higher productivity, improved livelihood, a higher civilisation with greater socialist ethics, tidy appearance and democratic management. While the real meaning of these phrases may be vague and up for interpretation, some real changes are happening. So far, the government has removed all rural taxes, made primary education free for all rural children, and initiated efforts to rebuild a cooperative healthcare network. However, there are many reported problems at the implementation level – after all, the structural problems created in the last 30 years cannot be addressed overnight by an infusion of money alone. It remains an open question whether these progressive central directives will be carried out successfully or not, as they are often opposed by entrenched interests that have permeated many levels of local government.

4 Land Privatisation and Real Democracy

While there are grass roots efforts to rebuild communities and government measures to improve public welfare, fierce battles are being fought over the landownership issue. There are powerful interests both inside and outside China which use every opportunity to push for land privatisation. The typical argument often goes like this:

> Communal landownership is handicapping rural growth because it is incompatible with free market principles. The government should move one step further from de facto privatisation (the family contract system) to total privatisation where land rights can be traded freely. The more capable farmers can then accumulate more land and achieve economies of scale; and the less capable can sell their land and use the capital to move into other professions. This will improve the allocation of resources, further speed up the labour flow from rural to urban areas, and facilitate rapid industrialisation and urbanisation. Given historical facts and current reality, it is highly questionable whether any of this will happen. Private landownership is a given in many developing countries, yet massive numbers of landless farmers and urban slums are a much more common phenomena than rural prosperity. In China's history, during the last 2,000 years, private landownership was the norm in most times and places, yet it repeatedly led to peasant revolution and bloodshed. In the last 20 years, a massive migration of labour from rural to urban areas has taken place and is still taking place – there are as many as 150 million to 200 million rural migrants working in cities or export zones. But only a minority of them makes enough money to support a family in the city; it is estimated that more than 85% of parents have to leave their children back in the villages.

In recent years, with rapid industrialisation and urban sprawl, there have been many cases of illegal land enclosures and land disputes. Almost without exception, mainstream western media outlets report such incidents as consequences of communal landownership, and prescribe privatisation as the remedy.[32] Nothing is further from the truth. So far, landless peasants make up only 5% of the rural population in China. This is a small fraction when compared to that of other developing countries, including Egypt, India, and Brazil, where landless peasants represent 20% to 30% or even more of the rural population. This difference is largely due to the successful land reforms that were carried out in the 1940s and 1950s, and the communal landownership that persists until today. The vital role of communities can be clearly seen in virtually all land disputes – villagers combine forces to defend their land, whether it be against corrupt officials or rogue developers. If land were privatised, each family would have to defend its own, and would be much more helpless in the face of official abuse, natural disasters, or market fluctuations and manipulations. And the west would be much less likely to ever hear of their plight. So why are western media so eager to promote land privatisation as a cure, even though it is a "cure" more deadly than the disease? Luke Erickson, a long-term observer and researcher of rural issues around the world, has suggested[33] that these reports draw on the policy analyses of the US-based conservative think tank Cato Institute and Rural Development Institute (RDI), which have long supported land privatisation in China and elsewhere, touting it as the solution to poverty and social unrest.[34]

As neoliberal ideology has dominated the Chinese intellectual scene for the last quarter century, there is no shortage of Cato Institute and RDI followers among Chinese intellectuals. Many of them have joined forces to push for land privatisation. While much of such "advocacy" is under the pretense of peasant interests, it really serves the interest of China's ruling elites. Li Changping, a former rural official who made his name in the 1990s by boldly speaking about the rural crisis to former prime minister Zhu Rongji, recently pointed out that if the state adopts a policy allowing the privatisation of land, many cadres will become big landlords overnight while many peasants will soon be rendered landless.[35] He said, "The rural community in China today collectively is heavily in debt totalling several hundred billion yuan. The creditors who make loans to individual peasants or local governments are primarily members of the officialdom and their relatives or friends. If land privatisation is carried out nationwide, then much of the land will be surrendered to pay for the loans they have made. What will be left then for the peasants' families?"

However, despite such dire warnings, there is a massive and well-coordinated media effort both domestically and internationally to lobby for land privatisation. In October 2008, a party conference communique received a great deal of press attention. It acknowledged many problems created by ultra small family farms, and outlined rules for internal transfer (within villages) of land usage rights. In reality, there was nothing new about the document: such internal transfers are a common practice in much of the countryside, and have been codified into Chinese law since 2002. The "new" measures that emerged in the recent

party document were word-for-word the same as those in the old 2002 law. However, many analysts saw it as a step further towards land privatisation. And there is a growing chorus urging the Chinese government to liberalise landownership for increasing production and pulling hundreds of millions of peasants into the more prosperous urban economy. One such example is a report titled "China to Create Market for Land Rights in Effort to Boost Farmers' Prosperity", which appeared in the *Wall Street Journal* on 20 October 2008. The International Fund for China Environment, a business-funded environmental group based in Washington DC, went so far as claiming carbon mitigation credit for advancing land privatisation.[36] Meanwhile, the South China Press Corporation, a neoliberal news outlet nicknamed "the CNN China branch" by many Chinese readers, has carried many articles along similar lines to drum up the support for land privatisation.

Are these views based on simple misunderstandings of China's rural situation, or are they disguised advocacy for the entrenched interest of the ruling elites? While there are always some well-intentioned do-gooders who might be misguided, the latter cannot be ruled out. During a rural development conference in summer this year, I met a Chinese historian whose major work is documenting the cooperative history of Chinese peasantry in the last century. He complained bitterly about the media bias against peasants organising themselves. When President Hu Jintao visited rural villages in his province, he emphasised at length the need for peasants to develop cooperatives and build a collective economy (which this historian heard with his own ears), yet the president's speeches were never reported in the newspapers. A Google search reveals that maybe he was exaggerating a bit: the speeches were sometimes reported, but usually only in passing with a couple of phases, and never elaborated. It stands in stark contrast to the media enthusiasm on the October communique. If the mainstream media really cares about peasant welfare, as they often claim, why are they so indifferent to or even silent against peasants' cooperatives? This is a revealing example of the power dynamics in current China: even the president cannot make himself heard or taken seriously when he talks about the need for a cooperative economy. So one cannot but suspect that the whole media frenzy about land privatisation is to test the water, to manufacture a "consensus" to further push the neoliberal agenda.

Another revealing fact is that land privatisation and direct elections are often advocated as part of a packaged solution by the same group of people. One most recent example is an open letter titled "Charter 2008", put on the Internet on 10 December 2008, signed by more than 300 self-proclaimed "liberals" and "progressives". The letter demands political, legal and constitutional reform. Among other things, it advocates land privatisation and direct elections to all levels of government. Some readers may ask: is there anything wrong with direct elections? Well, the problem is that direct elections often do not work without the right institutional support and an accumulation of enough social capital. And land privatisation actually works against the building up of institutional support and social capital. Village-level elections have been experimented with extensively in rural China for more than a decade, with support from both the government and foreign NGOs. It is well known in research circles that this topic is one for which funding can be easily be obtained, because US interest in it is so strong. While goodwill and efforts to foster civil society and democracy from the west are laudable, one should understand that democracy does not consist of elections alone. A local researcher observed,

> Most of the young and capable people leave for the cities, that one can barely find a good candidate who is willing to serve. As village life is increasingly controlled by faraway markets or corporations, there is so little a village head can do anyway. So, many elections only expose or even exacerbate the problems, without solving them. In some cases, the elections only legitimate clan control or even mafia control of a village. According to my field research and estimation, about 80% of the elections should be considered failures because they do not improve village life and are often destructive instead. I am all for democracy, but I am increasingly doubtful if this is the way to achieve that.

His observation is candid and accurate. I know a number of activists who have experimented with village-level elections one way or another at some point, but so far all their stories are disappointing. Many were disillusioned and dispirited in the process, one was literally driven out by angry villagers, another was confronted by a rhetorical question: "If direct election is such a great thing, why are you not implementing it in the cities? Why do you have to come here and use us as guinea pigs?" Once an older peasant told me,

> There is nothing new about elections. We already had elections during commune times: the brigade leaders had to be elected (a typical brigade at the time consisted of one or a couple adjacent villages). Even an elected leader had to listen to us in daily management, for affairs like the assignment of work points and allocation of communal funds. An average villager could always intervene and even complain. If enough villagers complained against a particular cadre, a new election could be called for right away, instead of waiting for the next scheduled election.

His words are thought-provoking: contrary to popular views in the west, the participatory democracy he experienced during the Maoist era was more real and concrete compared to the elections today. If China wants to build real democracy, it needs to learn from its own experiences and listen to the people in communities, instead of repeating buzz words from the west. Fortunately, instead of repeating western clichés like "land reform that promotes private ownership of land" and "the right to hold periodic free elections",[37] many people on the ground are working towards real solutions to China's rural crisis. These people come from diverse ideological backgrounds,[38] yet the general consensus is to reclaim the commons as the first step: revive the community spirit; develop local institutions like cooperatives, credit unions, women's association, elders' councils, peasants' performance troupes and other social or cultural organisations; and rebuild a community-based economy. By reclaiming and rebuilding the commons, people will gain more control of their local resources and their own livelihoods, and they will be empowered to develop their own form of democratic institutions and processes.

5 Rural China at the Crossroads

In a 2005 seminar[39] on China, Joseph Stiglitz commented, "As China's experience shows, partial and gradual privatisation is more beneficial than sudden 100% privatisation". It is probably more accurate to say that partial and gradual privatisation is less

harmful, compared to the shock therapy that was experienced by the former USSR and the eastern bloc. But as evidence pours in, the detrimental effect of even partial privatisation of China's rural sector is undeniable. The tiny family farms that resulted from de facto privatisation are very vulnerable to natural disasters and market fluctuations. Between 2000 and 2002, the incomes of 42% of rural households decreased in absolute terms. Less funds from the central government and the fragmentation of rural society have lead to declining public services: irrigation canals and other water works have fallen into disarray; public healthcare has deteriorated or disappeared completely; education has become prohibitively expensive; and the crime rate has gone up several fold. Instead of empowering and enriching rural communities, an elitist education is exacerbating the brain drain and labour drain. All these are nothing but typical symptoms of a "tragedy of no commons".

Still, the continuing communal ownership of land offers a social safety net and some hope for rural revival, even though it has been seriously undermined in the last three decades. This is especially true in this time of global economic crisis. It is estimated that within the last two months (from mid-October to mid-December), more than 10 million migrant workers have returned home after losing jobs in the coastal export zones. Fortunately, they still have a piece of land and a village to return to. If land had been privatised, these people would have had no place to turn to, and China would have witnessed bigger social turmoil than Greece or Thailand right now.

The growing rural reconstruction movement shows people on the ground are waking up to the problems, and are taking action to strengthen communal landownership and the community in general. Government slogans like a "socialist new countryside" and the president urging peasants to build collective economies also signal a possible rethinking and adjustment of government policies. On the other hand, there are strong entrenched interests both inside and outside the country, which have benefited enormously from China's neoliberal transformation of the last quarter century. They would like to see the country further its market-oriented reform and continue its liquidation of the commons, even while western countries nationalise their financial sectors. This is the background of the ongoing debate on land privatisation.

Can grass roots workers and the Chinese leadership reclaim the commons, as they have shown a desire to? Or will the crusaders of privatisation have a field day? The answers to these questions are crucial to China's future.

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37 Direct quotes from "Charter 2008", whose authors are being promoted as the latest freedom fighters from China by *New York Times* and the like.

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