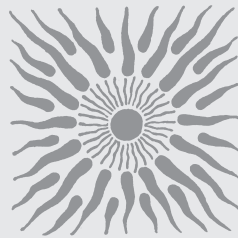


China Copes with Globalization

A MIXED REVIEW



A REPORT BY
THE INTERNATIONAL FORUM
ON GLOBALIZATION

AUTHOR
Dale Wen, Visiting Scholar



The International Forum on Globalization (IFG) is a research and educational institution comprised of leading scholars, economists, researchers, and activists from around the globe.

International Forum on Globalization (IFG)

1009 General Kennedy Avenue, No. 2

San Francisco, CA 94129

415-561-7650

Email: ifg@ifg.org

Website: www.ifg.org

Editor: Debi Barker

Additional editing: Sarah Anderson

Research: Suzanne York

Manuscript Coordination: Megan Webster

Publication Designer: Daniela Sklan

China Copes With Globalization

A MIXED REVIEW

CONTENTS

Foreward and Executive Summary	2
<i>Debi Barker</i>	
<i>Introduction: China's Economic Policies From Mao to Present</i>	4
<i>Debi Barker and Dale Wen</i>	
<i>Section One: Consequences of Reform Policies</i>	
I. The Plight of Rural Areas	12
Box: The Taste of Sugar is Not Always Sweet	15
II. Urban Reform and the Rise of Sweatshops	17
Box: A Chinese Perspective on Textile Trade	19
<i>Section Two: Impacts on Quality of Life and the Environment</i>	
I. Poverty and Inequality	21
II. Worker Exploitation	22
III. Health and Education	24
Box: Fast Food Invasion	26
IV. Environment	27
<i>Section Three: Alternative Voices from China</i>	
I. Progressive Measures by the Government	32
II. Environmental Movement	34
III. New Rural Reconstruction Movement	38
IV. China's "New Left"	39
<i>Section Four: China at the Crossroad</i>	40
Footnotes	44
Listing of IFG Publications, Poster and Maps	47

FOREWARD

The International Forum on Globalization (IFG) is pleased to present this briefing on some of the key issues now at play from the impact of globalization in China. On the eve of the World Trade Organization (WTO) Ministerial meeting in Hong Kong—with the eyes of the world on China—IFG visiting scholar and author, Dale Wen, offers some new perspectives not normally presented by western media and policymakers. A native of China, Ms. Wen has observed major changes in her country over the last few decades as it has shifted from a rural and state-directed economy toward an urbanized industrial and privatized system.

Western and Chinese media attribute China's growth to free market reforms, but a deeper examination reveals flaws in this commonly accepted thinking. Much of this report examines the current market-oriented reforms to those of the Maoist era in order to balance the views of many in the West who tout China's move toward globalization as being overwhelmingly positive while assigning all of its problems to Mao's Cultural Revolution.

This primer intends to serve as a briefing on the implications of China's evolving role in the global economy and help build bridges and greater understanding between emerging social movements in China and international civil society.

— DEBI BARKER, IFG International Director

EXECUTIVE SUMMARY

China entered the World Trade Organization (WTO) in December 2001 after more than two decades of reforms aimed at gradually shifting the country toward a free market economy that is more open to foreign investment and trade. These reforms not only gained the country acceptance into the global trading body, they have also earned the praise of the World Bank and other economists who herald China as a great success story of economic globalization.

China has indeed become a magnet for foreign investment and an export powerhouse. Its strong economic growth over the past 25 years (averaging more than 9 percent annually) is unparalleled in modern history. China's "economic miracle" also coincided with a dramatic drop in extreme poverty (people living on \$1 or less per day), from 250 million people in 1978 to 30 million in 2000.¹

However, official figures on exports and investments do not give a complete picture of the experience of the Chinese people during this period of rapid social and economic change. This report looks at how the free market reforms have affected broader quality of life indicators such as inequality, natural resources and environment, health and education as well as jobs and poverty.

Several indicators cause concern about China's embrace of economic globalization policies:

Poverty and Inequality

❖ The gap between the "haves" and the "have nots" has increased dramatically since China's adoption of a "free market" economy. In the early 1980s, the richest 10 percent of the population earned less than 20 percent of the national income. By 2005, the top 10 percent earned 45 percent of the income, while the bottom 10 percent earned only 1.4 percent.²

- ❖ Despite spectacular growth in China's Gross Domestic Product (GDP), 42 percent of rural households in China experienced a decreased income in absolute terms from 2000 to 2002.³
- ❖ The measure of inequality used by the United Nations (UN), called the "Gini ratio," indicates a growing gap in China. Between 1980 and 2005, the ratio rose from 0.2 (considered acceptable) to 0.45 (signifying serious polarization and increasing social unrest).⁴

Labor

- ❖ China is experiencing a net loss of manufacturing jobs. From 1995 to 2002 manufacturing jobs decreased overall by 15 percent from 98 million to 83 million.⁵
- ❖ Sweatshop factories are a result of intense privatization of industry. During the last few decades, China privatized many state-owned enterprises and opened the door to foreign- and joint-owned firms—the majority of which are producing goods for foreign markets. At the state-owned enterprises, most workers enjoyed lifetime employment, health care, education, and other social benefits. Today, under the mantra of market competition, Chinese workers now have lower wages in terms of purchasing power, fewer benefits, longer work hours, increasing work-related injuries, and other associated problems.⁶
- ❖ In the Pearl River and Yangtze River delta regions, where most export-oriented industrial plants are located, migrant workers routinely work 12 hours a day, 7 days a week; during the busy season a 13- to 15-hour day is not uncommon.⁷

Environmental Damage

- ❖ Rapid industrialization is producing massive environmental devastation. China is the world's second largest greenhouse gas emitter (the U.S. is first).⁸
- ❖ About 60 percent of China's major rivers are classified as being unsuitable for human contact.⁹
- ❖ Seven of the ten most polluted cities in the world are located in China. Air pollution alone claims 300,000 lives prematurely per year. Acid rain falls on 1/3 of the territory. More than 1/3 of industrial wastewater and 2/3 of municipal wastewater is released into waterways without any treatment.¹⁰
- ❖ Over the last few decades, increased industrial agriculture and commercial grazing has resulted in creating over 2.67 million square kilometers of desert land—around 27.9 percent of China's total territory.¹¹
- ❖ Many claim that foreign investment and the introduction of "green" technology will help clean up the environment in China; however, this has not been the case to date. One of the reasons for this is because China's State Environmental Protection Agency (SEPA) has little authority. SEPA estimates that although water treatment facilities are installed in most major industrial plants under government mandate, around one-third are not operated at all and another one-third operate occasionally. Often the fines it levies are less than the expenses of using the "green" technology. (*Business Week*, August 22, 2005)

Rural Areas and Farmers in Decline

- ❖ The sugarcane province of Guangxi once had a thriving sugarcane economy but when China became a member of the WTO, cheap, highly subsidized sugarcane flooded its market and millions of Chinese

sugarcane farmers have been pushed into poverty (most farmers in this region owned less than one hectare of land). Before China entered the WTO, the price for raw sugarcane was around 250 yuan per ton. After China entered the globalized market, sugarcane prices plummeted to 190 yuan per ton between 2002 and 2003, then further down to 170 yuan per ton between 2003 and 2004.¹²

- ❖ By 1978 around 85 percent of the rural population was covered by collective health care; today, more than 80 percent of the rural population does not have any form of health care.¹³
- ❖ Although higher education has increased in recent years, basic public education in rural areas has decreased. One rural area study reveals that 70 percent of youth finished high school in 1976; but the rate dropped to less than 10 percent by the late 1990s.¹⁴



Contrary to common perceptions, the Chinese people have not been merely passive actors in their country's transformation. Many are concerned that the leap into the global economic system and the WTO is generating serious problems. Incidences of mass protests, demonstrations, and direct clashes with the government have increased from 58,000 in 2003 to 74,000 in 2004, more than 10 times compared to a decade ago.¹⁵ The final section of this report highlights some of the efforts in China calling for alternative models.

INTRODUCTION: CHINA'S ECONOMIC POLICIES FROM MAO TO PRESENT

By Debi Barker and Dale Wen

MAOIST ERA (1949–1978)

The Maoist industrialization drive and economic policies from 1949 to 1978 were far from perfect, yet some of the overall achievements are quite impressive. U.S. historian Maurice Meisner's book, *Mao's China and After*, notes some of the highlights: China's national income grew five-fold in 25 years (1952–1978); the industrial working class grew from 3 million in 1952 to 50 million in the mid-1970s—this includes 28 million peasants who worked in communal industries under a policy of small-scale rural industrialization. Additionally, China's industrial output increased at an average annual rate of 11.3 percent between 1952 and 1978.¹⁶

Prior to 1978, there were two forms of ownership of industrial enterprises in China: “all peoples” ownership, which was changed into “state ownership” in the late 1980s, and collective ownership (owned by villages or communities). The phrase “iron rice bowl” was often used to describe industrial employment and its associated benefits. Wages were quite low; however, employees enjoyed lifetime employment, guaranteed pension benefits, health care, housing, and education for dependents, paid maternity leave, and other such benefits which created a high level of societal equity and security.

In addition to lifetime employment and material benefits, many Chinese workers engaged in decision making and management issues at their place of employment. In 1960, employees of Anshan Iron and Steel Corporation wrote the *Charter of Anshan Iron and Steel Corporation* which laid out principles of participation, reform, and integration. In recent years, many management experts acknowledge the similarities between the *Charter* and “new management” styles adopted in recent years in Japan, Europe, and the U.S.—ideas such as total quality management (TQM) and other employee participatory programs.

This high level of engagement in the management process fostered an elevated sense of ownership among all levels of employees and created a corporate culture unique to China reflected in a popular saying, “treat the factory as one’s own home.”

In his 1997 book *Market and Institutional Regulation in Chinese Industrialization*, researcher Dic Lo argues that Chinese state-owned and collective enterprises were institutions accountable to major stakeholders—such as creditors and employees. In contrast, private and publicly traded enterprises are driven by the principle of maximizing shareholder profits.

CHINA’S REFORM ERA — TOWARD A MARKET ECONOMY (1978–1992)

In 1978 the Chinese government began an official “reform” era. During the initial ten to fifteen years, some salient features of the reform included: breaking up of rural communes; designating Special Economic Zones (SEZs); and introducing “market mechanisms” into state-owned enterprises (SOEs). Worker benefits and the existing social safety net were steadily eroded by the market-oriented reform.

A host of reasons contributed toward the reform. Ideological differences have always existed among high-ranking Party members. Deng Xiaoping, the officially recognized “architect of China’s reform,” had been repeatedly labeled as a “capitalist roader” in many internal debates and struggles between 1949 and 1976. When Deng consolidated power in late 1978, he was poised to take the country into a new direction.

The normalization of relations between China and the U.S., and the West in general, began in 1972 with Nixon’s visit to China. In December 1978, Washington and Beijing announced that the two countries had agreed to establish official diplomatic ties. Deng presided over the climax of this diplomatic process initiated by Mao and visited the U.S. in January 1979, the first official state visit between the two countries. His U.S. visit was widely publicized in both countries. It was reported that he was deeply impressed by the material wealth of the U.S, which seems to have significantly influenced his thinking and consequent policy measures. Reform slogans such as “to get rich is glorious,” and “development is the absolute need” reflect this thinking.

U.S. President Ronald Reagan and UK Prime Minister Margaret Thatcher ushered in the “golden age” of privatization and neo-liberal economics in the ‘80s. The ideologies of market competition and social Darwinism were introduced into China as “the recipe” for success, convincing many officials and intellectuals to follow this path forward. Additionally, the East Asian Tigers (Hong Kong, Singapore, South Korea, and Taiwan) were experiencing great economic success, offering attractive examples of export-oriented models. SEZs set up along China’s coast were modeled after these regions.

While the reform was largely a “revolution from the top,” it did gather some popular support at the time. There was some general dissatisfaction among Chinese citizens—Mao’s promise of a utopian society had yet to manifest itself in the eyes of many. In his pursuit of egalitarian values, Mao had repeatedly tried to strip the elites (especially Party bureaucrats and the intelligentsia) of the privileges they normally enjoyed. For example, many were sent to the countryside or factories to work with peasants and workers, to be “re-educated” by the working people. Many felt that they had been wronged and victimized in the process. By speaking to their grievances, Deng successfully garnered sympathy and support for reform from this group. While the elites only made up a small minority of the population, their political clout was considerable.

Finally, another utopia was presented to millions of Chinese through television, introduced into both urban and rural communities in the late 1970s and early 1980s. Movies and TV series from Hong Kong, Taiwan and Japan flooded in, often portraying luxurious lifestyles. Around the mid 1980s, U.S. TV shows such as “Dallas,” and later, “Bay Watch,” portrayed a world of luxury and leisure. For millions of Chinese citizens, these dazzling lifestyles represented the way all Americans lived—everyone was rich and lived with few, if any, constraints (and no one seemed to have to work). These images fostered a worship of U.S. culture.

Smashing the Iron Rice Bowl

All of the above factors, and others, contributed to a new direction in China’s economic policies. Central features of the urban reform included reform of SOEs to be more market oriented, and opening up to foreign capital and investment. Also, some SEZs were created during this period.

In late 1979, the government selected several thousand state-owned enterprises to operate on a profit-making basis. In early 1980, the program was expanded to cover 16 percent of SOEs. The program was suspended at the end of 1980 because of a host of unanticipated fiscal and social problems including a burst of inflation. However, in 1984, the market-oriented reform resumed.

The restructuring effort was centered on “smashing the iron rice bowl,” as reformist rhetoric of the time had it. The logic was that labor productivity could be increased greatly by ending the lifetime job security. Some new bonus and profit sharing schemes were implemented to stimulate production, as well as to mitigate opposition from employees.

Still the opposition was intense and bitter, and the reformers compromised eventually: regular workers already employed in SOEs would retain their job security and welfare guarantees, but new workers would be hired on a contractual basis. Over the years, a bewildering variety of contractual arrangements were worked out in different localities and enterprises, often with watered down benefits for new employees.

SEZs in China functioned in a similar manner as other “special” or “free” economic zones such as the *maquiladoras* in Mexico. SEZs gave tax incentives to foreign- and joint-owned corporations to attract foreign direct investment. Tax favors included: exemption from paying taxes in their first two profit-making years; tax write-offs of employee wages; and other such privileges. Sweatshop conditions did not arise immediately. New private enterprises were compelled to maintain fairly decent labor conditions and offer generous salaries in order to compete for Chinese workers. Thus, many still received benefits including public education and health care; guaranteed pensions; subsidized housing in urban areas; and other amenities similar to those provided by SOEs.

However, in 1982, with little fanfare, the Chinese government quietly removed a clause granting the right to strike from the Constitution, a right previously enshrined by Mao in 1975. At the time, the change raised little concern: who would want to strike when people are treating the factories as their own homes? In hindsight, it marked the beginning of worker exploitation on a massive scale.

Rural Communities in Crises

The key component of the rural reform was the de facto privatization of agriculture: rural collectives, or communes, were disbanded. Though land ownership continued to belong to the village officially, usage right was contracted to individual households. Contrary to popular belief in the West, the collective system was not an entirely new invention by the Communists—for thousands of years, various forms of communal land ownership had coexisted with private land ownership in China, particularly in areas of high population density. This system of sharing land enabled regions to produce enough food for the community. The collective system under Mao was not perfect and some communes were failing. However, the majority of rural people experienced secure, dignified lives with social benefits including public health care and education.

Instead of adjusting the collective system, radical reform was enacted. Land was contracted to individual households instead of being owned by the commune. The dissolution of the commune via de facto land privatization meant that many functions such as marketing and health coops previously organized by the community, or commune, could no longer be sustained. Simultaneously, the government decreased expenditure in rural investment so no replacement systems were established.

The early years of rural reform did experience a surge of agriculture outputs and rural income, largely due to the introduction of chemical fertilizers, pesticides, and hybrid seeds. But when the government lifted price controls on agricultural inputs in the mid 1980s, prices radically increased and many peasants could no longer afford these items. Additionally, the tiny family farms (almost all under 1 hectare) were more vulnerable to natural disasters and market fluctuations.

In addition to declining rural public services, income losses were staggering—for example, 42 percent of rural household income decreased in absolute terms between 2000 and 2002.¹⁷ When China joined WTO in 2001, cheap, highly subsidized agricultural commodities from industrial nations flooded into the country, posing a further challenge to the already ailing rural sector. As a result of decollectivization and participation in the global trade arena, millions from rural regions migrated to cities and manufacturing centers.

Decollectivization had important social impacts as well. Previous entitlements for women under collective rights were undermined, as the male heads of household were designated as contract owners. Communes used to provide support for old people who did not have family support. The deterioration or total disappearance of such benefits created a strong incentive to have more children. The fragmentation of rural community resulted in a sharp increase in crime and other social maladies.

While traditional Chinese rural life might not have been a utopia of material goods, many now look back to a time of dignified livelihoods and relatively harmonious communities as a kind of utopia that quickly disappeared under the reform.

Period of Economic Boon

During this period, China experienced remarkable economic growth. In terms of GDP numbers, its progress in reducing extreme poverty is impressive. In 1999, the World Bank raised China's classification from a "low income" to a "lower middle-income" country based on its rise in income per capita. The rationing system of the late 1970s, which covered basic items such as grain, cooking oil, sugar, eggs, meat, and clothes disappeared and many modern luxuries like TVs, washing machines, and refrigerators are now in millions of homes, particularly in urban areas. Car ownership, unheard of 20 years ago, has skyrocketed today in the capital city of Beijing.

Many in the West have hailed China's adoption of the free market as being central to its economic success. However, it is noteworthy that central planning continued to play an important role in the first 10-15 years of reform. In many ways, the Chinese government followed the model of the Asian Tiger economies by heavily regulating foreign trade and foreign investment as well as domestic industry. The central government also maintained control of public services. China's state-directed development greatly contrasts with the shock therapy programs implemented in Eastern Europe and the Soviet Union, where foreign capital and corporations have flooded in with little government intervention or regulation. Still, the destabilizing effect of reform began to be felt across the sectors by the end of the 1980s, leading to growing dissatisfaction.

Tiananmen Square

The massive protest in Tiananmen Square in 1989 was represented in the West as a demonstration calling for freedom and democracy. This was indeed part of the impetus from the student protesters; however, the most popular and well-supported call of the movement was denouncement of official economic policies and corresponding corruption—reflecting that social ills brought by the reform process were at the center of discontent. In the early months of 1989, the annual inflation rate reached a record high of 25 percent (inflation was kept below 1 to 2 percent throughout the Maoist Era), setting up the stage for the later protests.

The western media has often neglected the important social and economic background of this movement, describing it in simple terms of "pro-West" versus "anti-Communist." According to Wang Hui, a leading scholar in Beijing, the protests emerged in response to a series of market-based decentralizing policies and are therefore a part of the worldwide resistance to neo-liberal policies (see Wang's book *China's New Order*). Indeed, three months prior to the Tiananmen event, reform leader Deng Xiaoping realized that "China cannot allow demonstrations to happen too easily, ...or else foreign investment will stop flowing in."¹⁸

FURTHER REFORM — RAPID ADOPTION OF GLOBALIZATION (1992 TO 2003)

After the protests at Tiananmen Square, many market-oriented reforms were halted. But in 1992, Deng Xiaoping organized the much heralded "Southern Tour," visiting Shenzhen, the first SEZ, and the market-oriented reform was re-ignited. Since then, the Chinese government has further embraced the tenets of economic globalization. Privatization of collective enterprises and SOEs increased. Many believe this period triggered an intense "race to the bottom" for workers.

The number of SEZs and foreign enterprises exploded. Further benefits, including tax advantages, were extended to private and foreign businesses that were not given to SOEs. Even with such advantages, foreign corporations often routinely avoid paying taxes in China by hiding profits. For example, a Nike subsidiary in Suzhou earned around \$85 million in revenues in 2001, with its Chinese market share growing in double digits annually, yet it reported a loss over several years. In fact, 51 to 55 percent of foreign enterprises in China claimed losses in 2003.¹⁹

According to the Chinese government's 1995 Industrial Census, SOEs and collectives paid two to three times higher taxes than foreign-owned industry. This trend continues. Additionally, SOEs and collectives contribute to education, health care, and other benefits for employees; privatized firms are not required to do this.

Birth of Sweatshops

Unable to compete with advantages given to foreign-owned firms, SOEs shed millions of workers and decreased social benefits during this period. Millions more from rural regions were added to the labor pool because of the loss of livelihoods and degraded community due to the rural reform program. These new migrant workers flooded into coastal regions and urban centers, desperate for jobs. With a surplus of workers, and no competition from diminishing SOEs, industries have tightened their grip on workers and sweatshops have become the norm. Especially in the coastal SEZs—where most foreign corporations do business—Chinese workers now have lower wages in terms of purchasing power, fewer benefits, longer work hours, increasing work-related injuries, and other associated problems compared to ten years ago.

WTO Accession

The first step of China's reform package was the structural reform of its internal economy. The second step was to further engage with world markets. Joining the WTO in 2001 signaled a huge move toward completing the reform.

Under WTO accession terms, China is obligated to eliminate all import quotas by 2006 and reduce tariffs over time; and open up to further imports. Already, these rules have impacted rural communities and farmers. For example, sugarcane prices paid to Chinese farmers plummeted upon the introduction of imported, cheap foreign sugarcane—from 250 per ton to about 190 yuan per ton between 2002 and 2003; then further down to 170 yuan per ton for 2003 and 2004.²⁰

Foreign firms and investors have greatly expanded rights—they can now own up to 50 percent of foreign-owned enterprises in industries such as telecom and insurance (percentage of foreign ownership in some industries was previously monitored and restricted).

There are many other trade rules that China must now subscribe to, including the expansive WTO “national treatment” clause which states that foreign investors must be given the same considerations and treatment as domestic businesses. This, of course, greatly inhibits China's ability to direct its economy and gives more rights to global markets and investors.

TODAY: CHINA AT THE CROSSROAD— WHICH WAY FORWARD?

China is an economic powerhouse in the world, largely because of its political decisions to open its borders and adopt a “free” market system. However, many are concerned that the benefits of economic globalization in China are enjoyed by the few at the expense of the many. In keeping with a now familiar pattern of globalization, the gap between the haves and the have-nots in China has greatly increased. In the early 1980s, the richest 10 percent of the population earned less than 20 percent of the national income. By 2005, the top 10 percent earned 45 percent of the income, while the bottom 10 percent earned only 1.4 percent.²¹ And many measures of quality of life have stagnated or declined for millions.

Environmental Consequences

The state of the ecology is one of the most critical factors that will determine China’s future. Admittedly, many SOEs were not perfect stewards of the environment. Mao’s industrial development was mainly focused on creating a system of social equity. The link between natural resources and social well-being was poorly understood in many aspects. However, as bad as some industrial practices were then, China’s shift into an export-oriented market system has pushed its natural resources to the brink of collapse.

Adopting chemical farming has been a major detriment to China’s natural resources. Chemical fertilizer usage more than doubled between 1978 and 1984 while application of manure and green fertilizers declined significantly. In combination with other factors, chemicals have seriously polluted water systems, contributed to high degrees of soil erosion and salination, harmed wildlife, and compromised the health of Chinese citizens. Estimates reveal that around 40 percent of the country’s arable land is degraded. About one-fifth of arable land is contaminated by heavy metals (cadmium, arsenic, lead, and others). Water runoff from fields, along with municipal and industrial wastewater dumped into the rivers, has rendered around 60 percent of the water in China’s seven major river systems unsuitable for human contact according to China’s State Environmental Protection Administration.

In a candid interview with the German magazine *Der Spiegel*, China’s deputy minister of the environment, Pan Yue, addressed the environmental crises: “Our raw materials are scarce, we don’t have enough land, and our population is constantly growing. ...Cities are growing, but desert areas are expanding at the same time; habitable and usable land has been halved over the past 50 years.... [China’s GDP miracle] will end soon because the environment can no longer keep pace.”

The situation is dire not only for China. Climate change, water pollution and shortages, acid rain, wildlife extinction, and many other factors affect the health of the entire globe.

Labor—The Race to the Bottom

Western corporations proudly point out their contributions toward creating happy workplaces—introduction of clean technology, worker safety measures, etc. While some factories have incorporated higher environmental and labor standards, they are the exception. Many corporations eagerly display such “flagship” factories; however, they do not reveal that the majority of manufacturing is done by contract factories where worker and environmental abuse continues far from the view of western consumers, shareholders, and media.

Global trade policies, such as agreements in the WTO, restrict governments' rights to set labor, environment, and public safety standards by restricting rules that may be "trade barriers." This effectively places a ceiling on such standards; yet no minimum standard exists. As a result, corporations roam the world seeking the lowest worker and environmental requirements. Today's definition of market competitiveness is that countries lower standards in a bid to attract industry. Corporations move to regions and countries providing the lowest labor and environmental requirements. Today's market competition pits workers and farmers around the world against one another as they fight to maintain jobs and livelihoods.

China is now a corporate haven of low worker and environmental requirements and its benefactors are mainly foreign firms and western consumers. In 2003, foreign funded enterprises accounted for 55 percent of China's exports. Additionally, research shows that most foreign investment flows out of China.²²



Along with many other countries, China is experiencing the paradox of globalization—economic indicators may rise, yet an increase in poverty, loss of jobs, and social inequities often accompany the financial indicators of "success." With the mounting rural crisis, worker abuses, ecological degradation, income gap, and many other problems, China is standing at the crossroad.

Millions of those who are negatively impacted are becoming more vocal day by day. China's official media reported that last year there were 74,000 incidents of social unrest, up from 10,000 in 1993.²³ There is a strong resurgence of Maoism, especially among the working poor.

Since President Hu Jintao and Prime Minister Wen Jiabao took office in 2003, there have been signs of policy adjustments. The plights of marginalized groups are increasingly covered by the media, and the government has taken some measures to address their grievances. Instead of saying "development is the absolute need," the new government is now advocating for "scientific development" and "people-centered development." Yet, so far the adjustments have not touched the essence of the neoliberal policies carried out in the last two decades.

Should China continue on the path of market-oriented reform? The implicit promise of the reform is that the U.S. way of life will be achieved for everyone—but, is the U.S. lifestyle a model to emulate? Can it really be achieved for the majority of people? Or is it time to reexamine this process and think about alternatives? These are some of the questions that Chinese leaders and Chinese people are discussing today.

Section One

CONSEQUENCES OF REFORM POLICIES

I. THE PLIGHT OF RURAL AREAS

Deng Xiaoping's reforms began with China's rural areas in the late 1970s. Initially, agriculture 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 entered a state of stagnation or even degeneration. Today, China's rural areas face an unprecedented crisis.

Before 1978, most Chinese farmers were organized into collective communes. Several studies found that about one-third of the communes were doing very well; one-third in the middle showed potential but were facing some problems; and the bottom one-third had serious mismanagement problems and were stagnating.²⁴ Based on this data, some communes required serious reform, possibly including new forms of organization and management, but the majority only needed fine-tuning. Nevertheless, the entire commune system was put through a major overhaul beginning in 1978.

The first step of the reform replaced the commune-based agricultural production system with a family-based production system. This weakened the communes, however, other functions such as marketing co-ops, public services, etc. were still organized by the collectives. In September 1980, the government completely disbanded the communes when it ordered total de-collectivization of all aspects of agricultural production and marketing. While many officials and farmers of the struggling communes welcomed the top-down reform, the majority of communes were skeptical.

The Rise of Chemical-Based Agriculture

During this period, Chinese agriculture was also transformed through the massive introduction of chemical fertilizers, pesticides, and hybrid seeds. Fertilizer usage more than doubled between 1978-1984, and farmers to achieved record harvests. In 1979, the government raised the price it paid to farmers for the grain they were obliged to sell to the state by 20 percent and offered a 50 percent premium on grains delivered above quotas.²⁵

Another factor that contributed to the short-term increase in household income was the exploitation of communal assets. For example, there was no control over rampant cutting of trees 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 percent decline in the area covered by windbreaks nationwide.²⁶

The official media still attribute the rural boon period (1978-1984) to the de-collectivization process. Yet, more than two-thirds of the gains were achieved before 1982, the year de-collectivization was carried out on a large scale. Other factors, such as rising grain prices and the use of chemical fertilizers, contributed much more to a short-lived success. After state support for agricultural inputs was lifted in the mid-1980s, prices skyrocketed. Between 1984 and 1989, fertilizer prices rose 46 percent and pesticide prices rose more than 80 percent.²⁷ By that time, farmers were trapped in a vicious circle, compelled to pump more chemicals into the fields to keep up yields as the organic matter in the soil declined.

The de facto privatization of agriculture has had profound long-term environmental and economic effects. Given the high population density, family farms are often less than one hectare, or even less than half a hectare. This has destroyed any possibility for economies of scale and equipment once owned collectively, such as tractors. The inputs are too expensive for individual families. As a result, many villages experienced de-mechanization in the initial years of privatization. And as farmers put more labor into tasks previously done by machines, they had to cut back on other types of work, including good farming practices such as 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 can put 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 neighbor’s field; the next day when he applies pesticide, all the pests come back to my plot. We end up wasting lots of chemicals while achieving very little.”

Impact on Women

The family contract system has also had negative social impacts. By designating male heads of households as the major contract holders, the system undermined the rights of women.²⁸ In the collective labor arrangement, women’s contributions were officially acknowledged and rural women enjoyed unprecedented participation in public affairs, as reflected in one famous slogan of the time—“women can support half of heaven.” The communes also provided a public space for socializing and even flirting. Especially in the well-run collectives, labor could be enjoyable for young people, who engaged in friendly labor competitions and sang songs and told stories as they worked.²⁹ The disappearance of this public space plummeted women back into the constraints of their families. Not surprisingly, in many villages, young women were the first ones to leave in search of job opportunities in the cities as nannies or assembly line workers.

Decline in Public Services

De-collectivization would not have been so catastrophic if the government had invested in rural collective institutions, such as health and marketing cooperatives. 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 percent in the period 1976-1980, it had fallen to 5 percent in 1981-1985 and 3.3 percent in 1985-1990.³⁰ Though the total infrastructure investment increased by several folds in the reform era, the share of infrastructure investment in the rural sector decreased from 10.6 percent in 1979 to 2.8 percent in 1992 and 1.7 percent in 1994.³¹ In addition to direct monetary investment, the government previously provided human resource support for rural public goods including water works, flood/drought

management, health care and public education. Most of these programs have deteriorated or evaporated completely in the reform era.

Starting in the mid-1980s, the rapid appropriation of communal capital and de-investment of rural infrastructure began to be felt in many aspects. As previously mentioned, tree farms were cut down and this loss of windbreaks resulted in more soil erosion. Declining canal networks and other water works led to decreasing productivity and increasing vulnerability to droughts and floods. Deforestation in the Yangtze and Songhua river basins has accelerated greatly since the late 1970s,³² which eventually resulted in catastrophic flooding in the 1990s.

Health Care

The dissolution of the communes also led to a medical “free fall” for the rural population. Previously, 80-90 percent of the rural population had access to some form of free medical care, best represented by the “barefoot doctor” system, (each community had a doctor who provided basic health care). This system was a cost effective measure geared to preventive and routine health care for the villagers while the treatment of more serious diseases was relegated to higher level clinics. After the reform, the barefoot doctor system and free rural clinics crumbled and no other infrastructure support was offered. It is estimated that of the public health organizations (clinics, hospitals, monitor stations, etc.) below the county level, one-third are on the brink of bankruptcy and another one-third have collapsed completely.

Many doctors who are still serving the rural population were educated 30 years ago and have not received updated training. Very few young people are motivated to carry on their work. In recognition of the problem, the government has initiated a few attempts to rebuild rural health care in some pilot areas since the 1990s. So far, none of the experiments have proved worth expanding. One problem is that the clinics and hospitals are increasingly profit-oriented, preferring expensive treatments over preventive care, which in turn makes health care prohibitively expensive. The system also deals with individual patients instead of communes, making transaction costs much higher.

With declining support from the central government, rural expenditures are increasingly financed by local taxation and fees. Yet while local government services are in decline, expenditures and taxes continue to rise. Several empirical studies have found that in the mid 1990s, various taxes and fees added up to 25-35 percent of peasants’ income, much higher than the 15-20 percent tax rate levied on the communes in the collective years.³³

Although significant funds were wasted (or embezzled) by officials during the Cultural Revolution, the most fundamental reason for rural decay is the de facto privatization, which has fragmented Chinese rural society. The fragmented village community has lost its collective power and can now more easily fall prey to unchecked bureaucratic power of rural cadres and corresponding corruption.³⁴ The fragmentation has also been a chief reason for the rise in administration costs and reduction or elimination of basic public services.

Rural fragmentation is also cited as a reason for a rise in crime. According to Dongping Han, a U.S. 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 country-

side when there was a 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.”³⁵ 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.

Education and Cultural Colonization

Rural education has also greatly suffered as a result of the reform era. There is an increasing divide in education between rural and urban dwellers. While many are familiar with disasters brought by the Cultural Revolution, many positive changes were made in education and the number of those receiving primary and secondary education greatly increased.

The Cultural Revolution brought in an “open door” education policy vastly different from the prior system that was focused on exam-taking skills unrelated to rural life. A “popular model” of education was developed in response to rural needs and culture. Schools introduced new textbooks with local legends and local knowledge containing information about when to plant wheat, how to save seeds, how to maintain crops, etc. The transformed schools were an important part of communities and helped to center attention on village life—how to build local economies and improve community conditions.

The reform era changed all this. Deng Xiaoping’s famous quote: “Education should be oriented toward modernization, the world and the future,” became the new vision. As a result, national curriculums and exam-taking methods were re-introduced and local content was completely eliminated. (See Section Two, IV, for more information on education.)

THE TASTE OF SUGAR IS NOT ALWAYS SWEET

Upon becoming a member of the WTO in December 2001, China was required to reduce tariffs for agriculture imports from an overall average of 31.5 percent to 17 percent by January 2004. As a result, the highly subsidized agricultural commodities from around the globe that suddenly flooded into China were cheaper than domestic products. This was a big blow for the rural sector, as exemplified in the case of sugarcane.

Second to cotton and oil seeds, sugarcane is one of China’s most important economic crops. Guangxi, one of the poorest provinces in southern China, is China’s number one producer of sugarcane. Sugarcane farming accounts for over 8 percent of the region’s total agricultural output, and the sugar processing industry accounts for 10 percent of total industrial output¹. Sugarcane is the major cash crop for 26 million peasant farmers in Guangxi (a farmer typically owns no more than one hectare). Integration into the world market has been quite disastrous for the region.

In October 2001, domestic sugar prices started to plummet in anticipation of WTO accession; within six months, the price dropped by 35 percent². Sugar processing plants were negatively impacted

CONTINUED ON NEXT PAGE

which, in turn, reduced government revenue as it depended on taxes from the processors. But farmers were the hardest hit, as much of the loss was transferred to them. Prices paid to farmers plummeted from 250 per ton to about 190 yuan per ton between 2002 and 2003, then further down to 170 yuan per ton for 2003 and 2004³ The estimated production cost is around 138 yuan per ton⁴; thus, profits for farmers have diminished rapidly.

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 sugarcane price for the farmers, indicating that small growers are increasingly disadvantaged in the globalized 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 international and domestic trading companies, major retailers in other countries, etc., and each sector skims off a portion of potential profit for the farmer.

As shown in following table, the sugarcane farmers in Guangxi are losing out not because their production cost is high, but because of the unfair subsidies by the rich countries. It has been estimated that the European Union subsidy alone depresses the world sugar price by 10-20 percent⁵.

Sugar Production Cost per Ton		Unit: yuan/Ton				
	Guangxi	Thailand	Brazil	EU	US	World Average
Sugar production cost per ton	2230.44	1900	1700	5623	3100	4400
In comparison to Guangxi		330.44	530.44	-3392.56	-869.56	-2169.56

SOURCE: RESEARCH CENTRE FOR ECONOMICS, GUANGXI GOVERNMENT

Some Chinese WTO proponents have argued that more food imports would be good for China's environment: with more cheap food imports, Chinese farmers no longer need to farm so much land; thus, more land can be restored to its natural state as grassland or forest.

Assuming that we ignore issues such as food security or the real cost of long distance transportation of food, this prediction does not resemble reality. Despite of the depressing price, sugarcane acreage in Guangxi has been increasing in the last several years—from 0.53 million hectares several years ago, to 0.77 million hectares in 2004⁶. Nationally, a total of 1.36 million hectares of sugarcane was planted in the 2004-05 season, a year-on-year increase of 6,667 hectares⁷. Local people and the local government are increasing production to make up for the diminishing profit, a common pattern found worldwide among agriculture communities as global food markets replace local food markets.

1 "Bitter Sugar—How Unfair Trade Hurts China's Sugar Industry?", Oxfam Hong Kong Briefing Paper, 2003.

2 Ibid.

3 November 2004, Brian Calvert, "Guangxi's Globalization Gap", China Pictorial, available at <http://www.china-pictorial.com/chpic/htdocs/English/content/200411/6-1.htm>.

4 "Bitter Sugar—How Unfair Trade Hurts China's Sugar Industry?", Oxfam Hong Kong Briefing Paper, 2003.

5 A study done by the South African Sugar Association, as cited in "The Rough Guide to the CAP", Catholic Agency for Overseas Development (CAFOD).

6 Nan Fan Daily, July 10, 2004, "Guangxi wants to reduce sugarcane acreage from 11.5 million mu to 8 million mu", available at <http://www.nanfangdaily.com.cn/southnews/tszk/nfncb/zw/2004071020202.asp>

7 China Agriculture for Trade and Economy, "Nation's Sugar Shortage to Grow in 2005", available at <http://www.cafte.gov.cn/english/NEWSROOM/1873.asp>

II. URBAN REFORM AND THE RISE OF SWEATSHOPS

Central features of the urban reform included privatizing state-owned enterprises (SOEs) to be more market oriented; opening up to foreign capital and investment; and the creation of Special Export Zones (SEZs).

Prior to 1978, there were two forms of ownership of industry in China—"all people's" collective ownership—changed into "state ownership" in the late '80s and collective ownership, which was an enterprise owned by villages or communities. In late 1979, the government selected several thousand SOEs to operate on a profit-making basis. In early 1980, the program was expanded to cover 16 percent of SOEs. The program was suspended at the end of 1980 because of a host of unanticipated fiscal and social problems including a burst of inflation. However, in 1984, the market-oriented reform resumed.

Smashing the Iron Rice Bowl and Consequences for Workers

The restructuring effort was centered on "smashing the iron rice bowl," as reformist rhetoric of the time had it. The logic was that labor productivity could be increased greatly by ending the lifetime job security. Some new bonus and profit sharing schemes were implemented to stimulate production, as well as to mitigate opposition from employees.

Still the opposition was intense and bitter, and the reformers compromised eventually: regular workers already employed in SOEs would retain their job security and welfare guarantees, but new workers would be hired on a contractual basis. Over the years, a bewildering variety of contractual arrangements were worked out in different localities and enterprises, often with watered down benefits for new employees.

The rise of China's export power has given the impression that the Chinese workforce is benefiting tremendously from globalization. But contrary to popular belief, export-oriented growth has not created a net increase in China's manufacturing jobs. The primary reason is that privatization of SOEs led to massive layoffs, and foreign- and domestic-owned private enterprises have not made up for the huge shortfall.

Employment in the SOEs declined from 110 million at the end of 1995 to 66 million in 2002. From 1995 to 2002, manufacturing jobs decreased 15 percent from 98 million to 83 million.³⁶ During the same period, manufacturing jobs decreased by 22 million globally; thus, China's job loss of 15 million contributed to two-thirds of the global shrinkage.

The Rise of Sweatshops and the Plight of Migrant Workers

SEZs in China function in a similar manner as other "special" or "free" economic zones such as the *maquiladoras* in Mexico. SEZs give tax incentives to foreign- and joint-owned corporations to attract foreign direct investment. Tax favors include: exemption from paying taxes in their first two profit-making years; tax write-offs of employee wages; and other such privileges.

Initially, SEZs were not sweatshop dens. New private enterprises were compelled to maintain fairly decent labor conditions and offer generous salaries in order to compete for Chinese workers. Thus, many still received benefits including public education and health care; guaranteed pensions; subsidized

housing in urban areas; and other amenities similar to those provided by SOEs. However, as more SOEs gave way to foreign- and joint-owned businesses, sweatshops became the norm.

In 1982, with little fanfare, the Chinese government quietly removed a clause granting the right to strike from the Constitution, a right previously enshrined by Mao in 1975. At the time, the change raised little concern: who would want to strike when people are treating the factories as their own homes? In hindsight, it marked the beginning of a massive scale of worker exploitation.

Privatizing Industry in China—The Demise of State-Owned Enterprises (SOEs)

Defenders of privatization argue that even though these reforms resulted in mass layoffs, they were necessary because SOEs were inefficient and performed poorly. Indeed, at first glance, private enterprises appear to be booming while the state sector is declining. However, Hong Kong University professor Carsten Holz has compiled data indicating that the lower profitability of SOEs can be fully explained by their higher tax rate and greater capital intensity, both of which reflect specific priorities and/or discrimination against SOEs.

PROFITABILITY OF VARIOUS TYPES OF ENTERPRISES, 1995		
	Profit/sales revenue (%)	Profit + taxes/sales revenue (%)
Nationwide total	3.15	9.73
State-owned enterprises	2.63	11.35
Domestic Private enterprises	8.20	12.42
Joint ventures	2.53	7.56
Foreign-owned enterprises	4.98	9.43

SOURCE: CARSTEN HOLZ, "LONG LIVE CHINA'S STATE-OWNED ENTERPRISES: DEFLATING THE MYTH OF POOR FINANCIAL PERFORMANCE," HONG KONG UNIVERSITY, 2002, BASED ON DATA IN INDUSTRIAL CENSUS, 1995, VOL. 1, PP. 46-53.

When one compares the data, the unfair tax burden on SOEs is obvious. The taxes collected from SOEs were about three times their profits, while the taxes collected from other forms of enterprises were about equal to or less than their profits (the only exception was joint enterprises). When tax payments were considered, the only type that outperformed SOEs were domestically owned private enterprises. Yet the gap is small and these official statistics only cover firms in urban areas with more than seven employees; thus, reflecting the top private sector performers.

While SOEs are overburdened by excessive taxes, the Chinese government has offered “super citizenship” treatment for foreign investors. While the official tax rate is the same for domestic-and foreign-owned firms (33 percent), foreign ventures receive so many special perks that the actual tax rate is estimated to be around only 11 percent.³⁷ Additionally, all foreign or joint ventures are tax exempt in the

first two years, starting from the time they begin to make a profit; and 50 percent of the tax is exempted from the third to the fifth year. Furthermore, if the foreign firm decides to “reinvest” the profit within China, 40 percent of the tax is rebated.

It is also much easier for foreign enterprises to evade taxes through transfer pricing (setting internal prices to maximize profits in countries that are tax havens). In 2003, 51-55 percent of foreign enterprises in China claimed profit losses. An investigation conducted by the State Administration of Taxation found that only one-third of the losses were real; the other two-thirds were fabricated to evade taxes.³⁸



China has become a “factory owned by the world” instead of a “factory of the world.” Its vast working class has essentially become the slave labor for the world churning out more and more cheap consumer goods, while the majority of Chinese people gain little or no benefits.

A CHINESE PERSPECTIVE ON THE TEXTILE TRADE

Since the Multi-Fibre Arrangement (MFA) expired in January 2005, Chinese textiles have flooded into the EU and the U.S. at unprecedented rates. “Made in China” imports rose in the EU by 500 percent in some textile sectors, spurring the summer “bra wars.” The EU quickly negotiated a textile deal limiting the number of imports over the next few years. The U.S. followed suit in November, announcing an agreement that will limit some sectors of Chinese textile imports for the next three years.

These agreements mark a temporary cease fire in the textile trade war, allowing industrial countries to “adapt” to the new textile regime. China’s labor and industrial capacity not only “out competes” European and U.S. manufacturers but developing countries such as Bangladesh, Cambodia, India, Morocco, and others where textile manufacturing creates millions of jobs, now quickly disappearing.

However, what is seldom (if ever) reported in the western media is that China’s textile industry is not the main winner as it receives only a small portion of the revenues and profits for textile exports—in some cases the value added is estimated to be only 10 percent. (*Hong Kong Economic Journal*, September 17, 2005) It is western corporations, the Wal-Marts and other brand companies, that pocket the majority of the earnings.

Understanding the development of the textile industry in last 30 years helps to clarify how this economic scheme came about. By the end of 1970s, China had established its own production chain for the textile industry: from steel to heavy machinery, to light machinery, then to textile and apparel production. Compared to similar western machines, Chinese spinner machines employed 10 times more workers but required much less initial capital investment. This was well suited for a populous country.

CONTINUED ON NEXT PAGE

After having produced black and blue suits for almost 30 years, China's textile industry was ready to provide more variety and quantity. However, at the same time, the Chinese government allowed the import of many foreign-made textile machines. By the early 1990s, China had essentially two duplicate textile production systems, one domestic and one imported. Each sector was capable of meeting domestic demand. This over-capacity led to fierce price competition, both domestically and internationally. In 1997, Prime Minister Zhu Rongji decided to solve the problem once and for all by ordering the destruction of massive numbers of domestic machines, which were considered inefficient. As a result, many textile workers were laid off and domestic companies that made the machines went bankrupt.

Such drastic measures relieved the over-capacity problem only temporarily. To make up for low and decreasing profit margins, Chinese textile producers focused on the one area where they still had competitive advantage: low price mass production. They are thus engaging in a vicious cycle of over capacity once again, and, as important, China's entire textile system is dependent on consumption patterns of foreign nations.

Lack of transparency in the global trade regime further exacerbated the textile problem. While negotiating its WTO accession, China agreed to allow other countries to impose "safeguard measures" to protect their domestic industries from import surges from China. Because China's ministry of commerce downplayed such concessions, many producers imported expensive machinery in 2004 to increase their capacity in anticipation of quota removal. Fixed asset investment in the industry increased by 144 percent in 2004, and textile machine imports from Germany alone accounted for more than one billion euros. When the U.S. and EU governments re-imposed import barriers in mid-2005, Chinese producers were caught by surprise.

Chinese workers are perhaps the lowest on the totem poll in the current textile scheme. While many Chinese now depend on textile exports for employment, most are migrant workers who have been displaced from their rural villages and are now exploited sweatshop workers. Instead of viewing Chinese workers as the "competition," labor movements outside of China should unite internationally and support Chinese workers' struggles.

The picture is even bleaker when reviewing the ecological damage resulting from textile manufacturing. Cloth manufacturing and dyeing is water and pollution intensive, as is production of cotton. It takes approximately four pounds of pesticide and insecticide plus 1,300 gallons of water to grow one pound of commercially produced cotton. Ironically, the water-scarce western province of Xinjiang is the largest cotton producer for China because of its hot climate. Water is being diverted to this area to grow cash crops such as cotton while desertification is increasing throughout western China and water shortages are common for many rural residents. If all of the ecological costs were internalized, the already razor thin profit margin of China's textile export industry could very well be negative.

Section Two

IMPACTS ON QUALITY OF LIFE AND THE ENVIRONMENT

I. POVERTY AND INEQUALITY

China's progress in reducing extreme poverty has indeed been remarkable. It is one of the few countries that is well ahead of the United Nations Millennium Development Goals of cutting poverty in half by 2015.³⁹ In 1999, the World Bank raised China's classification from a "low-income" to a "lower middle-income" country based on a rise in income per capita. There is also little doubt that many Chinese citizens have increased access to goods. The extensive rationing system that covered basic items such as grain, cooking oil, sugar, eggs, meat, and clothes in the late 1970s has disappeared and modern luxuries such as TVs, washing machines and refrigerators have entered millions of homes, particularly in urban areas. In the capital city Beijing, personal car ownership, virtually unheard of 20 years ago, has skyrocketed in the last several years.

At the same time, there are growing concerns that poverty, particularly in rural areas, is once again on the rise. In 2004, China's State Statistics Bureau acknowledged that the number of rural people living in extreme poverty actually increased from 28.2 million in 2002 to 29 million in 2003, despite rapid GDP growth.⁴⁰ Some question whether the rise in poverty might be linked to the effects on China's rural sector of increased agricultural imports. From 2000 to 2002, 42 percent of rural households experienced decreased income in absolute terms.⁴¹ Chinese small farmers are expected to face even greater hardship as they struggle to compete against a highly subsidized global agribusiness that is now linked to China.

In addition, there is strong concern that while fewer people are living in extreme poverty, the gap between those on the bottom and those at the top has grown dramatically. Once one of the most egalitarian countries, China is now one of the most unequal in the world. In the early 1980s, the richest 10 percent of the population earned less than 20 percent of national income. By 1995, they earned 33.7 percent, while the bottom 10 percent accounted for only 1.87 percent.⁴² By 2005, the gap had grown even wider. The State Statistics Bureau announced that the top 10 percent now earns 45 percent of income, while the bottom 10 percent makes only 1.4 percent.⁴³

A further disturbing trend is that the measure of inequality used by the United Nations, called the "Gini ratio," also indicates a growing gap in China. Between 1980 and 2005, the ratio rose from 0.2 (considered acceptable) to 0.45 (signifying serious polarization and increasing social unrest). Not surprisingly, the incidence of mass protests, demonstrations and clashes with the government increased from 58,000 in 2003 to 74,000 in 2004, more than 10 times the number of a decade ago.⁴⁴

The Rural-Urban Divide and Labor Exploitation

According to estimates by State Statistics Bureau, the ratio of urban versus rural per capita income grew from 1.8:1 in the early 1980s to 3.23:1 in 2003, while the world average was between 1.5:1 and 2:1.⁴⁵ Rural residents shoulder disproportionate tax burdens while having less access to public services, including education and health care. In several interviews, Deputy Minister of Statistics Bureau Qiu Xiaohua pointed out that if the non-cash subsidies enjoyed by urban residents were taken into account, the real income gap could be as high as 6:1, the highest rural-urban gap in the world.⁴⁶

II. WORKER EXPLOITATION

Today, an estimated 100 to 200 million people from rural areas are working in Chinese cities as construction workers, domestic helpers, sex workers, guards, assembly line workers, miners, etc. These migrants face severe exploitation. They are a major driving force of the economic boon, the labor force behind the “Made in China” labels currently sweeping through the world, the builders of expanding highways and skyscrapers. It is estimated that they contribute more than 20 percent of GDP generation. Yet most of them reap little benefit of the boon they help to create.

Most migrant workers toil in terrible conditions. China used to have strong worker protections, but while these laws still exist on paper, their implementation has been steadily eroded over the years. Migrant workers bear the brunt of deteriorating labor conditions as they have little bargaining power and do not have access to fair legal protection. It is estimated that migrant workers as a group are owed at least 100 billion yuan (about \$12 billion USD) in back wages. The wages are often unpaid for months or even years.

China’s State Administration of Work Safety reported about 136,000 fatalities from workplace accidents in 2004, up from 100,000 in 2000.⁴⁷ In three high-risk professions (mining, construction and work involving dangerous chemicals), migrant workers account for over 80 percent of the casualties.⁴⁸ One health survey of privately owned mines found that 4.74 percent of the migrant workers suffer from occupational-related diseases, and the average onset of the diseases is less than 7 years on the job. In comparison, only 0.89 percent of workers employed by state-owned mines contract occupational-related diseases and the disease onset is 25 years on the job post.⁴⁹ Coal mining accidents claim 5,000 lives per year, about 80 percent of the world total, even though China produces only one-third of the world’s coal.⁵⁰

In one industrial area alone—Shenzhen and the surrounding Pearl River Delta— industrial accidents result in 40,000 severed fingers per year. The average payout is only \$60 dollars per finger. Though the injured could potentially receive much higher compensation if they went through the formal litigation process, this takes on average 1,070 days, making it prohibitively long and expensive for most workers.⁵¹

In 2003, some professors and NGO workers conducted a joint survey of industrial injuries in the Pearl River Delta.⁵² The survey, covering 582 injured workers, sheds light on prevailing labor conditions in the region:

- ❖ 70.2 percent of the injured were from rural villages, while only 4.3 percent were from urban areas.
- ❖ 61.7 percent of the injured workers had no labor contracts with the enterprises.

- ❖ 66.3 percent of the surveyed worked over 8 hours per day. The average working day was 10 hours. More than 50 percent of the workers had to work overtime, with the overtime ranging from 1 to 8 hours. More than 70 percent of the workers had no weekend break.
- ❖ Though the labor laws stipulated that they were entitled to regular salary during treatment period, most of the injured workers did not receive it: only 20.3 percent received regular pay and 16.4 percent received reduced pay.

Even if they are lucky enough to escape sweatshop conditions and injuries, the dream of middle-class life is beyond the reach of most migrant workers despite their hard work. For example, the annual salary for a typical security guard at a new residential development in Beijing is barely enough to purchase one square meter of the middle-class real estate he is guarding. Most migrant workers and their families live in shantytowns or urban slums, forgotten corners of the cities where few public services are available. According to a 2004 government report,⁵³ the mortality rate of pregnant migrant women and their children is estimated to be between 1.4 and 3.6 times the national average.

The children of migrant workers are either left for prolonged periods with grandparents in the countryside or taken along to the city where they face all the uncertainties and insecurities of the “floating” life. Needless to say, neither is an attractive option. It is estimated that there are 20 million “left behind” children in rural areas, whose parents are away in the cities most of the time. Among the 3 million migrant children, about 15 percent do not attend school. Those who do attend often enroll in improvised, sub-standard private schools. Only in recent years has the government started to require that some public schools accept migrant children. But oftentimes, schools charge migrant workers higher fees and use other discriminatory measures to discourage their enrollment.

Despite China’s economic growth, the conditions of migrant workers are deteriorating. A decade ago, a migrant working in manufacturing in southern China could look forward to earning about 5,000 yuan per year. But over the past 12 years, factory workers’ monthly salaries have risen by a tiny 68 yuan, according to a study released in 2004.⁵⁴ In the meantime, prices of rice, pork and many basic food items have more than tripled, thus the salary has decreased significantly in real terms.⁵⁵

Race to the Bottom

When privately owned enterprises (POEs) first appeared in China in the early 1980s, they were not sweatshops as many of them are today. At the time, the social benefits established during the 1949-1978 period were still largely intact. Most of the population had access to public education and health care. In addition, most of the urban residents had highly subsidized housing, guaranteed pension and other benefits from SOEs. Thus, the new POEs had to offer fair payment and good working conditions to attract workers.

As the social safety net for public sector workers has eroded over the past 20 years, private firms see less need to offer benefits to their workers. The downward pressure on wages and working conditions is further exacerbated by the rural crisis. With tens of millions of rural and urban poor in desperate search for jobs, real salaries have decreased and working conditions continue to worsen for average workers in many private and foreign enterprises.

Another factor that has undermined employment in China is that workers who do have jobs are pressured to work longer hours. In the Pearl River Delta and Yangtze River Delta, where most export-oriented industrial parks are located, migrant workers from rural areas make up the bulk of the workforce. It is routine for these workers to work 12 hours a day, seven days a week. A workday of 13-15 hours is not uncommon during the busy season. Safety conditions are also often much worse in foreign and joint enterprises.

The Pearl River Delta was the first special economic zone and is responsible for one-third of China's exports. This region is known to have the worst working conditions in the country. One survey of 24 cities found that in Dongguan, a major manufacturing hub in the Pearl River Delta, the salary for entry-level jobs is 16.8 percent less than the overall average of all 24 cities.⁵⁶ A 2003 survey in the Pearl River Delta found that foreign-invested enterprises accounted for 26 percent of worker injuries in the area and private enterprises (most are suppliers and contractors of multinational corporations) accounted for 53.9 percent. By contrast, SOEs and collectives represented only 3.5 percent and 1.9 percent of injuries respectively.

III. HEALTH AND EDUCATION

Before 1980, China's health care system had been developed under the socialist planned economy. By 1980, 85-90 percent of the population was covered by a state or a collective health care system. State health care received funding from the central government. Collective health care centers were funded from income earned by community cooperatives—i.e., collectives or communes. During the Maoist era, average life expectancy increased from 35 to 67 years; 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.⁵⁷ 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 average for low income countries, but also for middle income countries. In the World Health Organization's (WHO) 1978 Alma Ata Conference *Health For All by the Year 2000*, China's primary health care system was featured as a model for the world.⁵⁸

Despite spectacular GDP growth in recent years, the quality of the health care system has not continued or even been maintained in many aspects. Since 1980, the health care system has gone through several rounds of market-oriented reform. From 1980 to 2003, health care costs skyrocketed 15 fold even after inflation was taken into account (from 14.32 billion yuan to 662.33 billion yuan). Meanwhile, the percentage of government contributions to health care decreased from 36.2 percent to 17.2 percent; and collective and SOE contributions decreased from 42.6 percent to 27.3 percent for the period of 1980-2003.⁵⁹

At the same time, the share of individual contributions increased from 21.2 percent to 55.5 percent.⁶⁰ As all clinics and hospitals are increasingly pressured by the profit motive, cost effective preventive measures are being replaced by expensive and not always necessary treatments. It is estimated that due to price concerns, about half of urban patients self medicate, while more than 60 percent of rural patients forgo any kind of treatment at all. A 2001 study showed that 21.6 percent of impoverished rural households fell below the poverty line due to medical expenses.⁶¹ The average cost of hospitalization is over 1500 yuan, about half of the average annual rural income, or more than twice the rate of the government's poverty line.⁶²

Dwindling government health care funds are distributed very unequally. Though the total number of hospital beds has grown significantly in the last twenty years, the number has fallen in rural areas and stayed the same or decreased on a per capita basis in seven poor provinces (Guizhou, Tibet, Qinghai, Hubei, Hunan, Jiangxi, and Xinjiang). Between 1993 and 2000, government total health care spending on rural health care fell from 34.9 percent to 22.5 percent. Consequently, rural public health infrastructure has deteriorated considerably.

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 270,000. Health care insurance now covers about half of the urban population and only 10 percent of the rural population.⁶³

Diseases that were once under control such as tuberculosis and schistosomiasis, are making a strong comeback. The occurrence rate of tuberculosis has quadrupled in recent years. New diseases such as HIV/AIDS are spreading rapidly due to illegal blood selling and needle sharing. An estimated 1 to 6 million poor farmers who sold blood have been infected with HIV. Because of the collapse of rural health monitoring, more exact estimates are not 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 (a key indication of malnutrition) increased from 1987 to 1992.⁶⁴

China's progress in average life expectancy and infant mortality has slowed significantly since 1980, lagging behind many other countries in the improvement of the two key public health indicators. China's progress has been less than the average of low- and middle-income countries and the world average. In a 2000 World Health report, 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 health care sector.⁶⁵

Instead of continuing as a leader of health care performance, China has become a leader in the worldwide trend toward private health care financing. In July 2005, the Development Research Center of the State Council released an official document admitting that market-oriented health care reform had not been a success.⁶⁶ Some authors of the document commented that China's health care system is suffering from an "American disease" with the following symptoms: skyrocketing costs, unfair access, low efficiency and stagnant health indicators.

Education

As with health care, education costs have skyrocketed in the last 20 years while the share of government financing has dropped significantly. This is a dramatic change from the pre-reform era, which was characterized by a steep drop in adult literacy, from more than 80 percent in 1949 down to 33 percent in 1980.⁶⁷ Government or collective funds supported virtually all levels of education; individuals paid only token fees.

Today, a four-year college degree costs an estimated 40,000 yuan, more than 13 times average per capita rural income. Even for primary and secondary education, non-government sources pay 44 percent of the cost (1999 data), a much higher percentage than all OECD countries and most developing countries.⁶⁸

THE FAST FOOD INVASION

Like the French and Italians, Chinese people are very proud of their country's rich culinary tradition. Thus one might assume that the American fast food industry would have a hard time surviving there. Not so. Companies such as Kentucky Fried Chicken (KFC), McDonald's and Coca Cola are enjoying great expansion in China. KFC arrived in 1987 and has opened 1,200 restaurants to date. It is expected to open 300 outlets annually in the coming decade. McDonald's has announced it is opening its first "drive through" hamburger outlet, capitalizing on growing car ownership. There will be 1,000 McDonald's outlets by 2008, more than double the current number. Coca Cola controls one-fourth of the beverage market and one-third of the carbonated beverage market.

Even more baffling is the fact that American fast food is popular even though it is 2-4 times as expensive as similar Chinese food. In fact, such foods are symbols of prestige. The Chinese division President of Yum Brands (KFC's parent company) once commented: "In many parts of China, the local municipal governments actually view the arrival of a KFC as a sign of the city coming of age."¹

Fast food, combined with car ownership and increased time spent on sedentary activities such as TV and video games has contributed to a near doubling of China's obesity rate in the last ten years. What is even more alarming is the problem of child obesity. According to one Xinhua News report in October 2004, 10 percent of the children in China suffer from obesity and the number is increasing by 8 percent per year. In large cities such as Beijing and Shanghai, one child in every five is obese.²

The media is full of propaganda about the superiority of highly processed food. One article even claimed that an increase in fast foods would be one of the benefits of joining the WTO: "...it will also be good for people's health as substandard foods will gradually be driven out of the market, and more nutritious food will become available."³

Ignorance and misinformation contribute significantly to nutrition problems in general. Vitamin A deficiency continues to be prevalent despite the ready availability of carrots and other Vitamin A rich vegetables. Despite heightened awareness about breast-feeding among the educated class, many people continue to believe advertising that formula is better for their infants. In the countryside, cases have been recorded of mothers selling eggs at the market in order to buy sugar or chocolate for their children, thinking that such processed foods will be more beneficial. Among the urban poor, there are many stories of parents saving for weeks or even months in order to buy their child a Big Mac.

¹ Schreiner, Bruce. "China Licking its Fingers." The Washington Times. January 14, 2005. Available from <http://washingtontimes.com/business/20050114-095939-7816r.htm>.

² "Experts Warn Against Rising Obesity in Chinese Children." Xinhua News. March 31, 2004. Available from http://english.people.com.cn/200403/31/eng20040331_139019.shtml.

³ "Nutritionists Called for in China." China Daily. June 2002. Available from <http://www.china.org.cn/english/2002/Jun/33829.htm>.

Many rural children, especially girls, are being kept out of school because their families find it impossible to pay the increasingly steep fees. Although official data indicate that enrollment and literacy rates have more or less stayed the same or even improved, many people working on the ground say the real situation is probably otherwise. Residents report that it is not uncommon for local officials to round up all children into schools at the beginning of school year to guarantee a good government evaluation, but many children drop out soon after these inspections.

In 1999, public spending on education was only 2.79 percent of GDP, in comparison to 4.38 percent of the world average.⁶⁹ The government funding is also distributed quite unevenly. Urban areas receive 77 percent of the educational investment, and higher education receives a larger share of the funding than basic education. Between 1999 and 2000, for example, government allocation for primary education decreased while the share of tertiary education increased from 15.6 percent to 24 percent. From 1978 to 1990, the advancement rate from primary school to junior high decreased from 87.5 percent to 74.6 percent. In some areas, the advancement rate from junior high to senior high school is as low as 25 percent.⁷⁰

The emphasis placed on higher education affects the content of education profoundly. Education is increasingly geared toward book knowledge and college entrance exams, often detached from community conditions and needs. Especially for many poor families, education has become a risky investment because chances of upward social mobility are limited. The whole education system is riddled with fierce competition, with few winners and many losers. There are more and more suicides among young people whose families cannot come up with tuition fees or who have failed important exams.

I V . E N V I R O N M E N T

Due to its huge population of 1.3 billion, China's natural resource endowment is small on a per capita basis. Currently, China's per capita arable land is only one-third to half of the global average; its water resources only one-fourth; and oil deposits only one-eighth. According to the United Nations Development Program's 2002 *Living Planet Report*, China's biological capacity is only 1.04 global hectare/person, about 55 percent of the global average. Yet even this limited natural endowment is not under good stewardship. China is paying a heavy environmental price for the economic boon of the last few decades. As it becomes the world's factory, it is also becoming the world's waste dump.

Air Pollution

According to a 1998 World Health Organization report, seven of the ten most polluted cities in the world are located in China. Air pollution claims 300,000 lives prematurely per year.⁷¹ This represents over 40 percent of air pollution related deaths in developing countries and is more than twice the number in South Asia. Acid rain impacts about one-third of the country.

While transition away from coal to oil or natural oil has reduced urban air pollution, large-scale transition away from bicycles and mass transit toward private automobiles in recent years has offset all the benefits and further exacerbated air pollution. While many multinational automobile corporations have taken this as an opportunity to sell "clean vehicle technology" to China, the whole premise of automobile oriented growth and urban planning needs to be re-examined.

For the majority of the residents who still rely on bicycles and public transportation, they have to suffer from the filthy air and increasing traffic jams brought by the explosion of vehicles. For example, the average bus speed in Beijing was 10 miles per hour in 1980s; it decreased to 5 miles/hour in 1990s. Today, it crawls at 2.5 miles/hour. In 2004, China became the world's fourth largest producer and third largest consumer of automobiles. Car ownership in China is growing at 19 percent per year.⁷² Cleaner technology cannot deliver cleaner air if this trend is not abated.

Water Scarcity and Water Pollution

China is facing one of the world's worst water shortages. The country is divided into two regions: the "dry North," referring to all areas north of Yangtze basin, and the "humid South," which includes the Yangtze River basin and everything south of it. The North has a population of 550 million, two-thirds of the country's cropland, and one-fifth of the water. The South has a population of 700 million, one-third of the cropland and four-fifths of the water.

The water shortage is most serious in the Yellow River basin, in northern China, which is generally considered the birthplace of Chinese culture. The river flows through the Loess Plateau, a place with the planet's most extensive soil erosion. With several thousand years of continuous cultivation, much of the natural vegetation is stripped away. This is compounded by the fact that loess soil is noted as being among the most erosion-prone soils known on the planet. The river is laden with yellow sediments, which gives it its name.

The deteriorating ability of local vegetation to conserve water, and over-pumping of ground water have shrunk the river's water supply in the last several decades. In 1972, the river failed to reach the sea for the first time. In 1997, a year of severe drought, the river failed to reach its last 700 kilometers for 226 days; the dry period was 330 days for its last 136-kilometer stretch.⁷³ The dry runs have severely affected the normal life and production of people along the middle and lower reaches and led to a further deterioration in the local ecology. There is fierce and bitter competition for water between the mainly agricultural upstream provinces and more industrialized coastal provinces.

Due to water shortages and wide spread pollution of surface water, more cities and villages are increasingly tapping into underground aquifers. Under the North China Plain, a region that produces 40 percent of China's grain, the water table is dropping by an average of 1.5 meters per year. In 1999, the water table under the capital city Beijing dropped by 2.5 meters. Since 1965, the water table under the city has fallen by some 59 meters.⁷⁴

About 60 percent of the water in seven major river systems—the Yangtze, Yellow, Huai, Songhua, Hai, Liao and Pearl River—are classified as grade IV or worse—meaning, not suitable for human contact. Seventy-five percent of the lakes suffer from various degrees of eutrophication.⁷⁵ The culprits are often agriculture runoff and untreated wastewater from industries. Per area, Chinese farmers twice as many fertilizers and pesticides as U.S. farmers.⁷⁶ More than one-third of the industrial wastewater and two-thirds of the municipal wastewater is released into waterways without any treatment.⁷⁷

In 1994, the government began a massive clean up campaign for the Huai River, one of the most polluted rivers in China. After billions of dollars were poured into the cleanup effort, the improvement of the water quality still remains an illusion. Even where water treatment equipment is installed, many companies would

rather pay fines instead of operating the equipment. The state Environmental Protection Agency (SEPA) has so little authority that the fines they levy are often less than expenses of using the water treatment. According to SEPA estimations, water treatment facilities are installed in most major industrial plants under government mandate, one-third are not operated at all and another one-third operate occasionally.⁷⁸

Manufacturers treat the environment like workers, as an expendable commodity that should not stand in the way of profits.

Pollution is exacerbating the water scarcity problem as well. In previous water rich Pearl River Delta and Yangtze River Delta regions, water shortages have emerged in recent years, and much water has been rendered unusable due to heavy pollution. Contamination is also spreading to underground aquifers—it is estimated that 25 percent of the aquifers are being polluted.

Land Degradation and Soil Pollution

According to the monitoring results of China's State Forestry Administration in 1999, China has 2.67 million square kilometers of desert land, accounting for 27.9 percent of its total territory; and the desert areas are still expanding with an average of about 10,400 square kilometers per year. Thirty-seven percent of total territory (3,560,000 square kilometers of land) suffer from various degree of soil erosion.

Due to factors including soil erosion, salination, pollution, 40 percent of the country's arable land is degraded.⁷⁹ In recent years, rapid industrialization and urbanization are claiming farmland at an alarming speed. In order to protect the already scarce arable land, the government has stipulated an "arable land balance act": for any farmland converted to industrial, commercial or construction use, the responsible party has the financial obligation to create the same amount of arable land somewhere else. While this act has slowed down the emergence of landless farmers, the net effect is that more and more marginal lands are reclaimed for cultivation while fertile farmlands are converted for other uses.

The remaining farmlands suffer from pollution caused by agricultural chemicals, mining activities, industrial pollution, etc. Chemical pesticides have polluted some 13-16 million hectares of farmlands. 20 million hectares of farm land (about one-fifth of the arable land) are contaminated by heavy metal (cadmium, arsenic, lead, chromium, etc.). It is estimated that about 12 million tons of grain is contaminated (i.e., harmful for human consumption) and that pollution is responsible for more than 10 million tons of reduced grain production.⁸⁰

Yangtze River Delta and Pearl River Delta, two prosperous regions due to recent rapid export-oriented growth, serve as two examples of the rapid increase in environmental devastation. For centuries, the fertile and water rich river deltas were China's rice and fish baskets; they still supply the country with a considerable amount of agricultural products. But probably unknown to most consumers or even growers themselves, the farmlands in these regions are suffering from extensive contamination from heavy metal and persistent organic pollutants (POPs), much of it from polluting industries outsourced by the West, and practices such as illegal exporting of electronic wastes (from the U.S.).

From 1999 to 2002, Guangdong Province carried out a geological survey of 10,000 square kilometers farm land in the Pearl River Delta region. It found that only 10.61 percent of the land can be classified as

clean; 35.9 percent is medially or heavily polluted; the rest is lightly polluted. Forty-six percent of the land is contaminated by cadmium and 12.56 percent is contaminated by mercury.⁸¹

The Yangtze River Delta exhibits a similar situation. Scientists have found more than 100 kinds of PCBs, highly carcinogenic persistent organic pollutants. In a 2002 survey by Nanjing Agriculture University, more than 70 percent of the soil samples were found with above-normal levels of heavy metals. Highly contaminated grains including “mercury rice,” “lead rice,” and “cadmium rice” have been found in markets.⁸²

Local people are paying the price with their health, and future generations will pay as well.

Green House Gas Emissions and Global Warming

Though China’s per capita emission rate is much lower than that of the United States, Europe or other developed countries, due to its huge population of 1.3 billion people, the total emission is considerable. Next to the U.S., China is the second largest green house gas (GHG) emitter in the world. According to China’s submission to the UN, it emitted 2.66 billion tons of carbon dioxide, 34.3 million tons of methane and 850,000 tons of nitrous oxide in 1994.⁸³

The explosion of private vehicles in recent years (19 percent annual growth) has increased oil consumption. China currently imports 32 percent of its oil and the need for imported oil is expected to double between now and 2010. From 2000 to 2004, China was responsible for 40 percent of the increase of energy consumption of the whole world. With the current GDP growth trend, it is estimated that China may exceed the U.S. as the top emitter in 2020.

Climate models predict that global warming would cause less rainfall in northern China and more rainfall in southern China. This is consistent with observations in recent years—there has been a continuous drought in the North China Plain since the 1980s, while flooding disasters have happened frequently in southern China. This impact has been especially enhanced since the 1990s. Climate change could—if the worst predictions of scientists came true—lead to a drop of between 20 and 37 percent in China’s yield of rice, wheat and maize over the next 20 to 80 years, according to a report published in September 2004 by the Chinese and British governments.⁸⁴ In short, climate change may exacerbate China’s water crisis and threaten its food security.

Environmental Injustice and Environmental Unrest

There is increasing environmental awareness among urban residents. In 1999, the Social Survey Institute of China (SSIC) surveyed households in Beijing, Shanghai, Tianjin, Guangzhou, Chongqing, Wuhan and other cities about issues that most concern citizens. Environmental protection was the second highest priority (following corruption).⁸⁵ Thanks in part to increasing public pressure, the capital city Beijing and a handful of other big cities are being cleaned up. For example, Beijing has moved nearly 130 factories out of the city. Cleaner, gas-fueled power stations are being built while older ones are being retrofitted with scrubbers. Many NGOs in Beijing have been instrumental in the process.

However, some activists and researchers in China question whether many practices reflect “environmental imperialism” because many polluting factories are simply being relocated to poorer areas. Instead of

treating wastewater, many cities are digging long ditches to send the water away. While Beijing and Shanghai are increasingly supplied with natural gas from western China, many people and factories in the gas-producing areas have to purchase coal (sometimes from other areas far away) for their own energy needs because much of the cleaner fuel is reserved for distant big cities. As a consequence of these unfair practices, the rural population disproportionately suffers from environmental degradation.

Heavy metal pollution serves as an example. Farmers play no part in creating it; industry does. Yet, farmers bear the consequence, often without any form of compensation. Roughly 20 million hectares of farmlands are contaminated by heavy metals. Given the average size of a family farm, that translates to about 130 million farmers who are negatively impacted. In some of the worst hot spots, pollution has become a life and death issue. In Shaanxi Province, a small village of only 154 people, there have been 30 deaths due to cancer over the past 27 years.⁸⁶ In Huangmengying, a village of about 2,400 there have been 114 cancer deaths over the past 14 years. The nearby Shaying River (a tributary of Huai River) is so polluted by industrial waste that the water is sometimes black like soy sauce. According to Huo Daishan, an independent environmentalist, there are more than 20 cancer villages along the river in Shenqiu County alone.⁸⁷ Along some stretches of the Huai River, the death rate is one-third higher than provincial average, and the cancer rate is twice the provincial average.⁸⁸

Officials only pay attention to GDP numbers, which do not consider environmental factors. Another barrier that maintains the polluting status quo is the dependence of local government on taxes and revenues generated by the factories. In some cases, the officials themselves are big shareholders of the polluting factories, and thus have a direct interest to keep the factories running and keep the expenses as low as possible.

When the victims have no legitimate means to address their grievances, social unrest is increasingly unavoidable. In the eastern province of Zhejiang, there have been three large pollution-related protests and even clashes with the police since April 2005. Each involved thousands or even tens of thousands protestors. In the April event in Huaxi village, more than 20,000 villagers confronted and drove off 3,000 police who were sent in to break up a protest against an industrial park. Ironically, Zhejiang is a prosperous coastal region and in recent years it has enjoyed one of the highest economic growth rates among all provinces. Judging from the GDP numbers, the growth paradigm has been very successful. Yet the local people are increasingly saying “no” to this model of development.

Conclusion

The urban middle class is becoming more environmentally conscious, partly due to influence from the West. Yet many of them want more cars and other luxuries while demanding that the government to clean up the environment. “We will get rich first, then we will have the resources clean up the environment” is the popular thinking. It is a different story for many rural residents. Many of them reap little benefit from the rapid industrialization while bearing the brunt of environmental destruction. Unlike many urban residents who are far removed from the real impact of their activities, farmers instantly see through the artificial dichotomy of environmental protection and development when their fisheries collapse or their crops fail. Many of them are poor and want a better life, but they know it cannot be achieved by abusing nature. It is time for policy makers to understand this as well.

Section Three

ALTERNATIVE VOICES FROM CHINA

I. PROGRESSIVE MEASURES BY THE GOVERNMENT

In recent years, and especially since President Hu Jintao and Prime Minister Wen Jiabao took office in 2003, the Chinese government appears to be re-thinking some of its reform policies. The previous government emphasized development as the paramount goal. The new leadership advocates that the country consider “scientific development” and “people-centered development” to build “a harmonious society.” Such statements signal that there may be some questioning of China’s embrace of globalization policies. However, it will be difficult to radically turn away from the neo-liberal model because of binding international commitments made with the WTO.

Increasingly, the government and the media are acknowledging the plights of many marginalized groups and some concrete steps are being taken to address these grievances. This section examines several examples of how China’s current leadership is dealing with the rural crisis, the environment, HIV/AIDS, education and other pressing issues.

Rural Communities—Tax Reduction and Increased Investment

China’s rural crisis has been brewing for almost two decades as noted earlier in this report. Due to a growing number of protests and demonstrations against increasing taxes and fees, the government initiated pilot experiments on rural tax reform in central China’s Anhui Province in March 2000. According to China Daily Online (August 2002), the main content of the reform is to reduce the overall agricultural tax burden on farmers by two-thirds. Additionally, the government also announced a 25 percent increase of investments in the rural sector for 2004.

While farmers welcome the tax reduction, many believe that much more is needed and that the reduced taxes and moderate government spending in rural communities creates a strong incentive for the most polluting industries to relocate to the hinterlands, where people are least equipped to deal with the pollution. Also, tax reduction alone is only a short-term solution, especially because many local governments are facing a mounting budget crisis. But for now it has alleviated the rural crisis considerably, giving the government more time to plan for long-term solutions.

The overall effect to date of some of these initiatives has been fairly positive. In 2005, the government announced that the number of people living in extreme poverty was reduced by 10 percent in 2004 (from 29 million in 2003 to 26.1 million in 2004).⁸⁹ Also, for the first time since the reform era, there are labor shortages in coastal regions, indicating that many migrant workers, instead of working in sweatshop factories, are choosing to return to their farms.

Education

The rural-urban gap is especially obvious in the field of education as noted previously in this report. Seventy percent of China's population still lives in the rural areas, which receive only 23 percent of government educational spending. In March 2005, Prime Minister Wen Jiabao announced a fee-exemption policy. The policy will remove fees for 14 million students in the country's 592 poorest counties. The plan will continue until all rural students receive a free primary education. Although there are concerns about local governments circumventing the policy; to date, there have been vast improvements in the situation. China Daily reported in November 2005 that 36 million rural students are now benefiting from this policy. The goal, according to Director of Ministry of Education Han Jin, is to exempt rural students participating in elementary and junior secondary education (nine years) from paying tuition fees and taxes by 2010.

The government also promised funds to modernize rural schools over the next five years to reflect education in urban centers—supplying technology such as satellite educational programs and educational DVDs. Such commitments are notable; however, there is concern that this one-size-fits-all approach may not be appropriate for rural educational needs. (See Section One, I., Education and Cultural Colonization)

Health Care

Rural health care is also receiving more government attention. According to the Development Research Center of the State Council (DRCSC), rural residents pay 90 percent of their medical care cost, while urban dwellers pay only 60 percent.⁹⁰ At the same time, a rural resident earns, on average, only one-third of the income of an urban resident.

The government is conducting pilot experiments to establish cooperative health care networks in the countryside. According to a *People's Daily Online* report in October 2004, "China plans to set up a cooperative health-care network by 2010 to enable China's 900 million rural residents to enjoy basic medical care."⁹¹ In May 2004, *China Daily* reported that the government will invest 1 billion yuan (\$121 million USD) in projects to improve public health infrastructure in rural areas.

HIV/AIDS

By the early 2000s, HIV/AIDS was well established in many farming villages in central China, especially in Henan province. According to official government estimates, China has about 840,000 HIV/AIDS patients, of which 20 percent are farmers who contracted the disease by selling blood. The government admits that these numbers may be lower than on-the-ground reality. NGO workers have estimated that the number is possibly closer to a few million.

Farmers regularly sold blood to dealers known as "bloodheads" beginning in the late 1980s and early 1990s. The trade was tolerated or even promoted by some health officials. Many bloodheads recruited potential sellers with claims that rural areas could use its competitive advantage and get rich by selling blood to customers in big cities and foreign countries.

In order to maximize the amount of blood a person could sell and maximize profit, a more "efficient" blood collection method was invented around 1993. The blood of all peasants with the same blood type

was mixed together and put into a centrifugal machine to extract the plasma; the remaining blood was then transfused back to the sellers. This method of blood collection was a certain recipe to spread the HIV/AIDS virus.

The blood economy did create some short-lived prosperity: many farmers used the proceeds to renovate their houses, buy TVs, etc. But then people started to get mysteriously sick and die. Doctors investigated and soon found HIV/AIDS to be the culprit. Initially, the government vehemently denied the problem, and activists addressing this issue were regularly harassed by local officials.

In recent years, partly due to the outbreak of SARS in 2002, the government is beginning to acknowledge the sad state of rural health care. Though no one has been brought to trial or held accountable yet, what happened in Henan is widely acknowledged to be a national scandal. Selling blood is now illegal and steps have been taken to improve blood donation services as well as crack down on the bloodheads.

In 2003, Prime Minister Wen Jiabao, along with the vice minister of health, promised to expand government assistance to ease suffering caused by HIV/AIDS. Wen stressed that “every level of government” has a lot of work to do and promised careful surveillance of the epidemic and an increased investment in HIV/AIDS work. Following Wen’s visit, Vice-Minister of Health Gao Qiang went further and initiated the “four frees and one care” policy: free anti-retroviral drugs to all patients in the countryside and to the urban poor; free testing and advice for those request it; free drugs for infected pregnant women; free schooling for AIDS orphans and financial help for the impacted families.

II. ENVIRONMENTAL MOVEMENT

Since early to mid-1990s, the Chinese government has allowed the proliferation of environmental NGOs, hoping these NGOs can fill in the gap to educate the public on related issues and address the country’s pressing ecological problems. Environmental NGOs have rapidly moved into the newly opened political space. Currently, these groups are probably the most active actors in China’s emerging civil society. There are about 2,000 officially registered environmental NGOs, with perhaps as many registered as business enterprises, or not registered at all. Many international NGOs such as the Nature Conservancy, Conservation International, World Wildlife Fund, and Greenpeace have established offices in China.

Funding Sources and Actors

Public funding for NGOs is still quite limited and fundraising activities are highly regulated, thus NGOs mainly depend on two sources: lifetime savings of some dedicated activists and founders, and funds from foreign foundations, grantmaking NGOs and donors abroad. Many funding sources, especially those from the U.S., often promote their ideologies and practices, which may or may not be suitable for local conditions. For example, a large U.S. environmental organization has generated much controversy because it is buying up large areas of land and removing the people who live there.

China’s environmental activists are often well educated and from middle-class backgrounds. Many leading activists, especially those based in Beijing, have spent time in U.S. universities or U.S.-based NGOs.

Naturally, many of them have brought back ideas, languages, and methodologies from the West—sometimes this is beneficial, sometimes it is not. For example, just like many western environmentalists, some leading Chinese environmentalists often adhere to the line of thought that ecological disaster will follow “If every Chinese person drives a car,” or “If every Chinese person consumes as much meat as American.” While these can be problematic issues, the ethnocentric framing of the problem is not very helpful to gain an audience in China. For China’s rising consuming class, the response to the western-biased critique is: “You got rich this way, now you don’t want me to get rich.” And, for many working people who can never dream of a car or U.S. lifestyle, the message is simply irrelevant.

The uncontrolled explosion of private automobiles is indeed a huge problem in China, especially for the poor. Public buses are moving more slowly because of the traffic jams; increasingly roads are closed to bicycles to make more room for cars; highways and urban sprawl are swallowing a huge amount of land, creating significant numbers of landless peasants. However, the question is not: “What if every Chinese drives a car?”; instead, it is about equality and justice—if 50 percent of Chinese people drove cars, will the remaining 50 percent have places to walk and bike, or have enough land to grow food? Currently, many Chinese environmentalists are busy learning technical fixes or even the “not in my backyard” approach from the West, while ideas of environmental justice and deep ecology, and other systemic analyses do not receive enough attention.

Rural Environmentalism

So far, Beijing-based NGOs enjoy most of the media attention, as well as receive most of the funding. But green organizations are spreading rapidly in the provinces as well. There is a growing indigenous conservation movement in many minority areas, including Tibet Plateau, Inner Mongolia and Yunnan provinces. Many smaller, locally based NGOs have been formed to address local concerns.

For example, the Huai River Guards deal with the horrific water pollution in the Huai River basin. Many Yunnan NGOs are engaged in the debate on dams. Compared to Beijing-based NGOs, local environmental groups often have a solid grassroots base and these differences are reflected in their messages. For example, during the recent dam protests that have mobilized environmentalists all across China, Beijing-based NGOs talk predominantly about protection of bio-diversity while local NGOs talk about social justice, displaced peoples and traditional livelihoods. There is concern that the environmental movement is currently dominated by city people demanding a clean environment for themselves while ignoring systemic problems and the plights of the poor.

College students are increasingly involved in these movements as well. Tang Xiyang, an environmental pioneer, set up the first “green camp” for university students in 1996. Since then it has quickly spread to many college campuses. Many larger universities have more than one environmental club. On Earth Day of 2004, over 100,000 students participated in green activities.

The Dam Debate

Currently, the hottest issue in China’s ecological movement is the debate about big dams. China already has around 22,000 big dams (defined as being at least 15 meters high), or 46 percent of the global total. Yet the fierce search for hydraulic electricity has initiated another building spree. At the root of the rush

to build more dams is deregulation and privatization of the utility industry. The phenomenon is generally referred to as “enclosure of the waters” in Chinese. Some projects have ignited heated public debate.

In 2003, the government halted the construction of Yangliuhu Dam. Environmental groups and local people protested that it would endanger Dujiangyan, an ancient irrigation work that has continuously benefited the region for more than 2200 years. The termination of the project was considered the first major victory of China’s environmental movement.

Also in 2003, the government announced plans to build 13 dams on the Nu (or Salween) River. Among China’s major rivers, Nu River is one of only two that have not been dammed (the other undisturbed river is the Yaluzangbu in Tibet). Many environmental groups have spoken against it, however, the protest is not without risk. In 2004 and 2005, several groups were shut down temporarily or received harsh warnings from the government because they collected signatures against the project or brought villagers slated for relocation to visit those displaced by existing dams.

The public is now demanding more transparency. In August 2005, 61 organizations and numerous individuals issued a letter to the Chinese government arguing that the environmental impact assessment of the Nu River project must be made available for public scrutiny, in accordance with Chinese law. “We should no longer tolerate the low-cost or even free exploitation of public resources and the earning of huge profits at the expense of our environment,” the letter demanded. “Dam-builders should not externalize the huge costs of dam construction on affected people, the public, the nation’s finances and future generations.”⁹²

Unfortunately, many believe that stopping the monster Three Gorges Dam project is a lost cause; however, the fact that it took project proponents 30 years to get passed by the People’s Congress is significant.

Environmental NGO Interaction with the Government

Many green NGOs have worked very closely with China’s State Environmental Protection Administration (SEPA). They have joined forces in the call for a green Olympics, campaign for energy efficiency, and many other projects. SEPA and NGOs have often formed alliances against local polluters, or even local governments neglecting environmental regulations. Even on the most sensitive issue of dam construction, SEPA and NGOs are often on the same side.

SEPA has stepped up its enforcement of environmental laws in recent years. In December 2004, SEPA suspended the construction of about 30 large projects because they lacked the environmental impact assessment required by law. This sent shock waves across China; never before had SEPA attacked such huge projects, some of which were priced at more than a billion dollars. In Chinese media, this event was termed “the storm of environmental assessment.” While it made history, there is still a long way to go. According to Prof. Wang Canfa at China University of Political Sciences and Law, barely 10 percent of China’s existing environmental laws and regulations that are actually being enforced (from Xinhuanet 10/06/2005 “China Improves Enforcement of Environmental Laws”).

SEPA has also launched a green GDP initiative to measure the impact of environmental degradation and pollution: a framework of the “Green GDP” index system has been set up and six provinces have been

selected for test runs. The result from Shanxi, one of the pilot provinces, was widely reported at home and abroad. The *Financial Times* reported on August 19, 2004: “The first Chinese province to calculate ‘green GDP’—economic production less environmental costs—has concluded it [the economy] barely grew during the country’s expansion over the past two decades.

Currently, SEPA is making similar estimates at the national level and the results are expected to come out in May 2006. While the Green GDP accounting exposes the flaws of existing development, the government is still left with the question: what is the solution? Some Chinese scholars have argued for a “circular economy,” which employs the most efficient use of resources and achieves maximum economic and environmental benefits at a minimum cost. But so far, the circular economy is still largely an empty phrase with no plan of how to implement this concept.

Future Challenges

The achievement by the environmental NGOs in the last ten years is impressive. Public understanding and support has growing considerably, and NGOs have formed strategic alliances with the government (especially SEPA). Still, many challenges remain as the movement continues to evolve.

First, Chinese environmentalists need to gain independence from their western teachers, both financially and intellectually. The heavy dependence on international funding makes them vulnerable to political attacks. Some have been accused of being foreign agents who are trying to stop China’s development. Instead of learning only from their western counterparts, Chinese groups need to have more exchange and communications with ecological colleagues from other developing countries.

Environmental pollution and degradation are most serious in the countryside, yet most NGOs are predominantly focused on urban issues. From their real life experience, some provincial NGOs have a better understanding of the problems on the ground, but many of them have yet to learn how to articulate their views. These NGOs should receive more media attention and funding support.

Some other actors, such as the new rural reconstruction movement are addressing ecological concerns as well. But so far there is little communication and collaboration between the environmental movement and rural reconstruction movement. More connections and synergy need to be built to better leverage positive change.

The single-minded focus on economic growth during the last two decades has created mounting environmental and social crisis in China. Fortunately, the government is responding to the outcry by its people. Since it took power in 2003, the new government has made many adjustments to address the ills created by the previous neo-liberal policies. Although many of the policies are still short-term measures and do not attack the root causes, some progress is being made. However, it remains an open question whether these central directives can be carried out, as they are opposed by entrenched interests that have permeated many levels of local governments.

III. NEW RURAL RECONSTRUCTION MOVEMENT

In response to China's rural crisis, there has been a debate between those who see the solution as reducing the rural population and those who believe that a viable rural economy can be achieved. Those who support the latter view are part of a vibrant rural reconstruction movement that has emerged in recent years.

The "new" rural reconstructionist movement argues that the majority of China's rural population will remain such in the foreseeable future and so the solution is to revive community spirits; to empower rural people to build a people-centered, community-centered local economy.

The James Yen Rural Reconstruction Institute is an example of an approach to revitalizing China's rural communities. The Institute's goal is to promote traditional knowledge based on organic agriculture and permaculture, community organizing, and peasant self-governance. There are several "chapters" set up throughout rural China. While the primary focus may vary from region to region, the central theme is to revive community spirits through empowerment as expressed by an old saying in China: "To help someone, first build up their will." The emphasis is on building an internal perspective of self reliance, which is in sharp contrast to conventional aid work.

Role of International NGOs and Funding in Rural Movements

Ideas of emphasizing traditional knowledge and cultures is important not only for Chinese practitioners, but also for international NGOs engaged in Third World rural areas. As Pat Yang, chairperson of the New York-based Zigen Fund commented, "When I began visiting in Guizhou (a southern province with many minority groups), people told me: 'We are poor but our culture is rich and unique and we can do many things.' Today, people say: 'We are poor and we need roads, buildings, etc.—can you give us money?'" Ms. Yang believes this is a cautionary lesson—NGOs trying to empower local people should make sure they don't impose outside ideas and not heed local needs.

For example, many American NGOs are funding village level elections in China, hoping such efforts foster civil society and democracy. It is well known among rural research circles that this area easily receives funding from U.S. sources and so many rural areas are beginning to conduct local elections. The intentions of the U.S. organizations are laudable; however, elections alone do not equate democracy. As one villager related in a confidential interview: "The village life is increasingly controlled by far away markets or corporations, so there is little a village head can do anyway. So many elections only expose or even exacerbate the problems without solving them."

Many working in rural communities believe that direct elections imposed from the outside is not a panacea for a fragmented community and rapidly deteriorating social capital. Instead, rural reconstruction should be a first step—reviving the community spirit; developing local institutions such as cooperatives, credit unions, and other social/cultural organizations. These things build a vibrant local economy. When people have more control of local resources and livelihoods, they will develop their own form of democratic institutions and processes.

IV. CHINA S “NEW LEFT”

In recent years a group called the “New Left” has emerged in China’s intellectual scene. This group is a loose coalition of intellectuals centered in Beijing who have become increasingly vocal in their concern over the direction of China’s reforms since the 1990s. They advocate policies ranging from Social Democrat to Economic Nationalist to Maoist. The group is not highly organized, and links with decision makers are tenuous and strained. It remains primarily an internet-based community because it does not operate within the Party, and is prevented from organizing outside of it.

Some of the common themes of New Left writers include: rejection of the current neoliberal economic orthodoxy; criticism of privatizing state assets; and opposition of China’s concessions to become a WTO member. Perhaps the most unifying point of China’s New Left is the belief that the increased social polarization, corruption, and hyper-consumerism amidst poverty have been caused by the market-oriented reforms, rather than being a failure of the old system.

To date, almost all public activities of China’s New Left are restricted to the intellectual sphere. Despite far-reaching market reforms, China’s Communist Party tightly holds its monopoly of organization and even low-level mobilizing strategies such as signing petitions can lead to repression. Linkages between the New Left and groups promoting cooperatives and work to protect urban migrants’ rights are tentatively beginning to form, but for the moment, there is little integration with other movements in China.

Section Four

CHINA AT THE CROSSROAD

Adam Smith, the intellectual godfather of modern capitalism, observed that “Wherever there is great property, there is great inequality. For one very rich man, there must be at least five hundred poor, and the affluence of the few supposes the indigence of the many.” (*The Wealth of Nations*, 1776, vol. 2, p. 232). The results of China’s reform era amplify Smith’s warning. Great wealth has indeed been created, but so has great inequality, injustice, and absolute poverty (not in terms of GDP as used by economists, but in terms of affordability of basic services such as education and health care). Western and Chinese media have attributed China’s growth to free market reforms, but a deeper examination reveals some flaws in this commonly accepted thinking.

Many economists and scholars have compared China with other populous developing countries such as India, and explored the reasons for China’s economic “miracle.” Different experts may emphasize different reasons, yet most of them agree that the nearly universal access to health care and primary education, which was available even in the rural areas during the pre-reform era, laid a solid socio economic foundation. From 1949 to 1980, average life expectancy increased from 35 years to 67 years. The infant mortality rate dropped from more than 200 per thousand to 42 per thousand—one of the fastest improvements witnessed in the world during the same period. In WHO’s 1978 Alma Ata Conference “Health for All by the Year 2000,” China’s primary health care system was featured as model for the world. Additionally, the literacy rate among adults increased from less than 20 percent before 1949 to 66 percent in 1980.

In all of these indicators for quality of life, China far surpassed most developing countries with similar income levels. David Dollar, World Bank’s current country director for China, said in a 2005 seminar on China’s economic emergence, “(Before the reform), China was a Third World country with First World human capital development.” Amartya Sen, a Nobel Prize laureate for economics from India, was even more explicit, “China’s relative advantage over India is a product of its pre-reform (pre-1979) ground-work rather than its post-reform redirection.”

Unfortunately, the reform has had a rather detrimental effect on the very human resource it builds on, especially in the vast countryside. By 1978, about 85 percent of the rural population was covered by collective health care; today, more than 80 percent of the rural population does not have any form of health care. While the urban life expectancy (78 years) is approaching the level of developed countries, life expectancy of rural residents is only 66 years, as low as the national average 25 years ago..

Higher education has increased significantly in recent years, but at the cost of basic public education for most children. A case study of one rural county found that about 70 percent of the youth finished high school in 1976, but by the late 1990s, the rate dropped to less than 10 percent. One could reasonably

propose that China's advantage in human resources has largely been liquidated. This also partly explains why China now depends so much on exports of labor-intensive products, directly competing with other developing countries.

This aspect of China's reform package resembles the "structural adjustment" programs that the World Bank has imposed on several developing countries during the last few decades. The major difference is that the Chinese government willingly takes the measure without the pressure from Bretton Woods institutions—although its recent WTO membership is the beginning of being part of the Bretton Woods legacy.

Given that China once had a public service system that was the envy of other developing countries, the extent and thoroughness of the "adjustment" is quite alarming. The World Health Report 2000 ranked China 188 out of 191 member countries. In terms of education, private sources pay 44.2 percent of educational costs in 1999, higher than that of all other countries (except Chile) according to a United Nations report.

Such data supports the view of many that today's China has implemented one of the most radical neo-liberal policies in the world. Its economic success has proven that the World Bank is indeed right: structural adjustment does produce growth, at least in the short term and for a small segment of the population. But the questions remain: Is this the kind of growth people really want? Do rising economic growth figures benefit the majority of people? According to the growing number of complaints in the Chinese media and increasing mass protests, it appears that more and more people are answering "no" to such questions.

A question often asked about the current protests is: Why is the Chinese resistance against this kind of reform only rising now, later than in many other countries? Two important reasons are: 1) the state's accumulation of considerable political capital during the pre-reform years; and 2) the successful disguise under which the reform was carried out.

Despite many political mistakes and blunders between 1949 and 1978, the strong egalitarian policy of the Chinese government did earn enormous trust from many people. So when market-oriented reformers said that the reform would require sacrifice and asked people for it, most tightened up their belts to willingly make the sacrifice. They assumed that it was for the common good and that the benefits would be distributed more or less evenly to everyone. This was the implicit social contract between the state and the people during the first 30 years of the Republic, and public opinion expected that the state would continue to keep its end of the bargain.

Furthermore, the reform policies during the initial years sounded innocent enough—introduction of "market mechanisms to improve efficiency"; and "building socialism with Chinese characteristics." At the time, most people agreed that Mao's policies were not perfect and certain reforms were needed. Few people, if any, expected that the reforms would eventually lead to the radical neo-liberalism seen today—this was probably not Deng Xiaoping's initial intention either.

Over the years, as the problems of the reforms began to emerge, proponents always argued that they were residual problems from the past, and could only be solved by further reform. This has been the major narrative in the western media as well: the problems are always being blamed on China's past, and the solution is always further adoption of western rules.

But these arguments are becoming less and less convincing. During the Maoist era, the rural-urban gap was much smaller than today and it was closing. Despite a much lower GDP than exists today, most people could afford education and health care. Crime, prostitution, labor abuse and other social ills were not a significant part of society. It is hard to blame residuals of the past for the rapid increase in problems that were so rare in the past. People are losing patience and asking, “Why is it always workers and peasants who are required to make sacrifices, while a small elite enjoys the fruits?”

When talking with Chinese workers and peasants, one increasingly hears comments such as: “This is not socialism with Chinese characteristics as Deng Xiaoping told us. Instead, what we have here is capitalism with Chinese characteristics”; or “When Chairman Mao warned us about the restoration of capitalism, we really did not understand what he was talking about. Now we do.”

Another comment is shared across all social classes: Deng’s reform policy consisted of “signaling the Left, while turning Right.” While some of the newly rich say it jokingly or even approvingly, many working people say it with anger and a sense of betrayal. Meanwhile, the public perception of Mao has improved dramatically, and spontaneous memorial activities on Mao’s birthday have grown considerably in recent years. In some recent demonstrations against privatization of SOEs, protesting workers held large banners with pictures of Mao. The message is loud and clear: they prefer the bygone era of Mao because today’s government has grossly violated its social contract with the people.

Thus 27 years of reform have not only significantly liquidated the natural sources (see pages 27-31 of this report) and human resources of China, it has also liquidated the political capital of the Party and the state. The legitimacy of the government is being challenged, as shown by the growing number of protests. This problem extends into the Party as well. As the socialist rhetoric is becoming an empty shell, the Party has to resort to material means to mobilize its members and officials, and this exacerbates corruption and strengthens entrenched interests.



Since President Hu Jintao and Prime Minister Wen Jiabao took office in 2003, there have been signs of policy adjustments. The plights of marginalized groups are increasingly covered by the media, and the government has taken some measures to address their grievances. Instead of declaring that “development is the absolute need,” the new government is now advocating for “scientific development” and “people-centered development.”

Yet, to date, the adjustments have not touched the essence of the neoliberal policies carried out in the last two decades. For example, the privatization and liquidation of state assets continue despite ongoing debates. Should China continue on the path of market-oriented reform? The implicit promise of the reform is that the U.S. way of life will be achieved for everyone—but, is the U.S. lifestyle a model to emulate? Can it really be achieved for the majority of people? Or is it time to reexamine this process and think about alternatives? These are some of the questions that Chinese leaders and Chinese people are discussing today.

Given how strong the entrenched interests are in China, a change of direction will not be easy. But there is still hope. A substantial fraction of Party members and the general population still adheres to the ideas of equality and justice as promised by socialism, instead of blindly accepting the newly introduced social Darwinism. But these people have been marginalized and demoralized in the last few decades by society's single-minded pursuit of wealth. People are ready to revitalize and remobilize a new vision of China.

This is a crossroad not only for China, but also for the planet. The search for a just and sustainable world is a global challenge now, and China's choice will impact everyone. Its experience since 1949 also offers important lessons. While the economic success of the reform era should not blind us to its immense human and environmental costs, we should not fall into the opposite extreme either and glorify the Maoist era. This report has largely depicted the problems of the reform era in contrast to some achievements of the Maoist era in order to counter the western media's view that China's market reform era is overwhelmingly positive and that all of China's problems were caused by the Cultural Revolution.

Maoist China made huge progress in human and social development, the reform era has made impressive advancements in economic development, and both periods are also seriously flawed. An honest and balanced examination of both eras is needed to forge the way forward.

FOOTNOTES

- ¹ *Millennium Development Goals China's Progress: An Assessment by the UN Country Team in China*. Office of the United Nations Resident Coordinator: Beijing, 2004. Available from <http://www.undp.org.cn/documents/reporten.pdf>.
- ² "Six Large Gaps Regarding Income: The Top 10% Has 45% of the Wealth." *Xinhua Net*. June 17, 2005. Available from http://news.xinhuanet.com/fortune/2005-06/17/content_3096235.htm.
- ³ Gilboy, George J. and Eric Heginbotham. "The Latin Americanization of China?" *Current History*, September 2004.
- ⁴ Yang, Wang. "High Saving Rate Indicates Dangers of Capital Flight." *Xinhua Net*. October 24, 2005. Available from <http://jjckb.xinhuanet.com/www/Article/20051024104534-1.shtml>.
- ⁵ *Statistics Yearbook*. State Statistics Bureau (of China). Various years.
- ⁶ "The Supply of Cheap Labor is Not Infinite: Investigation of Labor Shortage of the Pearl River Delta." *China Business Times*. October 20, 2004. Available from <http://finance.sina.com.cn/g/20041020/00481090944.shtml>.
- ⁷ "30 Percent of Water in the Seven Major River System is Classified as Grade V." *Guangmin Daily*. March 24, 2005. Available from http://www.gmw.cn/01gmr/2005-03/24/content_202559.htm.
- ⁸ "2004 China's Environmental Situation Brief." State Environmental Protection Administration.
- ⁹ *Ibid.*
- ¹⁰ Wang, Hua, et. al. "Environmental Performance Rating and Disclosure: China's Green-watch Program." World Bank Policy Research Working Paper 2889, September 2002.
- ¹¹ "Desert Areas Grows in China." *People's Daily*. February 25, 2002. Available from http://english.people.com.cn/200202/25/eng20020225_90962.shtml.
- ¹² Calvert, Brian. "Guangxi's Globalization Gap." *China Pictorial*. November 6, 2004. Available from <http://www.china-pictorial.com/chpic/htdocs/English/content/200411/6-1.htm>.
- ¹³ "Big Gap Between Urban and Rural Health Care: Urban Life Expectancy is 12 Years Higher than that of Rural Areas." *New Beijing Paper*. November 17, 2005. Available from http://news.china.com/zh_cn/finance/11009723/20051117/12858285.html.
- ¹⁴ Han, Dongping. "Professional Bias and Its Impact on China's Rural Education: Reexamining the Two Models of Rural Education and Their Impact on Rural Development in China." Available from <http://chinastudygroup.org/article/2/>.
- ¹⁵ French, Howard W. "Land of 74,000 Protests (but Little Is Ever Fixed)." *New York Times*, August 24, 2005.
- ¹⁶ Meisner, Maurice. *Mao's China and After*. New York: Free Press, 1999.
- ¹⁷ Gilboy, George J. and Eric Heginbotham. "The Latin Americanization of China?" *Current History*, September 2004.
- ¹⁸ Xiaoping Wenxuan, Deng. *Writings of Deng Xiaoping*. Vol. III. Beijing: People's Publishing House, 1993, p. 286.
- ¹⁹ "Claiming Loss to Evade Taxes: 70% of Foreign Enterprises in Suzhou Make Loss Intentionally." *Xinhua Net*. September 16, 2005. Available from http://news.xinhuanet.com/fortune/2005-09/16/content_3497540.htm.
- ²⁰ Calvert, Brian. "Guangxi's Globalization Gap." *China Pictorial*. November 6, 2004. Available from <http://www.china-pictorial.com/chpic/htdocs/English/content/200411/6-1.htm>.
- ²¹ "Six Large Gaps Regarding Income: The Top 10% Has 45% of the Wealth." *Xinhua Net*. June 17, 2005. Available from http://news.xinhuanet.com/fortune/2005-06/17/content_3096235.htm.
- ²² Loong-Yu, Au. "The Post MFA Era and the Rise of China." *Global Monitor*. Personal correspondence, November 1, 2005.
- ²³ French, Howard W. "Land of 74,000 Protests (but Little Is Ever Fixed)." *New York Times*, August 24, 2005.
- ²⁴ See for example, William Hinton. *The Great Reversal—the Privatization of China 1978-1989*. Monthly Review Press, 1990; Michel Chossudovsky. *Towards Capitalist Restoration? Chinese Socialism After Mao*. Palgrave Macmillan, 1986; and Josh Muldavin. "Mining the Chinese Earth." (Dissertation), 1987.
- ²⁵ Hart-Landsberg, Martin and Paul Burkett. *China and Socialism*. New York: Monthly Review Press, 2005, p. 43.
- ²⁶ *China Rural Economy Statistical Yearbook*. 1992.
- ²⁷ Mobo Gao, C. F. *Gao Village: A Portrait of Rural Life in Modern China*. Honolulu: University of Hawaii Press, 1999.
- ²⁸ A detailed study on the subject has been done by Hairong, Yan. "Spectralization of the Rural: Reinterpreting the Labor Mobility of Rural Young Women in Post-Mao China." *American Ethnologist* (2003): 30(4): 578-596.
- ²⁹ Mobo Gao, C.F. *Gao Village: A Portrait of Rural Life in Modern China*. Honolulu : University of Hawaii Press, 1999.
- ³⁰ Chan, Kam Wing. "Cities with Invisible Walls: Reinterpreting Urbanization in Post-1949 China". Oxford University Press, 1994.
- ³¹ Hairong, Yan. "The Empty Rural Areas and Empty Object." *Readings*, July 2005.
- ³² Zhang, J. "The Economic Study of Chinese Forestry." 1985.

- ³³ Jingqing, Cao. *The China Along the Yellow River Bank*. Shanghai Literature Press, 2000.
- ³⁴ Mobo Gao, C.F. *Gao Village: a Portrait of Rural Life in Modern China*. Honolulu : University of Hawaii Press, 1999.
- ³⁵ Han, Dongping. "Rural Reform and the Future of Rural China." Available from <http://www.chinastudygroup.org/article/81/>.
- ³⁶ Statistics Yearbook. State Statistics Bureau (of China). Various years.
- ³⁷ Fu, Xiaomeng. "Zero Growth of Tax Revenue from Foreign Corporations and the Suspicion of Tax Invasion." *Xinbua Net*. October 17, 2005. Available from <http://jjckb.xinhuanet.com/www/Article/2005101794121-1.shtml>.
- ³⁸ "Claiming Loss to Evade Taxes: 70% of Foreign Enterprises in Suzhou Make Loss Intentionally." *Xinbua Net*. September 16, 2005. Available from http://news.xinhuanet.com/fortune/2005-09/16/content_3497540.htm.
- ³⁹ *Millennium Development Goals China's Progress: An Assessment by the UN Country Team in China*. Office of the United Nations Resident Coordinator: Beijing. 2004. Available from <http://www.undp.org.cn/documents/reporten.pdf>.
- ⁴⁰ The World Bank has generally defined extreme poverty as less than one dollar per day, while China's statistics bureau set it at an annual income of 636 yuan for 2003. (The number is adjusted annually and it is supposed to be more or less comparable with \$1 per day in terms of purchasing power parity.) Virtually all the extreme poor lived in rural areas.
- ⁴¹ Gilboy, George J. and Eric Heginbotham. "The Latin Americanization of China?" *Current History*, September 2004.
- ⁴² Khan, Azizur Rahman and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. Oxford University Press, 2001.
- ⁴³ "Six Large Gaps Regarding Income: The Top 10% has 45% of the Wealth." *Xinbua Net*. June 17, 2005. Available from http://news.xinhuanet.com/fortune/2005-06/17/content_3096235.htm.
- ⁴⁴ French, Howard W. "Land of 74,000 Protests (but Little Is Ever Fixed)." *New York Times*, August 24, 2005.
- ⁴⁵ "Six Large Gaps Regarding Income: The Top 10% has 45% of the Wealth." *Xinbua Net*. June 17, 2005. Available from http://news.xinhuanet.com/fortune/2005-06/17/content_3096235.htm.
- ⁴⁶ "Investigation by Chinese Academy of Social Sciences: China's Urban Rural Gap is the Highest in the World." *Xinbua Net*. February 25, 2004. Available from http://news.xinhuanet.com/fortune/2004-02/25/content_1331124.htm.; "Qiu Xiaohua, Deputy Minister of Statistics Bureau, Talks About Economic Trends." *Sina Net*. July 15, 2002. Available from <http://finance.sina.com.cn/g/20020715/232433.html>.
- ⁴⁷ Hart-Landsberg, Martin and Paul Burkett. *China and Socialism*. New York: Monthly Review Press, 2005.
- ⁴⁸ "Migrant Workers Accounts for More than 80% Casualties Caused by Occupational Diseases." *Sobu News*, April 26, 2005. Available from <http://news.sohu.com/20050426/n225352141.shtml>.
- ⁴⁹ Ibid.
- ⁵⁰ "More than 5,000 Chinese Miners Die from Accidents this Year." *BBC Chinese News*. December 15, 2004. Available from http://news8.thdo.bbc.co.uk/chinese/simp/hi/newsid_4090000/newsid_4096900/4096947.stm.
- ⁵¹ "Workers in the Pearl River Delta and the Pain of Their Broken Fingers: The Blood and Tears Behind Economic Development." *China Youth Daily*. April 27, 2005.
- ⁵² Ibid.
- ⁵³ Weiwei, Li. "The Health Care Situation of Migrant Children is Seriously Worse than that of the Urban Residents." *Xinbua Net*. November 7, 2004. Available from http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/newscenter/2004-11/07/content_2186908.htm.
- ⁵⁴ Zhu, Ruby. "Workers Wanted." *The Bulletin* (Hong Kong Chamber of Commerce). September 2004. Available from http://www.chamber.org.hk/info/the_bulletin/2004/sep04/ceu.asp.
- ⁵⁵ Ibid.
- ⁵⁶ "The Supply of Cheap Labor is Not Infinite: Investigation of Labor Shortage of the Pearl River Delta." *China Business Times*. October 20, 2004. Available from <http://finance.sina.com.cn/g/20041020/00481090944.shtml>.
- ⁵⁷ World Bank, WDI-CDROM2003.
- ⁵⁸ Kaufman, Joan. "Information for Health: the Harvard HIV/AIDS Initiative in China." December 2, 2004. Available from http://www.novartisfoundation.com/pdf/NFSD_Symp_04_Presentation_Joan_Kaufman.pdf.; Liu, Yuanli and Joan Kaufman. "Controlling HIV/AIDS in China: Health System Challenges." Available from [http://www.ksg.harvard.edu/cbg/asia/HIVAIDS%20papers/9%20-%20Liu-Kaufman1%20\(4-final\).pdf](http://www.ksg.harvard.edu/cbg/asia/HIVAIDS%20papers/9%20-%20Liu-Kaufman1%20(4-final).pdf).
- ⁵⁹ *Evaluation and Suggestions Regarding the Reform of China's Health Care System*. Development Research Center of the State Council (of China). July 2005.
- ⁶⁰ Ibid.
- ⁶¹ Wang, Shaoguang. *Zhongguo Gonggong Weisheng de Weiji he Zhuangji (The Crisis of China's Public Health, and an Opportunity?)*. The Chinese University of Hong Kong, 2003.
- ⁶² Kaufman, Joan. "Information for Health: the Harvard HIV/AIDS Initiative in China." December 2, 2004. Available from

http://www.novartisfoundation.com/pdf/NFSD_Symp_04_Presentation_Joan_Kaufman.pdf.

⁶³ Li, Minqi and Andong Zhu. “China’s Public Services Privatization and Poverty Reduction: Health Care and Education Reform (Privatization) in China and the Impact on Poverty.” UNDP Policy Brief, Beijing, 2004.

⁶⁴ Khan, Azizur Rahman and Carl Riskin. *Inequality and Poverty in China in the Age of Globalization*. Oxford University Press, 2001.

⁶⁵ Li, Minqi and Andong Zhu. “China’s Public Services Privatization and Poverty Reduction: Health Care and Education Reform (Privatization) in China and the Impact on Poverty.” UNDP Policy Brief, Beijing, 2004.

⁶⁶ “Evaluation and Suggestions Regarding the Reform of China’s Health Care System.” Development Research Center of the State Council (of China). July 2005.

⁶⁷ World Bank, WDI-CD 2003.

⁶⁸ “Relative Proportions of Public and Private Expenditure on Educational Institutions.” UNESCO, 1999. Available from <http://www.uis.unesco.org/TEMPLATE/html/Exceltables/WEI2002/table13.xls>.

⁶⁹ World Bank, WDI-CD 2003.

⁷⁰ “Educational Expenditure in Pre-primary as % of Total Educational Expenditure.” UNESCO. Available from <http://www.uis.unesco.org/TEMPLATE/html/HTMLTables/education/EduExp.htm>.

⁷¹ Wang, Hua, et. al. “Environmental Performance Rating and Disclosure: China’s Green-watch Program.” World Bank Policy Research Working Paper 2889, September 2002.

⁷² “Car Ownership in China is Increasing by 19 Percent each Year.” October 14, 2005. Available from http://www.anl.gov/Media_Center/News/2005/GREET051014.html.

⁷³ Jun, Ma. *China’s Water Crisis*. Berkeley: International Rivers Network, 2004.

⁷⁴ Ibid.

⁷⁵ *2004 China’s Environmental Situation Brief*. State Environmental Protection Administration.

⁷⁶ Wen, Tiejun. *Deconstruction of Modernization*. GuangDong People’s Press, 2004.

⁷⁷ “30 Percent of Water in the Seven Major River System is Classified as Grade V.” *Guangmin Daily*. March 24, 2005. Available from http://www.gmw.cn/01gmr/2005-03/24/content_202559.htm.

⁷⁸ Balfour, Frederik. “A Big, Dirty Growth Engine.” *BusinessWeek*. August 22, 2005. Available from http://www.businessweek.com/magazine/content/05_34/b3948520.htm.

⁷⁹ *2004 China’s Environmental Situation Brief*. State Environmental Protection Administration.

⁸⁰ Xuanchang, Fang. “How Much ‘Dirty Earth’ is There in China?” *China Newsweek*, July 4, 2005.

⁸¹ Liying, Liu. “The Pearl River Delta: Poisoned Land.” *China Newsweek*, July 4, 2005.

⁸² Jiang, Chen. “The Yangtze River Delta: The Dangerous ‘Metal’ Land.” *China Newsweek*, July 4, 2005.

⁸³ *The People’s Republic of China Initial National Communication on Climate Change*. October 2004. Available from <http://www.ccchina.gov.cn/english/source/da/da2004110901.pdf>.

⁸⁴ *Investigating the Impacts of Climate Change on Chinese Agriculture*. Department for the Environment, Food and Rural Affairs (UK). London, 2003. Available from <http://www.defra.gov.uk/environment/climatechange/chinareport/china-climatechange.pdf>.

⁸⁵ Economy, Elizabeth. *The River Runs Black*. Cornell University Press, 2005.

⁸⁶ “Heavy Metals Make Village Cancer Rates Soar.” *Worker Daily*. A report appeared in early June 2001.

⁸⁷ Jiaquan, Wang. “Riverside Villages Count Cancer Cases.” *China Daily*. October 19, 2004.

⁸⁸ Becker, Jaspar. *River Gives Way*, p.10.

⁸⁹ *Statistics Yearbook*. State Statistics Bureau (of China). 2004.

⁹⁰ “China Trials New Rural Health Care Network.” *China Daily*. November 21, 2003. Available from http://www.chinadaily.com.cn/en/doc/2003-11/21/content_283670.htm.

⁹¹ “Pilot Cooperative Health Care Network Works in Chinese Countryside.” *People’s Daily Online*. October 24, 2004. Available from http://english.people.com.cn/200410/24/eng20041024_161348.html.

⁹² “Call for Public Disclosure of Nuijiang Hydropower Development’s EIA Report in Accordance with the Law.” *Three Gorges Probe News Service*. September 6, 2005. Available from <http://www.threegorgesprobe.org/tgp/index.cfm?DSP=content&ContentID=13670>.

IFG PUBLICATIONS

PARADIGM WARS: INDIGENOUS PEOPLES' RESISTANCE TO ECONOMIC GLOBALIZATION

Editors: Jerry Mander and Victoria Tauli-Corpuz

Articles by: Winona LaDuke, John Mohawk, Jeanette Armstrong, Debra Harry, Orono Douglas and others.

No community is more directly impacted by economic globalization than the world's 350 million indigenous peoples, yet their voices have been largely excluded from the globalization debate. And so we are very pleased to offer our timely Special Report: "Paradigm Wars: Indigenous Peoples' Resistance to Economic Globalization."

Co-edited by IFG Founder Jerry Mander and IFG Board Member Victoria Tauli-Corpuz (director of the Tebtebba Foundation/ Indigenous Peoples International Centre for Policy Research and Education, and the newly elected chair of the United Nations Permanent Forum on Indigenous Issues), the report contains 240 pages, 25 articles, and 26 photographs, focused on the myriad ways that economic globalization is impacting indigenous peoples worldwide.

The report also includes a folded copy of our previously published large map, Globalization: Effects on Indigenous Peoples, graphically showing some 200 instances of negative impacts caused by the current development model.

ALTERNATIVES TO ECONOMIC GLOBALIZATION: A BETTER WORLD IS POSSIBLE

Published by Berrett-Koehler Publishers, Inc. (San Francisco) in 2002. Second Edition printed in 2004.

Editors: John Cavanagh and Jerry Mander.

Authors: Sarah Anderson, Debi Barker, Maude Barlow, Walden Bello, Robin Broad, Tony Clarke, Edward Goldsmith, Randy Hayes, Colin Hines, Antonia Juhasz, Andrew Kimbrell, David Korten, Helena Norberg-Hodge, Sara Larrain, Victor Menotti, Simon Retallack, Vandana Shiva, Victoria Tauli-Corpuz, and Lori Wallach.

After years of protest in opposition to corporate globalization, nineteen of the movement's leaders present alternatives to corporate domination of the world economy. In this consensus document, the authors critique economic globalization and examine its ideological underpinnings. The authors offer ten governing principles for a new social paradigm—one that will lead to truly democratic, equitable, and sustainable societies that benefit the many rather than the few. The publication spells out alternatives to current Bretton Woods institutions; discusses visionary alternative operating systems in energy, the media, food and agriculture, and other areas; and recommends specific policies of how to reign in corporate domination and ensure that local control over economic decisions is favored whenever possible.

INTRINSIC CONSEQUENCES OF ECONOMIC GLOBALIZATION ON THE ENVIRONMENT

Principle Editor: Simon Retallack. Published 2002.

This groundbreaking publication analyzes how globalization adversely affects every sector of the environment—climate and ozone, forests, fresh water, mineral and oil extraction, fisheries, biodiversity and agriculture. Economic globalization is intrinsically devastating to the health of the planet and is hugely aggravating and accelerating every environmental problem around the world, yet this link has not been made even by many environmental organizations. This book is an in-depth look at the destruction caused by globalization and introduces alternative visions to this system.

DOES GLOBALIZATION HELP THE POOR?

Articles by: Walden Bello, John Cavanagh, Michel Chossudovsky, Victoria Tauli-Corpuz, Martin Khor, Anuradha Mittal, Simon Retallack, Bruce Rich, Vandana Shiva, and Carol Welch. Published 2001.

This publication provides a comprehensive review of statistics and case studies that demonstrate how economic globalization increases global poverty and inequality, hunger, and environmental devastation between and within nations.

THE FREE TRADE AREA OF THE AMERICAS:

THE THREAT TO SOCIAL PROGRAMS, ENVIRONMENTAL SUSTAINABILITY AND SOCIAL JUSTICE

Author: Maude Barlow. Published 2001.

If ratified, the Free Trade Area of the Americas (FTAA) will be the largest and most far-reaching trade agreement in history. It goes far beyond the North American Free Trade Agreement (NAFTA) in its scope and power, and introduces to the entire Western Hemisphere (except Cuba) many of the proposed services agreements of the World Trade Organization (WTO) and the powers of the failed Multilateral Agreement on Investment (MAI). This report fully explains the FTAA, and how it threatens the ability of governments to create or maintain local and national laws or standards of regulations over the health, safety and well-being of their citizens and the environment.

BLUE GOLD: THE GLOBAL WATER CRISIS AND THE COMMODIFICATION OF THE WORLD'S WATER SUPPLY

Author: Maude Barlow. Published 1999. Revised Publication 2001.

According to the World Bank, "the wars of the next century will be about water." Available freshwater is diminishing at an astonishing rate, and this is the first major report explaining how globalization and commodification are exacerbating the worst impacts of the world water crisis and placing control of water into the hands of corporations. Examples reveal how NAFTA, the WTO and the proposed FTAA are instituting rules that threaten the future of water, and explains what citizens can do about it.

VIEWS FROM THE SOUTH: THE EFFECTS OF GLOBALIZATION AND THE WTO ON THIRD WORLD COUNTRIES

Authors: Martin Khor, Vandana Shiva, Walden Bello, Orono Douglas, Sara Larrain, Anuradha Mittal, and Dot Keet.

Foreword by Jerry Mander. Published 1999.

A rare collection of comprehensive perspectives on Bretton Woods institutions from some of the leading voices from the South. The authors debunk the idea that these global institutions are designed to benefit the interests of the Third World and the poor.

**INVISIBLE GOVERNMENT: THE WORLD TRADE ORGANIZATION—
GLOBAL GOVERNMENT FOR THE NEW MILLENNIUM?**

Authors: Debi Barker and Jerry Mander. Published 1999.

An in-depth report on the structure, rules, powers and values of the WTO. This document includes a brief description of economic globalization and a thorough explanation and analysis of the WTO regime, agreements and procedures. Case studies explore the impact of WTO decisions on environment, agriculture, intellectual property rights, culture, social services, and investment issues.

FREE TRADE, FREE LOGGING:

HOW THE WORLD TRADE ORGANIZATION UNDERMINES GLOBAL FOREST CONSERVATION

Author: Victor Menotti. Published 1999.

A comprehensive look at the way WTO rules are accelerating the destruction of the planet's last pristine forests. Included is an analysis of the timber corporations' role in creating WTO rules that will benefit their interests.

**BY WHAT AUTHORITY! UNMASKING AND CHALLENGING THE GLOBAL CORPORATIONS'
ASSAULT ON DEMOCRACY THROUGH THE WORLD TRADE ORGANIZATION**

Author: Tony Clarke. Published 1999.

This booklet looks at the corporations that are designing the new rules of trade, specifically WTO rules. A sector by sector analysis (food, public health, fresh water, public broadcasting, forestry, etc.) reveals exactly which corporations are benefiting from specific WTO rules.

P O S T E R S A N D M A P S

GENETICALLY MODIFIED (GM) CROPS AND FOODS:

WORLDWIDE REGULATION, PROHIBITION AND PRODUCTION Published 2003.

This poster-sized map illustrates regions of the globe where anti-GM movements are working and indicates the level at which GM crops and food are being abated—either by rejecting GM food aid, refusing to plant GM crops, requiring labeling of GM goods, and other manifestations of anti-GM activity. The map also shows which countries are growing GM crops.

GLOBALIZATION: EFFECTS ON INDIGENOUS PEOPLES Published 2003.

This map depicts the negative impacts of economic globalization on indigenous peoples. The poster is a large, full-color map (approximately 3 x 4 feet), and is a unique visual representation of globalization across the many sectors impacting native communities: oil, dams, biopiracy, logging, militarization, industrial agriculture, etc. The map also includes text describing the various impacts and provides a striking visual image of the totality of the problem.

TO ORDER IFG PUBLICATIONS, PLEASE CONTACT US AT:

1009 General Kennedy Avenue, #2

San Francisco, CA 94129 USA

Telephone: (01) 415-561-7650

Website: www.ifg.org Email: ifg@ifg.org

I would like to dedicate this report to my father and his colleagues. They devoted themselves to build a new China. They did not do it to make a few people rich.

—*Dale Wen, author*