THE ECONOMIC DEVELOPMENT OF COMMUNIST CHINA 1949-1960

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SECOND EDITION

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PREFACE

THE material on which the following work is based is derived almost entirely from Chinese official sources. The authors have no means of verifying the accuracy of most of this information. Though they have no reason to believe that official statistics are deliberately falsified, they appear sometimes, especially in recent years, to contain a considerable element of wishful thinking. This is especially true of agricultural statistics which cannot always be easily checked by the central authorities. Certainly the figures are usually so presented as to give as favourable a picture as possible of China's economic achievements. The authors have tried, so far as possible, to analyse and assess this presentation; but they must in many cases be content with recording the statements of the Chinese authorities themselves.

No sources are given for most statements of fact. If this had been done almost every sentence would have required a reference. Sources have, however, wherever possible, been given for direct quotations of statements by members of the Chinese Government, and for a few especially significant or controversial statements of fact. In addition, where Chinese official documents, laws, resolutions, and other publications are quoted, the most readily available English-language version of these has if possible been indicated.

The authors wish to express their appreciation to members of the staff of Chatham House, and in particular to Miss Sally Davies (now Mrs. P. J. Mackesy), Miss Jane Godfrey, and Miss Hermia Oliver for the help they have given in the preparation of this volume.

February 1959

ABBREVIATIONS

BBC	BBC, *Summary of World Broadcasts*, Pt. V.
CCP	Chinese Communist Party.
First Five-Year Plan	CCP, *First Five-Year Plan for Development of the National Economy of the People's Republic of China in 1953–1957*. Peking, 1956.
JMJP	*Jenmin Jih Pao* (People's Daily).
KMT	Kuomintang.
NCNA	New China News Agency, London edition.
Proposals for Second Five-Year Plan	*Proposals of the 8th National Party Congress for the Second Five-Year Plan for Development of the National Economy, 1958–1962* (*NCNA*, Suppl. No. 249, 4 October 1956).
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CHINA'S TRADITIONAL ECONOMY

CHINA has traditionally been regarded as consisting of two parts, China Proper, composed of the eighteen provinces within the Great Wall; and Outer China, consisting of the former dependencies beyond the Wall, Manchuria, Mongolia, Sinkiang, and Tibet. The Great Wall marked the line between the agricultural civilization of historical China and the mainly pastoral and nomadic communities beyond, which were only comparatively recently conquered. China 'within the Wall' was not much more than one-third of the total area of the country; but it contained about 95 per cent. of the total population.

The most fertile areas of China are the basins of the great rivers and the east coast. Agriculture and population have therefore concentrated in these districts; and the principal waterways, the Yellow, the Huai, the Yangtze, and the Pearl Rivers, flowing out of the mountains in the west to the eastern sea-board, have largely patterned the economic life of the country, dividing it into the three distinct regions—North China, Central China, and South China—of China Proper. Among these there is a considerable range of climate, from the continental-type weather of the north, through the temperate zone of Central China with its mild winters and hot moist summers, to the perpetual humid heat of the south. There is also a good deal of variety in geographical formation. The north and east of the country are mainly flat and fairly low-lying, while the west and south-west are mountainous. Most of the country has a monsoon climate, with winds blowing from the north-west in the winter and off the sea in the summer.

The Agricultural Economy

China has always been a predominantly agricultural community. The normal pattern (which has not yet been much altered) was that about three-quarters of the population were directly engaged in agricultural work, while even more, probably about

four-fifths, were dependent on the land. But a very large proportion of the country was generally considered uncultivable (nearly 90 per cent. of the area of Greater China, and about 70 per cent. of China Proper) and the amount of potentially fertile land still not brought into cultivation was small. The proportion actually in use was estimated in the 1930's as 27 per cent. of the area of China Proper, or 240–250 million acres.[1]

As a result a marked concentration of population developed in the alluvial plains and river basins, in the North China plain, the Huai valley, the Yangtze delta, the central Yangtze basin, and the Pearl basin. Chinese farming bore a close resemblance to market-gardening, with the fields divided into tiny holdings, looking more like strips of garden than farms. The constant population pressure, and the perpetual subdivision of the land through the centuries as a result of Chinese rules of inheritance, had by the 1930's produced an average farm of about 3·31 acres, compared with one of 39·74 acres in Denmark, 77·3 acres in England and Wales, and 156·85 acres in the United States.[2] However, the soil of China, after some thousands of years of cultivation, has, through the intensive use of natural fertilizers, still retained much of its fertility; though in some areas the denudation of vegetation, taken for fuel, fodder, and fertilizer, has produced serious problems of erosion.

Differences of climate dictated a variety of crops and rural economies in the different regions. The main crop division is between the wheat belt of the north and the rice zone of the south, though both crops are raised to some extent all over the country. The north is the area of 'dry' produce such as wheat, millet, kaoliang (sorghum), and maize, with wheat as the most common. In the south there are 'wet' crops, and double or treble cropping, with rice the main product in the river basins. Between these two major regions there is a transitional zone, but there is a fairly definite line of division running just north of the Yangtze. In 1937 about 45 per cent. of the cultivated land was estimated as under wheat, and about the same under rice.

Among leguminous crops soya beans are the most important.

[1] J. L. Buck, *Land Utilization in China* (University of Nanking, 1937).
[2] Ibid., pp. 267–8.

This is a food resource of great versatility, which can be used for human and animal food, for oil, or for manufacturing purposes, and has recently become one of China's chief exports. Other food crops are peanuts, cultivated chiefly for their oil, sweet potatoes, and other vegetables.

Thus the main Chinese crops are those directly usable for human consumption, particularly grains, beans, and vegetables. Pressure of population has made it necessary to produce the greatest amount of food possible per unit of land. But despite the high intensity of labour, yields were low; the average pre-war yield of wheat was 9·7 quintals per hectare compared with 21·2 in Britain and 33·1 in Denmark, and even rice yields were significantly lower than in Japan, though higher than in India.[1] As a result the country has not always been self-supporting in essential foodstuffs. During the first fifty years of this century China was a net importer of rice, though the amount was not large in relation to the total amount consumed. But there was a gradual progress towards self-sufficiency in the period up to 1937.

There is also quite an important production of commercial crops. These are partly used domestically and partly sold for cash. The chief of them are cotton, silk, tobacco, tung-oil, and tea. In 1936 China was among the world's largest cotton producers, her total output being about 8·5 million quintals of ginned cotton, or nearly one-eighth of the world supply. By that time the country was practically self-sufficient in raw cotton, and imported only a few specialities.

Within the limitations of his resources the Chinese farmer was skilful, though he was conservative in his methods and many of his implements were primitive—wooden ploughs are still common in many parts of China. In 1946 nearly 90 per cent. of the farm area was under crops, compared with 27 per cent. in England and 12 per cent. in the United States. This difference reflects an important contrast between Chinese and Western agriculture. In China, because of the low rainfall during the winter months and the intense pressure on the land, there is little pasture in most areas. Resources are used most economically in growing directly consumable crops, and animal

[1] Buck, *Chinese Farm Economy*, p. 208.

husbandry is not practised to any great extent except in the North West. Meat is thus something of a luxury in China. Animals, such as oxen and water-buffaloes, if owned at all,[1] are reared for draught purposes rather than for consumption. But poultry and pigs are quite commonly kept—eggs, for example, are quite an important item among Chinese exports.

The control of the rivers was a factor of vital importance within this economy. Made necessary by the perpetual disasters from drought and flood, it took the form of an elaborate system of canals and an extensive network of dykes along the main waterways, though these have not prevented the continued and frequent recurrence of such calamities. The canals also served as an important means of transport. But communications as a whole were nearly always poor, with the result that some parts of the country were often virtually cut off from others, while in many areas the control of the central Government was frequently tenuous or even non-existent.

Over the centuries a great growth of population took place. Although there is an element of speculation in Chinese population estimates, it seems probable that, as a result of a long period of internal peace, the introduction of new crops, and an expansion of the cultivated area, the population approximately doubled between the seventeenth and nineteenth centuries. In the middle of the nineteenth century it was estimated at about 340 million, and by the 1930's rose to a figure of perhaps 450–500 million.

According to the latest census taken in 1953 the population of mainland China was then about 582 million. It is thought now to be rising at a rate of about 12–15 million a year. The town population has been estimated as about 20–25 per cent. of the whole, of whom nearly half live in towns of under 10,000 inhabitants. Pressure of population on the land has been intense, resulting, according to figures given by the Nationalist Government in 1946, in an average division of cultivable area per member of the farm population of about two-thirds of an acre, compared with 8·1 acres in the United States. But this figure was probably based on the old estimates of China's population,

[1] According to Buck, in the inter-war period only 34·1 per cent. of all farms had oxen, 18 per cent. buffaloes, 18 per cent. donkeys, 6 per cent. mules, and 5 per cent. horses (*Chinese Farm Economy*, p. 231).

and more recent estimates suggest that the present average may be only about half an acre.

Investigations carried out in rural China in the 1930's showed that, for the country as a whole, about 50 per cent. of the farmers were owners of the land they worked, just under 33 per cent. were part-owners, and about 17 per cent. were tenants.[1] There was, however, a good deal of regional variation, and tenancy was much more widespread in South China than in North China. It was estimated that about 75 per cent. of the farmers in the northern wheat region were peasant-proprietors, while, in the southern rice region, under 40 per cent. were owners, 25 per cent. were tenant farmers, and over 35 per cent. were part-owners. There were also some areas where all the farmers were owners and others where they were all tenants. The pattern was for tenancy to increase, especially in areas near the Yangtze, and to be the rule in Hunan, Kiangsi, Szechwan, and Kwangtung. In some parts of the country tenants of long standing were considered to have acquired 'surface rights'. Rents, which were normally collected in kind, were extremely high, often as much as 50 per cent. and sometimes even 70 per cent. of the main crop.

Much fragmentation of farms had come about. An average farm had just over 3 acres and was divided into five or six separate strips, with a distance of nearly half a mile between farmhouse and strip. But these averages hid very considerable inequalities in the size of farms: 36 per cent. of the farms were under 1·7 acres and 25 per cent. were between 1·7 and 3·4. And there was considerable regional variation, the largest farms being found in the north-western provinces.

China's Resources

According to surveys initiated by the Chinese Geological Survey in the 1920's, China possessed adequate physical resources for 'a very considerable industrial development' in support of agriculture, but not for industrialization on the scale of modern, highly industrialized countries. The present Government claim, however, to have made important discoveries since that time (and in view of the inadequacy of the prospecting previously

[1] Buck, *Land Utilization in China*, p. 9.

undertaken this is by no means unlikely), and declare that China has ample resources to become an important industrial power.

China has much greater coal resources than any other country in Asia. They are probably inferior only to those of the Soviet Union and the United States. The reserves of China Proper were estimated at about 440,000 million metric tons by the Nationalist authorities in 1947, and there is probably a further 20,000 million tons in Manchuria. Nearly one-fifth was thought to be anthracite, most of the rest being bituminous. The present Government have since claimed 'potential reserves' about three times as big as this, and actual workable deposits of nearly 50,000 million tons. But an essential for modern industrial development is a high proportion of coking coal, and the Chinese were not formerly believed to have very large reserves of this. In 1936 the Chinese coal mines had an output of about 22 million tons.

Oil resources have not been fully explored, but are not thought to be extensive. There have long been known to be oil shales in Manchuria, the most important of which were previously those at Fushun. But many more are now said to have been discovered, including one gigantic field at Pei An in Manchuria. The main reserves of oil previously known, however, were those at Yumen in Kansu, which still provide the greater part of current Chinese production. The present Government are now beginning to exploit new deposits in the Tzungaria basin in north Sinkiang, which it is hoped will provide half of the total Chinese production by 1962. They also claim to have discovered important deposits in the Tsaidam basin in Chinghai, in the Kiuchuan basin in Kansu, in central Szechwan, and on the borders of Inner Mongolia. These deposits are said to have an annual capacity of more than 100 million tons. Such estimates are considered by many to be optimistic; even so, the figure represents less than a third of annual production in the United States. And the fact that oil production was the one important sphere in which the targets of the first Five-Year Plan were not reached, and the recent emphasis in official statements on the development of synthetic supplies, may indicate that, even with recent discoveries, natural oil resources are not plentiful.