

NEWS WRAP

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For the last Three decades, China has witnessed modernization and prosperity, supervised by an authoritarian regime. Economic success had been overlooking complaints and failings. Now economic contraction, which is being felt in every corner of the world, has gripped China. Similar to USA in the 1930s depression, when USA was the world's manufacturing sweatshop, China today is the worse hit by economic recession, than the rest of the world. China produces many of the world's goods, which the world is no longer purchasing. Idle factories, moored container ships, widespread bankruptcies, massive migration back to the hinterland and surprisingly clean air in the cities, are the principal signs of depression, everywhere in China. From the time retail sales started collapsing in USA in mid-Oct '08, extra buses have been transporting loads of migrant labourers out of Chinese towns. At least one million factory workers have lost their jobs in Dongguan, and another one million in the manufacturing areas of Guangdong province. The electronics supplier Foxconn in Shenzhen, manufactures components for Apple, Dell, HP and numerous other companies. Foxconn which recently employed more than 250,000 workers, despatched all its employees on a one-month unpaid furlough late 2008. The company lay off 100,000 worldwide.

In the Hong Kong harbour, container ships are sitting moored and idle. Macau's casinos are suffering falling revenues. The small airbus on the Shanghai-Beijing shuttle flight, is full of empty seats. Among the University graduates of 2009, more than a million are still looking for jobs. While real-estate developers and small-factory owners went bankrupt and disappeared without disbursing months of back wages to employees there have been protests throughout China. The low range Chinese workers in Dongguan, in Guangdong province north of Hong Kong were manufacturing low value goods like cheap dolls and toys, Halloween masks and the bulk of the world's Christmas presents and decorations. Thousands of factories in Dongguan are today the rust belt of China. Economic failure now threatens China's political control and territorial dominion. A stagnating economy would undermine a steady increase in material welfare, which has been a real basis of the Chinese Communist Party's legitimacy. "Splittism" concerning Tibet, the Muslim region of Xinjiang, and Taiwan could become increasingly critical.

Certain risks like pollution, water shortage, corruption, the widening rich-poor social gap, safety standards where on an average more than 250 people die everyday in coal mine accidents, have been obstructing China's economic rise. Thanks to a stimulus plan of about 4 trillion RMB (about \$ 600 billion), some of the lost demand for goods should be picked up. The Chinese economy being smaller than the US economy, the stimulus amount is proportionately larger than the one introduced by the US Obama administration. Much of the total Chinese stimulus amount represents a new label for projects already approved or commenced. A chunk of the stimulus funds are to come from local and provincial authorities, who have no apparent mechanisms to raise the funds, during a recession. The money is expected to be spent on basic health care coverage for

average Chinese citizens, on construction projects especially for transportation and infrastructure, on highways, a widened high-speed rail road system and numerous new airports all across China. Even though real-estate values have declined throughout China, China has a lot of money in banks, unlike USA. The Chinese government is more worried about inflation. While jobs in China are still close to the lower rungs of the global value chain, the Chinese companies will be constantly endeavouring to improve their position on that value chain. The Chinese government and many of the Chinese companies aim to keep more of the business rewards in China. New export subsidies and pushing the RMB's value back down could also be expected.

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Industrialists in West Bengal are at the head of the list of defaulters relating to provident fund, employees state insurance and gratuity. The provident fund defaults are Rs 120 crore, ESI defaults are Rs 80 crore, and gratuity defaults are Rs 50 crore.

When the left front came to power in West Bengal unemployment was about 10 to 11 lac. Today the registered unemployed in the state is around 60 lac. Along with the rise in population, there has been an endless closure and 'sickness' of a large number of factories, and the corresponding increase in unemployment.

The process of land reforms has been exhausted in West Bengal. 'Panchayat raj' has steadily destroyed the benefits of 'operation barga', introduced in 1977, which had provided legal recognition to the 'bargadars'. Faced with unproductivity of small holdings and debt problems, the marginalised bargadars are increasingly devoid of a means of livelihood. Over the recent years, the bargadars have been entering into agreements with the landowners for a meagre income, which allows them voluntarily to become agricultural labourers. The impoverished land labourers earn Rs 28 to Rs 30 only as wages daily, plus 2 kg of rice. This is against the state government fixed Rs 62.10 as daily wages.

Since the 1960s, industries in West Bengal began to languish, owing to obsolescence of machinery, long term dis-economics and the union government's freight equalisation policy. The new industrial policy was adopted in West Bengal in 1994, whereby Indian and foreign capitalists have been invited to invest in West Bengal. Still there are no indications of a boost in consumer demand in the short run, and the strengthening of the social security network of peasants and industrial workers in the long run. □□□