

The Chinese Path

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It may be worthwhile at some facts regarding what is happening in the sphere of employment in China's current industrialisation drive, this being the model for the policy under way in India. The star attraction of the policy is invitation to big capital to invest under specially favourable terms, with pro-capital modification of the laws of the land and statutes concerning employment norms, labour laws, land use, taxation, duties, trade, capital structure and profits, in enclaves styled SEZs—Special Economic Zones.

In China, in 2004, total investment in fixed assets increased by 26.6 % over its value in 2003. In the ten years from 1995 this increase was more than 250%.

Of the 2004 total, the share of foreign investment, investment from Macao, Taiwan and Hong Kong, and investment by share-holding units (i.e. private investment) was 35%, while investment by state-owned and collective-owned units was 50%. The fastest growth of fixed assets between 2003 and 2004 took place in the foreign units sector, namely 52.5%, the growth of fixed assets in all share-holding and foreign units, including those from Macao etc, being 40%. The growth of state investment in the same period was only 15.4 %.

To understand the real significance of these figures it must be remembered that, before 1979-80, foreign direct investment was negligible. In the 20 years from 1980-2000, annual foreign direct investment increased by 200 times.

(It may be remarked that 2003-04 saw a 5.6% rise in the price index for investment in fixed assets. From 1995 to 2004 this index rose by 16.65%)

Referring to statistics of 2001-2, the Consul-general of the PRC in Mumbai said, in a speech on June 5, 2006, that there were 54 National Economic & Technological Development Zones which accumulated 15% of the entire overseas direct investment of the whole country. Economic indices like GDP, industrial value added, total industrial output, tax revenue, foreign trade value, more than 50% of which came from export, contractual foreign investment and actually utilised foreign investment all grew in these NETDZs (SEZs) at rates which were higher than the national rates by 10-20%.

EMPLOYMENT LAGS BEHIND

What is the character of all this private investment and foreign capital inflow?

The Consul-general, in the same speech, went on to enumerate these characteristics. The foreign investment was

- (i) capital-intensive,
- (ii) technology-intensive,
- (iii) hi-tech, and
- (iv) export-oriented.

The average size of projects favoured by foreign direct investment is increasing. In the decade between 1990-91 and 2000-01 the average project size, in US \$ terms, increased 3 times. The Consul-general said that, on an average, a project in a SEZ was double the size of a project elsewhere in the country, with investment, in cases, of US\$ 10 million, 30 million, and, even, 100 million.

This capital-intensive growth means employment will not increase proportionately. Between 2003 and 2004, all types of private and foreign funded urban enterprises showed an increase in employment of 16% only, with, as it has already been shown, a fixed assets investment increase of

40%. The increase in urban employment per unit increase in investment in fixed assets in all types of private and foreign funded urban enterprises fell from 50 persons per crore yuan of investment in fixed assets to 33 persons, between 2003 and 2004, that is, the employment-creating potential of a crore of yuan fell by 17 persons, or by 34%, in the one year from 2003 to 2004.

The effect of privatisation shows in the absolute decrease, between 2003 and 2004, of more than 3%, in urban employment in state, collective and co-operative enterprises, taken together.

UNEMPLOYMENT INCREASES

The number of registered urban unemployed persons as a percentage of all urban employed persons was 2.6 in 2000, increased to 3.1 in 2003, and has remained at 3.1 in 2004. Between 2003 and 2004, the number of registered urban unemployed persons increased by 27 lakhs. But the urban population increased by 2 crores during this time, the increase in urban employment being 83 lakhs. So, there must have been an increase in the number of the unregistered unemployed by much more than 27 lakhs, even allowing for the fact that a part of the increase in population comprised people too young or too old to work. In fact, in 2004, the number of urban people between the ages of 15 and 64 was 39 crores, and there was employment only for 26 crores.

EVICTED PEASANTS

The forcible eviction of peasantry from land [between 1992 and 2005, 2 crore farmers lost their land, 21% of arable land having been diverted from agriculture to industry, highways and SEZ's between 1996 and 2005 [and their bankruptcy in the face of unequal competition after China's entry into the WTO has led to massive protests. The Minister for Public Security told *Reuters* of 74000 incidents in 2004, involving 18 lakh people. In 2003, there had been 58000 such incidents. [In 10 years the number of such happenings had grown 7 times.]

LAI D OFF WORKERS

Dr Dipak Basu, Professor of International Economics at Nagasaki University, Japan, who has collected the above statistics, goes on to write:

In May, 2002, 800 workers in Liaoyang, where 25 percent of the working population are now unemployed, protested against the government to demand unpaid wages of 5000 workers who had lost their jobs recently in a public sector factory. In Fudan, in May 2002, coalmine workers blocked the road to protest against their unemployment. In Daqing oilfield of Heilonggjing 50,000 redundant oilfield workers demonstrated against the government. In Mianyang, Sichuan province, in July 2001, more than 4000 workers rioted on the streets as their factory went bankrupt. In March 2001 in Nanchong, 20000 textile workers had occupied the city hall to demand unpaid wages.

ROAMING ARMY OF UNEMPLOYED

What is the net result of two decades of the new policy in China?

In 2004, there were 8.27 million registered urban unemployed people, who alone come into any type of official statistics. In addition, estimates of 2002 show that there were an additional 100 million "surplus" rural workers and 40 million workers laid-off from state-controlled enterprises. This staggering unemployment led to the movement over the country of an estimated 80 million roaming unemployed people looking for jobs.

INCOME INEQUALITY

The Chinese Academy of Social Sciences estimated the Gini coefficient for income inequality to be 0.5 in 2006—US has a coefficient of 0.41, for India it is 0.33. Dr Basu says that UN estimates show that the bottom 20% of China's people account for 4.7% of total income, 50% of the income going to the top 20%.

So, the general mass of people might suffer, but a minority at the top is certainly reaping the benefits of the new policy. In India, too, the hopefuls who see themselves driving over the bodies of the dead and dishonoured into the top 20% are the peddlers of this policy. □□□

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