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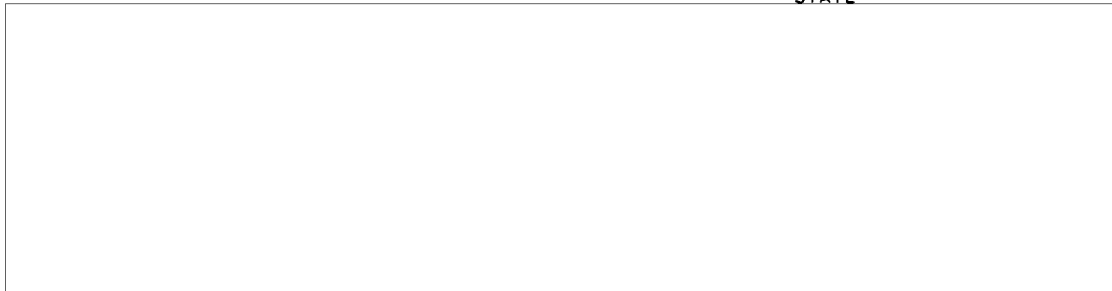
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 RUFHDR/AMEMBASSY DAR ES SALAAM 0108
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 RUFHFR/AMEMBASSY PARIS 4151
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E.O. 12065:OADR

TAGS: EAGR, EIND, ECON, CH

SUBJECT: CHINA'S SECOND STAGE RURAL REFORMS -- DEVELOPING RURAL INDUSTRIES IN THE SHANDONG COUNTRYSIDE

REF: A) HONG KONG 289

1. CONFIDENTIAL ENTIRE TEXT.

2. SUMMARY AND INTRODUCTION: BY ALL ACCOUNTS, CHINA'S RURAL REFORM PROGRAM HAS BEEN HIGHLY SUCCESSFUL OVER THE PAST FIVE YEARS, RAISING RURAL PRODUCTIVITY AND PRODUCTION SIGNIFICANTLY THROUGH A ONE-TIME STRUCTURAL CHANGE -- DISMANTLING THE COMMUNE SYSTEM AND INTRODUCING HOUSEHOLD RESPONSIBILITY SYSTEMS. NONETHELESS, SOME WESTERN ECONOMISTS SERIOUSLY DOUBT CHINA'S ABILITY TO MAINTAIN THE MOMENTUM OF THE CURRENT REFORM EFFORT, CLAIMING THAT THE ONE-TIME STRUCTURAL ADJUSTMENT WILL ONLY BOOST PRODUCTION GROWTH TEMPORARILY AND THAT WITHOUT CONTINUING CENTRAL INVESTMENT AT THE GRASS ROOTS LEVEL, PRODUCTIVITY IN THE LONG RUN WILL REACH A PLATEAU. BEIJING, HOWEVER,

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HAS MOVED BEYOND THE SIMPLE STRUCTURAL ADJUSTMENTS THAT WERE A PART OF THE PROGRAM TO DISMANTLE THE COMMUNES AND HAS BEGUN A SECOND STAGE IN ITS RURAL REFORM PACKAGE, PROMOTING RURAL INDUSTRIALIZATION.

3. TO INVESTIGATE THIS NEW DEVELOPMENT, CONGEN OFFICERS RECENTLY VISITED SHANDONG PROVINCE -- CHINA'S MOST IMPORTANT AGRICULTURAL PROVINCE IN TERMS OF OUTPUT VALUE AND SECOND ONLY TO PROSPEROUS JIANGSU PROVINCE IN THE DEVELOPMENT OF ITS RURAL INDUSTRIES. FROM OUR VISIT, IT WAS CLEAR THAT THE DEVELOPMENT OF RURAL INDUSTRIES WILL HELP INVIGORATE AND SUSTAIN ECONOMIC GROWTH IN THE CHINESE COUNTRYSIDE. ALTHOUGH RURAL INDUSTRIES HAVE LOWER CAPITAL-LABOR RATIOS, LESS SOPHISTICATED LEVELS OF TECHNOLOGY AND LOWER RATES OF CAPITAL UTILIZATION THAN THEIR URBAN COUNTERPARTS, SHANDONG'S RURAL ENTERPRISES WERE PROSPEROUS AND BOOMING. THIS IN LARGE MEASURE IS BECAUSE RURAL INDUSTRIES ARE MORE RESPONSIVE TO THE MARKET THAN URBAN INDUSTRIES AND BECAUSE RURAL WORKERS ARE BETTER PAID BECAUSE RURAL INDUSTRIES PAY LESS TAXES. GROWING RURAL INCOMES FROM THESE ENTERPRISES, BY RAISING THE PURCHASING POWER OF CHINA'S 800 MILLION PEOPLE, WILL STIMULATE CONSUMPTION DEMAND AND INVESTMENT IN MORE AND BETTER EQUIPMENT IN RURAL INDUSTRIES. THE GROWTH IN JOB OPPORTUNITIES AND RISING RURAL WAGE LEVELS SHOULD IN TURN, ENCOURAGE CHINA'S PEASANTS TO REMAIN IN THE COUNTRYSIDE, ALLEVIATING POPULATION PRESSURES ON THE CITIES. END SUMMARY AND INTRODUCTION.

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4. CHINA'S RURAL REFORM PROGRAM IS NOW MOVING INTO A SECOND STAGE. IN THE FIRST STAGE BEGINNING IN 1979, BEIJING INTRODUCED THE HOUSEHOLD RESPONSIBILITY SYSTEM -- REPLACING COLLECTIVE FORMS OF AGRICULTURAL PRODUCTION ASSOCIATED WITH THE COMMUNE SYSTEM -- AND RAISED THE PROCUREMENT PRICES OF SEVERAL KEY COMMODITIES. AGRICULTURAL OUTPUT HAS INCREASED SO MUCH AS A RESULT THAT THE NATIONAL BUDGET HAS BEEN SEVERELY STRAINED BY GRAIN AND PRICE SUBSIDIES, AND CHINA IS NOW BEGINNING TO EXPORT LARGE QUANTITIES OF RICE, CORN, AND COTTON. AT THE SAME TIME, CENTRAL INVESTMENT IN RURAL INFRASTRUCTURE HAS DECLINED, BUT SO FAR BEIJING HAS BEEN CONTENT TO UTILIZE THE EXCESS PRODUCTION CAPACITY BUILT INTO THE RURAL SYSTEM DURING THE CULTURAL REVOLUTION PERIOD FROM 1966 TO 1976 WHILE ENCOURAGING PRIVATE INVESTMENT THROUGH LONGER CONTRACTS AND OTHER INDIRECT INCENTIVES.

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5. BEIJING'S REFORMERS HAVE STRESSED THAT THE MAJOR OBSTACLE TO FURTHER DEVELOPMENT IS CHINA'S MASSIVE RURAL POPULATION, ABOUT 70 PERCENT OF WHICH IS SURPLUS TO THE NEEDS OF AGRICULTURAL PRODUCTION -- EVEN IN A SYSTEM WHICH RELIES HEAVILY ON MANUAL LABOR. IN ORDER TO ABSORB THIS SURPLUS LABOR, BEIJING HAS BEGUN ENCOURAGING THE DEVELOPMENT OF RURAL INDUSTRIES IN A SECOND STAGE REFORM EFFORT. THIS DEVELOPMENT SHOULD HAVE A MORE LASTING IMPACT ON THE RURAL ECONOMY, SPURRING NEW ECONOMIC GROWTH AND ALLEVIATING THE TENDENCY TOWARDS URBAN MIGRATION.

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6. ACCORDING TO THE SEPTEMBER 9 PEOPLE'S DAILY, RURAL INDUSTRIES IN CHINA ARE ALREADY BEGINNING TO HAVE A SIGNIFICANT IMPACT ON THE ECONOMY. IN 1983, THE GROSS VALUE OF INDUSTRIAL OUTPUT OF RURAL FACTORIES REACHED 79 BILLION YUAN (ROUGHLY 20 BILLION U.S. DOLLARS) -- EQUIVALENT TO 12 PERCENT OF CHINA'S INDUSTRIAL OUTPUT IN THE URBAN SECTOR. RURAL INDUSTRIES IN 1983 ALREADY EMPLOYED 30 MILLION PEOPLE -- EQUIVALENT TO ONE-THIRD OF CHINA'S URBAN LABOR FORCE. MORE IMPORTANTLY, IN LINE WITH CHINA'S SHIFT TO A SECOND STAGE RURAL REFORM STRATEGY, RURAL INDUSTRIAL OUTPUT GREW 17 PERCENT MORE IN 1983 THAN IN 1982 AND IS EXPECTED TO INCREASE AT AN EVEN GREATER RATE FOR 1984.

7. SHANDONG IS A GOOD CASE STUDY OF THE POTENTIAL FOR THE SUCCESSFUL IMPLEMENTATION OF THE SECOND STAGE RURAL REFORM PROGRAM. SHANDONG IS CHINA'S MOST IMPORTANT AGRICULTURAL PROVINCE, ACCOUNTING FOR 9 PERCENT OF THE NATION'S TOTAL OUTPUT AND EXCEEDING 14 BILLION U.S. DOLLARS IN OUTPUT VALUE IN 1983. MOREOVER, ITS RURAL INDUSTRIES AND SIDELINE PRODUCTION TOTALLED MORE THAN 2.2 BILLION U.S. DOLLARS IN OUTPUT VALUE IN 1983, SECOND ONLY TO JIANGSU PROVINCE. IN CERTAIN REGIONS IN SHANDONG, THE DEVELOPMENT OF RURAL INDUSTRIES HAS BEEN MARKEDLY AHEAD OF DEVELOPMENTS THROUGHOUT THE COUNTRY. IN 1978 IN YANTAI PREFECTURE, FOR EXAMPLE, 35 PERCENT OF TOTAL AGRICULTURAL OUTPUT VALUE WAS IN RURAL INDUSTRIES AND SIDELINES. THIS IS A SIGNIFICANT FIGURE EVEN BY CURRENT STANDARDS WHICH PUT THE NATIONAL AVERAGE AT ABOUT 17.4 PERCENT IN 1983. HOWEVER, BY 1983, ROUGHLY TWO-THIRDS OF ALL OF YANTAI'S AGRICULTURAL OUTPUT VALUE WAS IN RURAL INDUSTRIES AND SIDELINES. EVERY RURAL VILLAGE IN THE PREFECTURE HAD AN AVERAGE OF FOURTEEN RURAL FACTORIES, AND 37 PERCENT OF THE RURAL HOUSEHOLDS ALREADY SPECIALIZE IN SOME SIDELINE PRODUCTION.

URBAN FACTORIES VERSUS RURAL INDUSTRIES

8. ON THE SURFACE, URBAN FACTORIES FAR OUTSTRIP RURAL INDUSTRIES AND WORKSHOPS. THE AMOUNT OF MACHINERY AVAILABLE PER WORKER (I.E., CAPITAL-LABOR RATIO) IS GENERALLY MUCH LESS IN RURAL WORKSHOPS. A SHOP IN MUPING COUNTY'S WULITOU VILLAGE, WHICH WE VISITED, MAKING GASOLINE TANKS FOR A LOCAL TRACTOR FACTORY HAD ABOUT 30 WORKERS BUT ONLY FOUR SIMPLE HYDRAULIC PRESSES, A FEW HAND-HELD WELDING IRONS, A SMALL AIR COMPRESSOR, AND SEVERAL METAL BASINS FILLED WITH WATER -- THE LAST USED TO TEST FOR LEAKS BY HOLDING THE FINISHED TANKS UNDER WATER AND PUMPING AIR INTO THE TANKS. IN CONTRAST, YANTAI'S BICYCLE FACTORY HAD A NEW 500 THOUSAND U.S. DOLLAR ELECTRO-PLATING FACILITY WHICH ONLY NEEDED A HANDFUL OF WORKERS TO OPERATE.

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9. THE TECHNOLOGY OF RURAL INDUSTRIES ALSO LAGS FAR BEHIND MOST URBAN FACTORIES. THE RURAL WORKSHOPS WE SAW MAKING APPAREL AND HANDBAGS IN ANGIU COUNTY'S SHIJIA-ZHUANG VILLAGE AND CHANGQING COUNTY'S HOUSAN VILLAGE

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STILL USED FOOT-POWERED SEWING MACHINES. AND ONE FACTORY IN WULITOU VILLAGE WHICH MADE "SOLAR HEATERS" PUT TOGETHER A SERIES OF COPPER TUBES WITH HAND-HELD WELDERS AND A PIPE CUTTER. THE MOST SOPHISTICATED TECHNOLOGY AT THE VILLAGE LEVEL THAT WE SAW WAS A LARGE PLASTIC EXTRUDER WHICH FORMED PLASTIC BAGS. IN CONTRAST, MOST OF THE URBAN FACTORIES WE VISITED IN SHANDONG HAD MUCH MORE UP-TO-DATE TECHNOLOGY. FOR EXAMPLE, THE ANALYTICAL LAB OF JINAN'S DIESEL ENGINE FACTORY HAD U.S. AND WEST GERMAN ELECTRON MICROSCOPES WHICH COULD DIRECTLY ANALYZE THE STRUCTURE OF METALS WITHOUT PRIOR SAMPLE PREPARATION -- TECHNOLOGY WHICH WAS RARE IN THE MID-1960'S, EVEN IN THE UNITED STATES.

10. MOREOVER, THE RATE OF CAPITAL UTILIZATION IN RURAL INDUSTRIES IS GENERALLY LOW. FOR EXAMPLE, NEITHER THE HYDRAULIC PRESSES NOR THE LARGE PLASTIC EXTRUDER WERE IN OPERATION DURING OUR VISIT, AND -- ACCORDING TO VILLAGE CADRES -- THE PLASTIC EXTRUDER REMAINED IDLE MOST OF THE TIME BECAUSE ITS PRODUCTION CAPACITY FAR OUTSTRIPPED LOCAL DEMAND FOR PLASTIC BAGS. WHILE LOW UTILIZATION RATES OF CAPITAL ASSETS ARE OFTEN ALSO A PROBLEM IN CHINA'S URBAN FACTORIES -- ESPECIALLY IN THE MACHINE BUILDING INDUSTRY -- OUR OBSERVATIONS WERE THAT THIS PROBLEM IS MUCH WORSE IN RURAL WORKSHOPS AND FACTORIES.

11. WE ALSO NOTED DURING OUR SHANDONG JOURNEY, THAT IN THE DESIGN OF PRODUCTION LINES, URBAN FACTORIES -- AT THE MINIMUM -- CONSIDER FACTORS SUCH AS PRODUCTION FLOW AND SPACE UTILIZATION. ON THE OTHER HAND, MOST RURAL INDUSTRIES HAVE NO DISCERNIBLE PRODUCTION LINE DESIGN, AND THE LOCATION OF PEOPLE AND TOOLS IS OFTEN DETERMINED BY SOCIAL RATHER THAN TECHNICAL RELATIONSHIPS.

THE ADVANTAGES OF RURAL INDUSTRIES

12. IN SPITE OF THESE TECHNICAL DRAWBACKS, RURAL INDUSTRIES IN SHANDONG WERE FLOURISHING, AND THEIR WORKERS WERE OFTEN EARNING SUBSTANTIALLY MORE THAN THEIR URBAN COUNTERPARTS. MANY OF THE WORKERS IN THE 5,000 WORKER BOSHAN NO. 1 CERAMIC FACTORY IN ZIBO WERE MAKING ONLY 30 YUAN (12 U.S. DOLLARS) PER MONTH. WAGES IN VARIOUS RURAL FACTORIES VISITED BY CONGEN OFFICERS RANGED FROM 50 YUAN (20 U.S. DOLLARS) TO 200 YUAN (80 U.S. DOLLARS) PER MONTH. IT WAS NOT UNUSUAL TO FIND MANY YOUNG TEEN-AGE WOMEN IN VILLAGE LEVEL ENTERPRISES DRAWING 100 YUAN PER MONTH AND ADDING SIGNIFICANTLY TO THE INCOMES OF THEIR FAMILIES, OFTEN MATCHING OR SURPASSING FAMILY INCOMES EARNED THROUGH AGRICULTURAL PRODUCTION.

13. THERE ARE TWO IMPORTANT REASONS FOR THIS SEEMING CONTRADICTION -- TAXES AND THE RESPONSIVENESS OF RURAL INDUSTRIES TO THE MARKET. IN ADDITION TO THE REGULAR 55 PERCENT INCOME TAX ASSESSED ALL URBAN ENTERPRISES, MOST URBAN FACTORIES THAT WE VISITED ALSO PAID A SO-CALLED "ADJUSTMENT TAX" WHICH RANGED UPWARDS TO 35 PERCENT OF AN ENTERPRISE'S NET PROFITS. AS A RESULT, RETAINED EARNINGS SOMETIMES AMOUNTED TO ONLY ABOUT 10 PERCENT OF NET PROFITS, AND THIS WAS ALLOCATED FOR THE MOST PART FOR WORKER WELFARE FUNDS AND PLANT EXPAN-

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SION. IN CONTRAST, RURAL ENTERPRISES RETAINED AND DIVIDED UP MOST OF THEIR PROFITS AMONG THE FACTORY MANAGERS AND WORKERS, MAINTAINING ONLY ABOUT 25 PERCENT OF THE PROFITS FOR THE COLLECTIVE. THUS, THE PERCENTAGE OF THE RETAINED PROFITS SHARED BY RURAL WORKERS COULD BE SEVEN TIMES OR MORE THAT RECEIVED BY URBAN WORKERS.

14. IN TERMS OF RESPONSIVENESS TO THE MARKET, RURAL ENTERPRISES CAN ADJUST "AS QUICKLY AS GETTING ON A HORSE ON THE PRODUCTION SIDE, EQUIPMENT SUCH AS THE HYDRAULIC PRESSES SEEN AT WULITOU VILLAGE CAN BE USED TO MAKE A WIDE VARIETY OF PRODUCTS BY CHANGING THE DIE THAT GOES INTO THE PRESS. AND BECAUSE MOST OF THE MANUFACTURING METHODS ARE RELATIVELY SIMPLE, THE LABOR FORCE CAN EASILY ADJUST TO CHANGES IN PRODUCT LINES. THIS FLEXIBILITY ALLOWS RURAL ENTERPRISES TO ADAPT QUICKLY TO CHANGING PRODUCT DEMAND. FOR EXAMPLE, TWO GOODS WE SAW BEING PRODUCED IN SHANDONG -- TRACTOR GASOLINE TANKS AND "SOLAR HEATING UNITS" -- WERE OBVIOUSLY IN HIGH DEMAND AT THAT TIME. IF THEIR CUSTOMERS' NEEDS CHANGED, HOWEVER, THESE WORKSHOPS COULD EASILY ADAPT TO MEET THE NEW DEMAND.

LONG-TERM IMPACT OF RURAL INDUSTRIES ON CHINA'S DEVELOPMENT

15. RURAL ENTERPRISES' RESPONSIVENESS TO MARKET SIGNALS AND THE ABILITY OF WORKERS TO SHARE IN THE PROFITS OF THE ENTERPRISE MORE THAN OFFSET THE TECHNICAL DISADVANTAGES OF RURAL INDUSTRIES VIS-A-VIS URBAN FACTORIES. MORE IMPORTANTLY, HOWEVER, THE ESTABLISHMENT AND DEVELOPMENT OF RURAL INDUSTRIES -- UNLIKE THE ONE-TIME STRUCTURAL CHANGE BROUGHT ABOUT BY THE DISMANTLING OF THE COMMUNE SYSTEM AND THE INTRODUCTION OF HOUSEHOLD RESPONSIBILITY SYSTEMS -- HAVE THE POTENTIAL FOR CONTINUING TO STIMULATE ECONOMIC GROWTH FOR THE FORESEEABLE FUTURE.

16. THE GROWTH OF RURAL INDUSTRIES IN THE FUTURE SEEMS ASSURED IN CHINA. THIS IS BECAUSE LABOR INTENSIVE RURAL ENTERPRISES MAKE GOOD USE OF TYPICALLY UNDEREMPLOYED LABORERS IN RURAL COMMUNITIES, AND CHINA HAS A SURPLUS OF SUCH WORKERS. THE NOVEMBER 1 TA KUNG PAO (DAGONGBAO) REPORTED THAT ONLY 100 MILLION OF CHINA'S 300 MILLION RURAL WORKERS ARE NEEDED TO FARM ITS 133 MILLION HECTARES OF LAND. MOREOVER, THE ACTIVITIES OF MOST RURAL ENTERPRISES AT THE VILLAGE LEVEL CAN BE MADE TO COINCIDE WITH THE AGRICULTURAL SECTOR'S SEASONAL LABOR DEMANDS, GEARING UP IN THE SLACK SEASON BUT REDUCING PRODUCTION AT OTHER TIMES.

17. IN ADDITION, THE GARAGE-SCALE, LABOR INTENSIVE INDUSTRIES DEVELOPING IN CHINA'S RURAL AREAS FIT PERFECTLY WITH THE RESOURCE ALLOCATION (LABOR RICH BUT CAPITAL POOR) OF CHINA'S RURAL AREAS. THE DEVELOPMENT OF THESE INDUSTRIES -- BY INCREASING THE PURCHASING POWER OF RURAL DWELLERS -- WILL INCREASE THE DEMAND FOR THE AMOUNT AND VARIETY OF PRODUCTS, STIMULATING CHINA'S 800 MILLION PEOPLE RURAL MARKET. THIS MARKET IS YET UNTAPPED AS WITNESSED BY CHINA'S GROWING RURAL SAVINGS PHENOMENA. ACCORDING TO THE SEPTEMBER 11 WEN WEI PO (WENHUIBAO), RURAL SAVINGS NOW TOTAL OVER 15 BILLION U.S. DOLLARS.

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18. CHINA'S RURAL ENTREPRENEURS ARE ALREADY MOVING FORWARD TO DEVELOP AND EXTEND THIS MARKET. FOR EXAMPLE, THE DEMAND FOR TRANSPORTATION VEHICLES -- EVEN SMALL 12 HORSEPOWER TRACTORS -- HAS GROWN TREMENDOUSLY OVER THE PAST TWO YEARS AS PEASANT ENTREPRENEURS HAVE SOUGHT TO EXTEND THEIR MARKETS TO URBAN CENTERS AND THE NEWLY DEVELOPING RURAL MARKET TOWNS. AS PROFITS GROW, RURAL ENTERPRISES WILL ALSO SINK INVESTMENTS IN MORE AND BETTER EQUIPMENT TO EXPAND THE PRODUCTIVE CAPACITY OF RURAL ENTERPRISES -- A SINE QUA NON FOR SUSTAINED ECONOMIC GROWTH. WE SAW A GREAT VARIETY OF NEW EQUIPMENT IN RURAL ENTERPRISES, SOME ALREADY ON PAR WITH THE EQUIPMENT BEING USED BY SMALL FACTORIES IN URBAN AREAS.

REDUCING POPULATION PRESSURES IN THE COUNTRYSIDE

19. THERE IS YET ONE FINAL BUT IMPORTANT CONSEQUENCE OF THE DEVELOPMENT OF RURAL INDUSTRIES -- THEIR EFFECT ON POPULATION DISTRIBUTION. INDEED, ONE OF CHINA'S MOST PRESSING POPULATION PROBLEMS IS OVERCROWDING IN THE CITIES. ACCORDING TO CHINA'S 1982 CENSUS, CHINA'S POPULATION DENSITY WAS 105 PERSONS PER SQUARE KILOMETER (VERSUS ABOUT 20 PERSONS PER SQ/KM IN THE UNITED STATES). THE POPULATION DENSITY OF CHINA'S THREE LARGEST CITIES, HOWEVER, WAS MUCH HIGHER -- 1913 PERSONS PER SQ/KM IN SHANGHAI, 687 IN TIANJIN, AND 549 IN BEIJING. WHILE POPULATION DENSITY IN CHINA'S CITIES HAS CONTINUED TO RISE OVER THE PAST 35 YEARS, THE RATE OF INCREASE WAS LOWER FOR THE CITIES THAN THAT OF THE NATION AS A WHOLE. FROM 1964 TO 1982, FOR EXAMPLE, CHINA'S OVERALL POPULATION DENSITY ROSE BY AN AVERAGE OF 2.1 PERCENT PER YEAR, WHEREAS TIANJIN'S POPULATION DENSITY WENT UP 1.2 PERCENT PER ANNUM, BEIJING'S 1.1 PERCENT AND SHANGHAI'S 0.5 PERCENT.

20. CHINA HAS BEEN ABLE TO SUSTAIN LOW POPULATION DENSITY GROWTH RATES FOR ITS URBAN POPULATIONS BY CLOSELY MONITORING AND RESTRICTING THE MIGRATION OF PEOPLE FROM THE VILLAGES TO THE CITIES. THUS, RURAL TO URBAN MIGRATION -- COMMON AND SUBSTANTIAL IN ALMOST ALL OTHER DEVELOPING COUNTRIES -- HAS BEEN MINIMAL IN CHINA. CHINA HAS ALSO BENEFITED FROM THE FACT THAT NATURAL POPULATION GROWTH RATES ARE LOWER IN URBAN AREAS THAN RURAL VILLAGES BECAUSE OF THE SCARCITY OF LIVING SPACE IN URBAN LIVING, MORE ABUNDANT JOB OPPORTUNITIES AND THE DIFFICULTY OF FINDING PEOPLE TO TAKE CARE OF CHILDREN WHEN BOTH PARENTS WORK.

21. RESTRICTIONS ON POPULATION MOVEMENTS IN CHINA, HOWEVER, ARE ALREADY BEGINNING TO EASE WITH THE INTRODUCTION OF BROAD SCALE ECONOMIC REFORMS AND RAPID ECONOMIC GROWTH (REFTEL). THIS WILL TEND TO INCREASE MIGRATION TO THE CITIES, THEREBY INCREASING THE POPULATION DENSITY OF CHINA'S ALREADY CROWDED CITIES. HOWEVER, THE DEVELOPMENT OF RURAL INDUSTRIES -- BY INCREASING RURAL INCOME LEVELS, EXPANDING JOB OPPORTUNITIES IN THE COUNTRYSIDE, AND PROVIDING A BETTER STANDARD OF LIVING -- MAY DIM THE GLITTER OF THE LURE OF CHINA'S CITIES. INDEED, GIVEN THE SUBSTANTIAL AND GROWING INCOME DIFFERENCES BETWEEN URBAN AND RURAL FACTORY WORKERS, MIGRATION FROM RURAL TO URBAN AREAS COULD SLOW AND MAY -- IN SOME CASES --

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