

ICWA LETTERS

Since 1925 the Institute of Current World Affairs (the Crane-Rogers Foundation) has provided long-term fellowships to enable outstanding young professionals to live outside the United States and write about international areas and issues. An exempt operating foundation endowed by the late Charles R. Crane, the Institute is also supported by contributions from like-minded individuals and foundations.

TRUSTEES

Joseph Battat
Carol Beaulieu
Mary Beausoleil
Richard Dudman
Peter Geithner
Gary Hartshorn
Kitty Hempstone
Will Knowland
Mildred Marcy
Peter Bird Martin
Joel Millman
Samuel Levy
Edmund H. Sutton
Steven Maly
Warren Unna

HONORARY TRUSTEES

A. Doak Barnett
David Elliot
Lawrence M. Gould
David Hapgood
Pat M. Holt
Edwin S. Munger
Richard H. Nolte
Albert Ravenholt
Phillips Talbot

The Institute of Current World Affairs
4 West Wheelock Street
Hanover, New Hampshire 03755

CL-22 1995
EAST ASIA

On the Road to Subei:

The Transportation Bottleneck in China's Development

BY CHENG LI

SHANGHAI, China

April 1995

"The bus leaves Nantong for Dafeng at 6 AM." A friend left this telephone message on the answering machine in my apartment in Shanghai.

"The time we get up in the morning depends on the distance of our hotel in Nantong from the bus station," the message continued. "There are a few hotels near the bus station if you don't mind keeping fleas and cockroaches company. The most decent hotel in the city, Nantong Grand Hotel, is located about five kilometers away from the bus station. It will take at least an hour and thirty minutes for us to walk to the station since it is difficult to get a taxi that early in the morning. This means that we need to get up at 3:30AM and leave our hotel around 4. Does that make sense to you?" my friend concluded sarcastically.

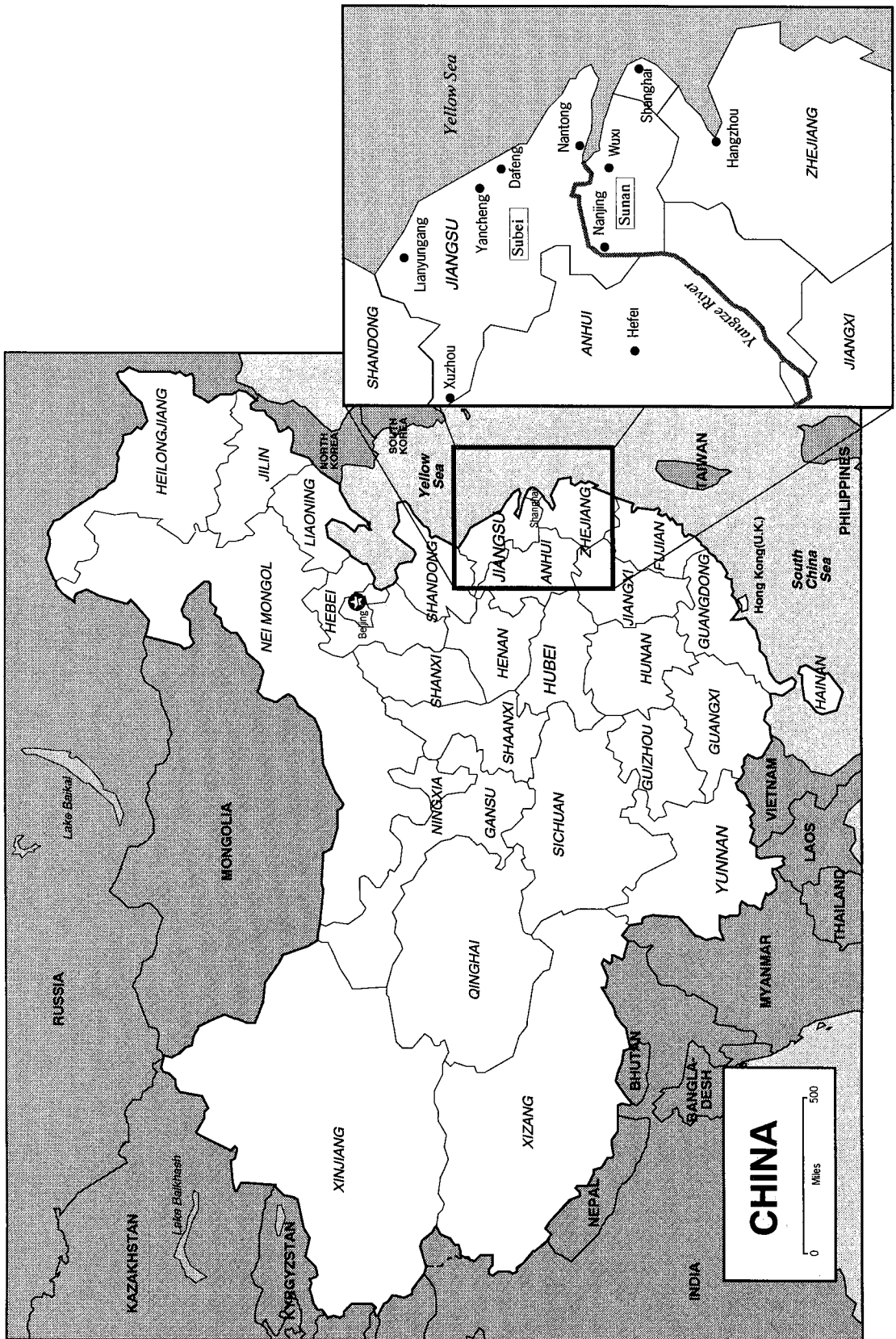
To get up at 3:30 AM! It did not make sense to me at all. Only pilgrims, I thought, would get up that early for a journey. We were not going to Mecca or Jerusalem; we just wanted to visit a small, village-run enterprise in Dafeng.

Dafeng, a county under the jurisdiction of Yancheng City, is located in the northern part of Jiangsu Province, or what people there call "Subei." It is about 400 kilometers (250 miles) north of Shanghai. In the United States, a 250 mile journey usually takes a half-day. But here in China the number of expressways (*gaosugonglu*) is extremely limited, even in economically well developed coastal regions like Jiangsu and Shanghai. It takes at least 11 hours to travel that far, either by car or by bus. There is no train between Shanghai and Yancheng. Actually, until recently there was no railway at all in the vast area of Subei, with the exception of Xuzhou and Lianyungang, two cities in the northernmost part of Jiangsu Province.

I had never been in Nantong, or Dafeng, or any other part of Subei before. While traveling in "Sunan" (southern Jiangsu) and witnessing the economic boom in this fastest-growing region in the country (as described in my previous reports), I thought it would be interesting to visit Subei, the other part of Jiangsu Province, which has notably lagged far behind Sunan. So when Guo Qiang, a good friend of mine who is a manager of a copper factory in Shanghai, told me that he was going to Subei on business, I asked Guo to take me with him.

Both my friend and I did not want to take an 11-hour bus ride,

Cheng Li is an ICWA Fellow studying the political economy of the coast of China.



especially on a bumpy road, directly to Yancheng from Shanghai. Instead, we planned to break our journey into two parts. First we would go to Nantong by boat and stay there for a night, since Guo also planned to visit a State-owned factory in Nantong. Then we would take a bus to Dafeng in the early morning of the following day so that we could arrive in the afternoon. We would visit a village-run enterprise in Dafeng that has business dealings with my friend's factory in Shanghai.

Because of his business connections in Subei, Guo was very familiar with the region, especially its socioeconomic condition. I was very happy with our travel plans until I learned that we had to get up 3:30 AM in Nantong! I had not expected all the inconveniences of travel in this part of the country. Subei is located on China's east coast and is not far from the nation's most developed regions.

• • • • •

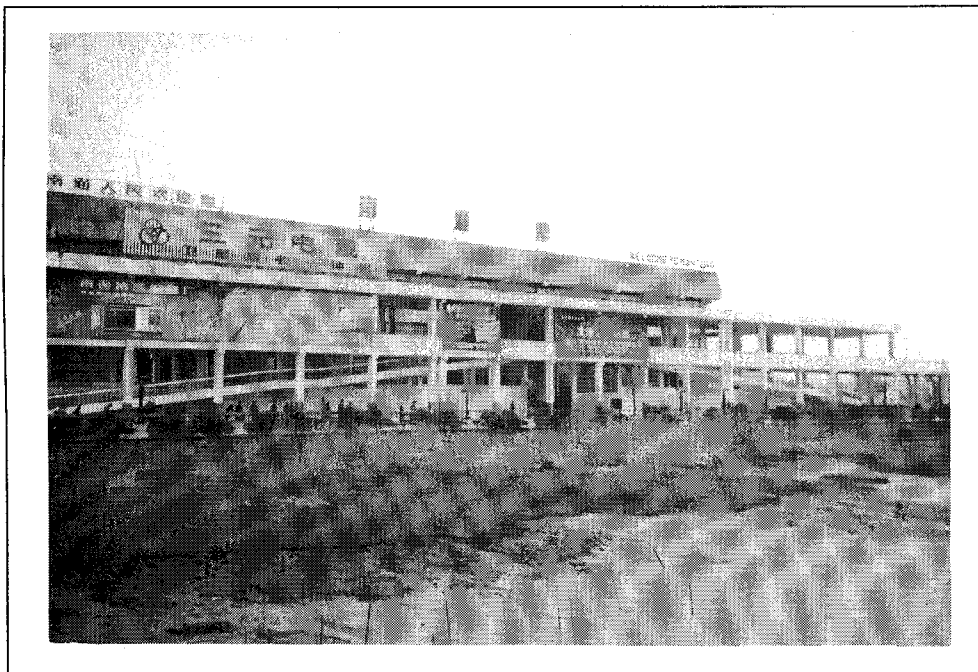
In general, Jiangsu is an economically well-off province in China. Within the province, however, there is a big gap between Sunan and Subei in terms of economic development. The Yangtze River divides Jiangsu Province into two parts. While the southern side of the river (including Nanjing and Yangzhou areas) has 40% of the population and 33% of the total land of the province, it contributes 64% to the total GNP and has 73% of the total industrial output (see Table 1, page 4).

Although Subei has also achieved moderate economic growth during the reform era, the gap between Sunan and Subei has increased greatly during the re-

cent decade. In 1980, the difference between Sunan (Suzhou, Wuxi, and Zhangzhou) and Subei (Xuzhou, Huaiying, Yancheng and Lianyungang) in terms of industrial and agricultural output value was 8.08 billion yuan. But in 1990, the number increased to 49.62 billion yuan. The difference in GNP in 1980 was 1.29 billion yuan, but in 1990 it increased to 9.64 billion. The difference in a peasant's average annual income between Sunan and Subei increased from 60 yuan in the 1980's to 799 yuan in 1991.¹

According to an investigation of three poverty-stricken villages in Binghai county in Subei conducted in 1993, for example, 20% of households did not have grain storage, 18% did not have enough clothing. 54% still lived in houses made of grass and soil. Three villages had a total of 766 households, 3,024 people, and 3,407 *mu* (1 *mu* = tk acres) of cultivated land. Average annual income in these three villages was 364 yuan (\$64). Eighty-six men who were in their 30s to mid-50s could not afford to get married. Many women married men in the richer Sunan area or elsewhere. Also because of the poverty, the primary school enrollment was only 61% in the villages. Among the total of 1,264 laborers, about 400 had left the villages seeking jobs elsewhere during the early 1990s.²

Why do Subei and Sunan, two neighboring areas in the same province, display such a sharp contrast in their economic development? The differences between the two areas are of course the result of specific historical conditions or different starting points in economic development. But many successful stories of China's economic reform, including those in Sunan, suggest that local conditions themselves can change.³



The Nantong Port. With a population of about 600,000, Nantong is a major port city in the lower Yangtze River Delta.

Table 1
A Comparison of Sunan and Subei (1994)

	SUNAN	SUBEI
Population	40%	60%
Area	33%	67%
Total GNP	64%	36%
Industrial Output Value	73%	27%

Source: *Jiangnan luntan*, Forum of southern Jiangsu Province), No. 5, 1994, Oct. 25, p. 22.

Among the reasons for the gap between Sunan and Subei — the geographical advantage of the former and the lack of entrepreneurship in the latter — the most convincing one for me is the difference in the condition of the transportation infrastructure in these two regions. In addition to the absence of a railway, Subei has far fewer highways, especially well-maintained highways, than Sunan. There are 2,547 km of first-grade and second-grade highways in Subei, which account for 14.8% of its total highway km, versus 22.8% in Sunan. Good-quality surface roads in Subei account for 36% of its total roads, compared to 61.5% in Sunan.⁴

The economic growth of Subei has been constrained by the lack of power, railways, and roads. Subei's Peixian county, for example, can produce 5 million kg of peaches annually, for a potential total of 20 million yuan in profit. But because of the poor condition of transportation, most of these peaches cannot be conveyed to markets in other regions promptly. As a result many peaches spoil unsold.⁵

While township and village enterprises (TVEs) in Su-

nan have brought about economic prosperity to the vast area in this region, TVEs in Subei are beset with infrastructure bottleneck. According to a recent report, many TVEs in Subei have no electricity for about 150 days annually due to the lack of coal-transport capacity in the Subei region.⁶ In China, coal currently accounts for 70% of China's power generation. Meanwhile, railways are a dominant mode of coal transport in the country.⁷ Shortage and inefficiency in the transportation and energy sectors in Subei, especially the absence of railways in the region, have become major obstacles to economic growth in Subei. Development of these elements of infrastructure is necessary for all other activity in the economy.

A trip to Subei, I thought, might be a good opportunity to investigate transportation bottlenecks in China's economic development.

Three of us, Guo Qiang, his assistant Ren Min and I, arrived in Nantong in the early afternoon after a three-hour journey by speedboat. This speedboat line between Nantong and Shanghai was recently opened. Nantong, with a population of about 600,000, is a major port city in the lower Yangtze River Delta. Nantong has a history of over 1,000 years. During the Qing Dynasty, Nantong became a commercial city as a result of the rise of the textile industry. The city had a great reputation for its cultural and economic development during the early decades of the 20th century. China's first teacher's college, first textile school, first folk museum, first drama institute, and first Chinese-run school for the deaf and blind were all established in Nantong.

The city was one of the "fourteen open coastal cities" the PRC government established in the mid-1980s. Nantong, however, has not done nearly as well as the

Mr. Ren Min pulls the cable to move the "ferry" forward across the pond. The pond is apparently polluted — the color of its water is almost as black as coal.



cities in Sunan such as Jiangyin and Changzhou in terms of GNP growth and foreign investment. As the speedboat approached the port, I did not see signs of the kind of economic boom that I have noticed in the Sunan area. The Nantong Port looked small and old.

We took a bus to a hotel near the bus station. We preferred to stay at a hotel close to the bus station, despite the fact that it might be a flea-pit hotel, rather than at the Nantong Grand Hotel. A clean and comfortable hotel 5 km from the bus station did not appeal to us if this meant that we needed to get up at 3:30 in the morning. We checked into a 15-story hotel right next to the bus station. The hotel, which is called Tian Nan Hotel, turned out to be pretty good. The bed-sheets were clean and there was no sign of fleas, although we spotted a couple of cockroaches. The hotel even provided its guests with hot water for showers from 7 PM to 10 PM.

After a quick lunch, we headed to the Nantong Aluminum Fabrication Plant, the State-owned factory from which my friends would claim a payment due. The plant was a fifteen-minute walk from the hotel. Mr. Ren Min, who had visited the plant a few times before, showed us a shortcut. The so-called shortcut was actually a small pond. There was a small boat tied with a steel cable across the two ends of the pond. Ren Min and Guo Qiang pulled the cable so the boat could move forward. I had never taken this kind of "ferry" before. I was amazed that this primitive mode of transportation was still being used in a big city like Nantong. The pond was apparently polluted because the color of its water was almost as black as coal. My next report will describe our memorable visit to this factory.

The following morning we arrived at the bus station at 5:50AM, ten minutes before scheduled departure time, but the bus did not actually leave Nantong for Dafeng until 6:45 AM. The reason for the delay, as the conductor explained: the engine needed a warm-up. Only fools would believe his explanation. Everyone knew that the driver and conductor did not want to leave until all the seats were filled on the bus. They wanted to make as much money as possible for the trip.

. . . .

During the reform era, China's public transportation has been managed in various ways. While urban bus transportation has usually continued to be run by the State, minibuses serving cities and long-distance buses connecting cities are often owned and managed by private companies or individuals. Some of them are managed by private companies under contracts with the State.

Privatization of China's long-distance buses has stimulated the material incentives of the people who work for the public transportation service and has opened many new long-distance bus lines. In Sichuan, for example, fewer than seven percent of townships had bus service at the beginning of the 1980s. But since the mid-

1980s the province has experienced a rapid growth of cooperative and private bus and freight services."⁸ This change, however, has caused new problems. Some conductors arbitrarily raise bus fares. It has become common practice that conductors give a "discount" to passengers who do not want bus tickets or receipts.

In addition, the schedule of long-distance buses is often ignored. A few months ago, I took a minibus from the foot of the Yellow Mountains, a famous resort in Anhui Province, to the Tunxi airport to catch an airplane back to Shanghai. But the driver kept picking up passengers at various scenic spots at the foot of the mountains. About two hours after I got on the minibus, I found that I was back where I started.

"Why didn't you get off earlier?"

"Why didn't you change to another bus?"

"Did you tell the bus driver that you were going to the airport to catch a plane?"

These are the responses of people to whom I described this experience. What they mean to say is that I was foolish to stay on that minibus for so long.

I might be naive enough to believe the bus driver, who kept saying that the bus would leave for the airport in a few minutes. Like many other passengers on the bus, I protested. But I didn't see the point in taking another bus because it seemed to me that all the other buses were doing the same thing. Eventually I did get off, and took a taxi to the airport. The one-hour taxi ride to the airport actually cost me more than the one hour airplane ride from Tunxi to Shanghai.

"If I were you, I would have hijacked the minibus with a knife or given counterfeit foreign currency to the taxi driver!" an American friend joked.

One probably does need to bring a knife or counterfeit money when one travels in some inland provinces in China today, but not for hijacking. A few weeks ago, I took a trip to Henan province and a bus from Pingdingshan to Zhengzhou. In the county seat of Yuzhou, three young men in their early 20s got on the bus. With knives in their hands, they attempted to rob the passengers. The passengers, however, were not intimidated. We fought the robbers.

We seized the robbers but the driver let them get off the bus instead of sending them to the police. He explained that these robbers were neighborhood villains, and he did not want to get in trouble when he passed this place next time. "Besides," the driver said, "these robbers have friends in the local police station."

"I suspect," a passenger who sat in front of me said in a low voice, "that the bus driver is also a friend of the robbers. He did not even ask them to pay a fare when they got on the bus."

"Robberies have occurred frequently on this bus

line," another passenger who often traveled between Pingdingshan and Zhengzhou added.

Another serious problem in China's long-distance bus service is that in order to make more money, some drivers drive continuously for over 12 hours. As a result, the number of traffic accidents in the country has significantly increased in recent years. During a nine-hour bus journey from Zhengzhou to Shamenxia, Henan Province, that I took recently, I noticed that the driver didn't take a rest at all, not for even one minute, throughout the entire trip.

The bus that took us to Dafeng, however, stopped for about an hour and a half after it left Nantong. This was not to pick up more passengers, but because of technical problems.

"The engine must have overheated in the bus station in Nantong," Guo Qiang joked.

We waited for about 15 minutes. Then driver told the passengers the bus had serious problems that he could not solve. He asked us to get off and catch the next bus to Dafeng.

"How long will we have to wait for the next bus?" a passenger asked.

"It will be only a few minutes," the driver answered.

"Don't believe him," Guo Qiang said.

I told the driver that he should call the bus company and ask them to send another bus to pick up the passengers. I explained to him that in the United States, if an airplane, a train, or a bus has an accident or a serious technical problem, the company usually sends a substitute from the nearest location to the site of the accident in order to convey the passengers to their destination.

The driver looked at me for awhile and then said, "This is China No company could afford to do so."

"It is not a matter of whether the transportation company can afford it," I said. I wanted to finish even though I knew it would not make a difference. "What matters is whether the company has a sense of responsibility for its passengers."

"Do I need to pay a bus fare again for the next bus" a passenger, apparently a peasant, asked the conductor.

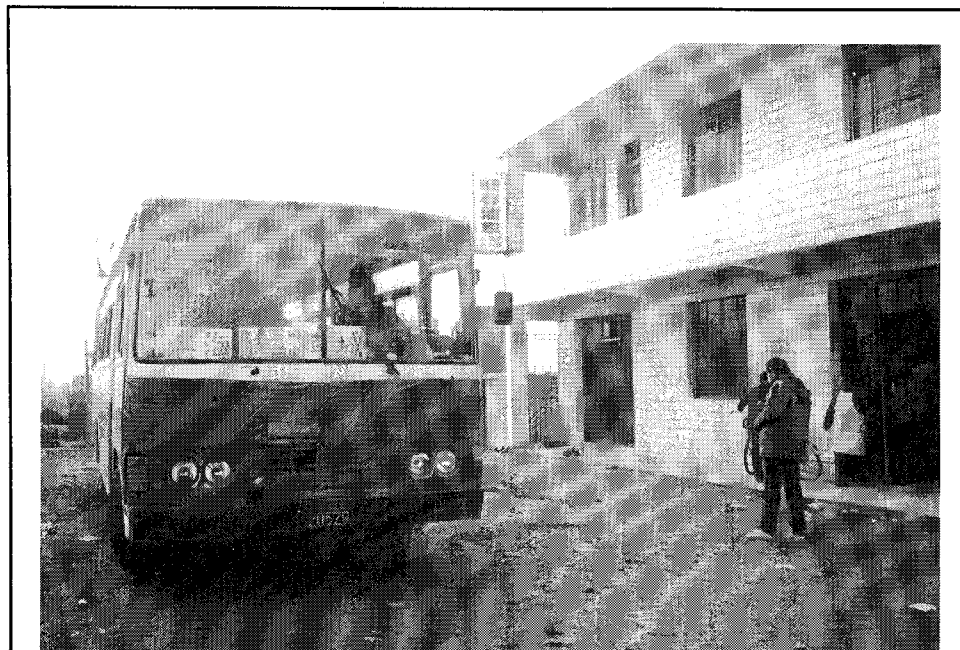
"No," the conductor answered. "You will have no problem if you show your ticket to the conductor of the next bus."

I suspect the conductor immediately regretted what he had said, because those passengers who had had a "discount" in the bus fare in the form of a waiver of tickets now started to claim tickets from the conductor.

After waiting on the road for about an hour, we finally caught a bus heading toward Dafeng. We showed our tickets to the conductor and were told that we had to buy tickets again because the two buses belonged to different companies. All the seats of the bus were taken and we had to stand. It was 9:30 am. It would take two more hours from there to our destination. Standing for two hours on a bus was certainly not comfortable, but it was at least better than waiting on a road that led nowhere. We needed to be in the county seat of Dafeng before noon to catch a local bus to the village that we planned to visit.

But again unexpectedly, the bus driver announced that he would take all the passengers to a restaurant on the road for lunch. I looked at my watch — it was 10:30 AM.

"Why does the driver want the passengers to have



At 10:30AM, the bus driver takes all the passengers to this restaurant for lunch. The owner of the restaurant gives the driver a kickback if passengers spend money here.

The driver asks all the passengers to wait for a couple of hours because and he needs to replace the tire. This was the third bus that we had taken that morning. Each time we had to wait for a couple of hours.



lunch here and now?" I asked Guo Qiang. "Dafeng is only an hour away. People can have lunch there."

"Isn't it obvious?" Guo replied. "The owner of this restaurant will give the driver a kickback if passengers spend money here."

I told Guo and Ren that I was really learning a lot about the "entrepreneurship" of Chinese bus drivers during this trip.

My friends and I were not hungry. Moreover, we didn't want to let that bus driver earn even a penny from us. Ren Min suggested that we stand on the side of the road while waiting. He hoped that we could catch another bus to Dafeng.

This time we were lucky, and there were even seats available on the bus that we stopped for a ride. But our luck did not last long. About ten minutes after we got on the bus, it had a flat tire. The bus driver asked all the passengers to get off temporarily so that he could replace the tire.

I looked at the bus as I got off. The bus looked very old, like one made in the 1950s. But the bus driver told me that it was a 1990 bus. He might be right because the poor road conditions of China's highways as well as the lack of maintenance of public transportation vehicles often make buses look older than they actually are.

I told my friends that the United States has a wonderful long-distance bus company called Greyhound. It runs across the entire country. The physical appearance of Greyhound buses is in sharp contrast to China's buses — the former give passengers the impression of speed and safety while the latter seem sluggish, vulnerable, and unreliable.

"Do you want to change to another bus?" Ren Min asked Guo and me.

"No," Guo replied, "it is already the third bus that we have taken this morning. I'm so tired that I don't want to do anything. God knows what will happen to our fourth bus — and if there is a fifth one!"

At this point I decided to write a report about our "adventure" on the road to Subei.

"Your readers in the United States will not believe all these incidents could happen to us on a three-hour ride in a coastal area of East China," Ren commented.

"American readers will think you made up the stories to make a point," Guo added.

"But we will be your witnesses as long as you buy us two Greyhound bus tickets across America," Ren said teasingly.

My friends are quite right. For people in the United States — a country with an excellent highway system, some of the incidents on China's highways that I have reported here are probably too dramatic to believe. But for those Chinese who often travel by bus, these things are usually too common to mention. The accidents that I have witnessed during my bus rides in China — the lack of concern for safety, the highway robbery, the overcharging of bus and taxi fares, the arbitrary delay of the bus schedule, the overuse of transportation vehicles — all reflect the problems of poor management in China's public transportation system. The government has not made enough effort to deal with these problems.

• • • •

The poor quality of the public transportation system on China's highways has not only made people's lives less convenient, but also has become a bottleneck in

On our way to Sanlong Village, we saw a number of buses and cars broken down in the middle of the road.



China's flow of economic development. Our visit to Sanlong Metal Processing Plant, a village-run enterprise in Sanlong Town of Dafeng County, shows the ways in which poor transportation has prevented the enterprise from further economic growth.

The plant is located 30 km from the county seat of Dafeng. When the bus with a new tire arrived in the county seat at 1PM, the local bus to Sanlong had already left. That was the last bus for the day. There were, however, several motor tricycles available. After having negotiated for the fare, we took one motor tricycle and headed to Sanlong Town. All three of us

wanted to take a nap on the tricycle, but we were never able to do so because the road was very bumpy. We saw a number of buses and cars parked in the middle of the road because of mechanical problems.

The motor tricycle that we took, however, did not cause us any more trouble. The director of the factory, Mr. Jiang Yaolong, and his three deputies welcomed us into the office of directors. All of them were dressed in military-style uniforms — khaki cloth, brass buttons, even epaulettes.

I was amazed at their old-fashioned clothing. During



After all the hassles on the road, the motor tricycle finally takes us to the village-run factory in Sanlong.



From left to right: Guo Qiang (my friend from Shanghai). Li Cui (deputy director of the Sanlong factory), Jiang Yaolong (director of the Sanlong factory), Ren Min (Guo's assistant from Shanghai) and Chen Yongzhi (assistant economist of the Sanlong factory).

my visits to Sunan, I had never met a local official or a director of a township and village enterprise who wore a military-style uniform. Rich businessmen and local officials in Sunan virtually all wear Western-style suits. Based on their clothing, people in Sunan and Subei seemed to live in two different worlds.

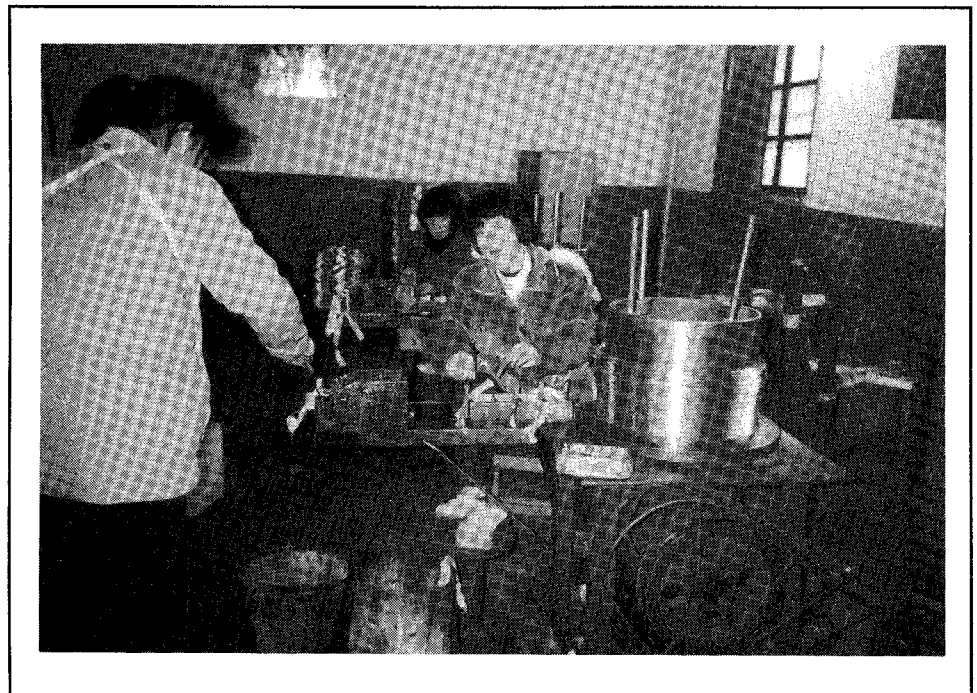
"Are you all discharged military men? I asked Mr. Jiang.

"No, actually only one of us served in the army," Mr. Jiang explained. "We bought the uniforms because there was a military uniform sale at the town market. They were much less expensive than Western-style

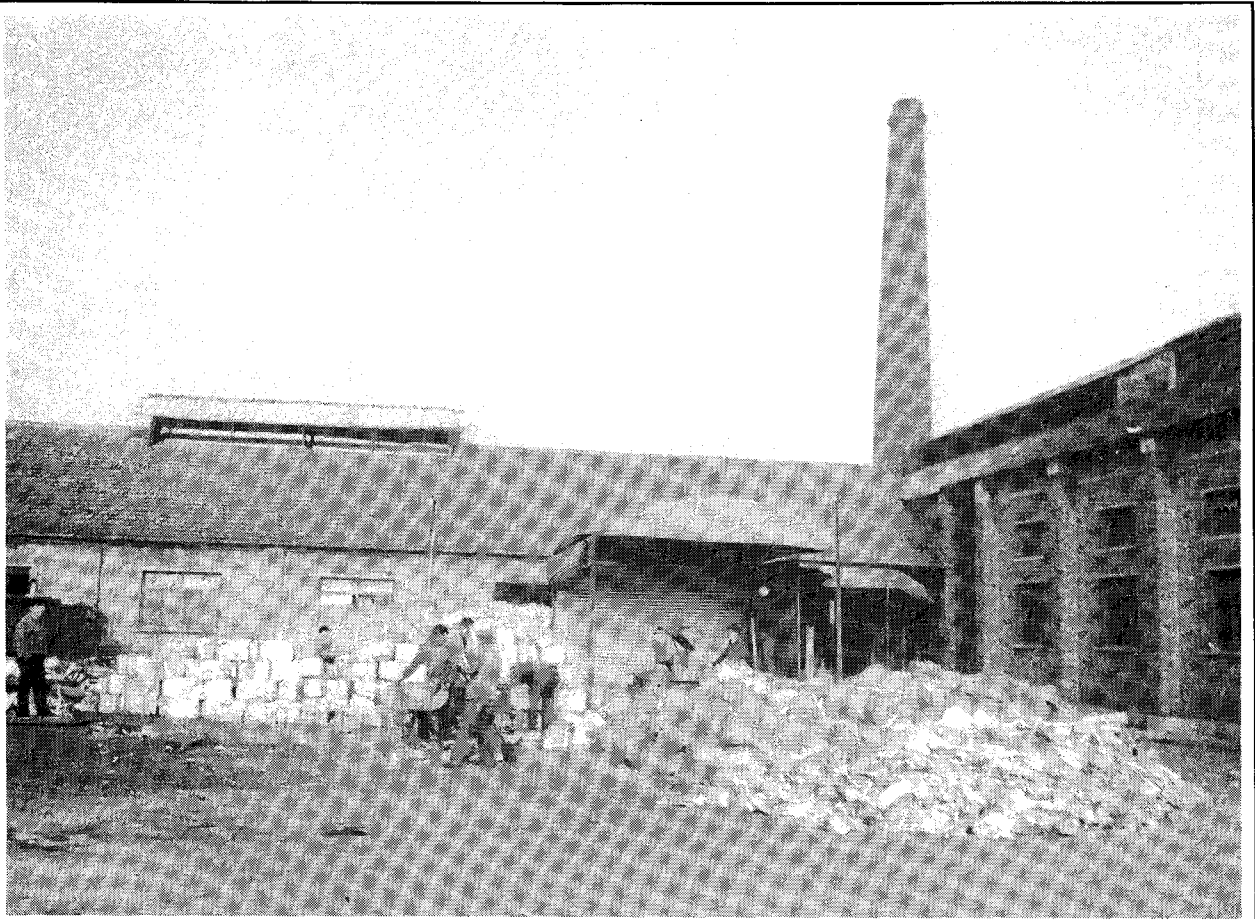
suits."

Jiang told us that they had been waiting for us for over three hours. Some of them had not even had lunch because they wanted to treat us. "I've seldom received people from Shanghai," Li Gui, a deputy director said to us. "You are our honored guests."

When Ren told them that I was a professor in the United States, they all wanted to have a photo taken with me. They were delighted that a Chinese-American professor would visit their small factory. Mr. Jiang asked the clerk in the office to go to his home to get a can of Coca Cola for me. He thought people from



A scene in the Sanlong Plant. Unlike the modern workshops with advanced machines that I visited in Sunan, most of the jobs here are conducted half by manual labor and half by machine.



The chimney in the plant often releases black smoke. Similar to the situation of the TVEs in other areas, environmental pollution is also a major problem here.

America must only drink Coca Cola or "Seven Happinesses" (the Chinese translation for the soft drink 7-UP). I told him that the tea that they served me was just fine.

The Sanlong Metal Processing Plant had a total of 400 employees. About three fourths of the laborers in Sanlong Village work in this village-owned enterprise. Mr. Jiang, the director of the plant, is also head of the village.

The plant developed very quickly in the 1980s. It is a joint venture with a small Hong Kong firm. But the Hong Kong firm actually did not contribute anything except the initial \$50,000 capital investment. Because it is a joint venture, the Sanlong Metal Processing Plant receives some tax waivers from the State. Mr. Jiang told us that his factory had already paid the \$50,000 back to the Hong Kong firm.

This village-run industrial enterprise has improved the living standard of the people in the village. While many poor laborers in neighboring villages and towns migrate to urban areas to seek jobs, no one in Sanlong village has left. In recent years, the plant has produced 4,500 tons of aluminum goods annually. The plant, which has an area of 19,000 square me-

ters, had 6 million yuan in fixed assets and 3.5 million in working capital in 1994.

But the plant is faced with several serious constraints to further development. "We not only need capital and technical expertise to upgrade the technology of our plant," Mr. Jiang said frankly, "but we also should reduce the cost of our products because of increasing competition with other enterprises."

"Our plant is not in a good location to attract foreign investment," Mr. Jiang explained. "The village, like other rural areas in Subei, is geographically isolated because of poor transportation. Also, because of the high cost of transportation for our products, we have lost a lot of customers."

"In addition, engineers or college graduates in cities are unwilling to work here," Mr. Li added. "None of the 400 employees here has a college education. There are only two high school graduates in the plant."

"We are very grateful to you to have traveled all the way from Shanghai to provide us with technical guidance, information, and machines," Mr. Jiang said to Guo and Ren.

"To be honest, we are equally delighted that you are

going to purchase our machines," Guo responded.

Not surprisingly, it took only a half hour for Mr. Jiang and Guo, on behalf their respective factories, to sign the contract for technical cooperation and the sale of machines. After signing the contract, Mr. Jiang said that he and his colleagues would host a banquet for us. Guo told him that we would not have time for dinner since we would like to go back to Yancheng that night. Instead, Guo asked Mr. Jiang whether they could show me the workshops in their plant.

"Of course, we would be delighted to show the Chinese-American professor anything that he wants to see," Mr. Jiang said. "We just hope that he will not laugh at us for the primitive conditions in our plant."

"No, I won't," I said. I was really moved by his frankness and friendliness. "Honesty is something admirable, not laughable," I thought.

Mr. Ni Chongming, another deputy director of the plant, showed us two workshops in the factory. These were, of course, not like the modern workshops with advanced machinery that I visited in Sunan. Most work was actually done half manually and half by machine. A chimney at the plant was releasing black smoke. Similar to the situation of TVEs in other areas, environmental pollution is also a major problem here.

Unlike many State-owned factories where employees have little or no work to do, the workers in this small village-run enterprise were all busy with their assignments even in late afternoon. Mr. Ni told me that the average salary here is 400 yuan per month. Several years ago the average income in this rural village was less than 100 yuan because most villagers worked on farms.

After seeing the plant, Mr. Ni and his two colleagues took us on the back seats of their motorcycles to the county seat of Dafeng where we could catch a bus to Yancheng. Mr. Ni told us that they owned the motorcycles privately.

"It was a good investment," I said.

"Yes, the motorcycle is very helpful," said the young man who gave me the ride. "Previously, it would take about two hours if we wanted to go to the county seat by bicycle. Now, it takes only twenty minutes. The only problem is that the road is still too bumpy."

"Why don't people here build better highways?" I asked.

"Please ask officials of our local government about road construction," the young man replied.

We did not talk at all during the entire ride down the dusty and bumpy roads. But the young man's words — "Please ask officials of our local government about road construction" — have occurred to me repeatedly since the trip to Subei.

The transportation problem, especially the shortage of roads and highways, is not a problem confined to Subei. It has increasingly become a bottleneck hampering China's economic development. Even the Chinese official media have recently admitted that transportation has not been given enough attention from both central and local governments for too long.⁹

During the 1960s and 1970s, the Chinese government invested 200 billion yuan in construction on "three fronts" (China's military industrial complex). About 29,000 large State-firms were established in China's inland provinces. These firms were usually far from cities and main transportation networks. Investment in the transportation infrastructure was



Mr. Ni kindly invites us to his home. In the photo he is serving us Nescafe. He puts one spoon of coffee and three spoons of sugar in the cup for me. "Otherwise, the coffee would be too bitter," he said.



Mr. Ni and his two colleagues are about to take us, on the back seats of their motorcycles, to Dafeng. While rich entrepreneurs in Sunan own cars, their counterparts in Subei drive motorcycles.

marginal during the first three decades of the PRC.¹⁰ From 1950 to 1986, for example, China's railways returned a total of 115.6 billion yuan to the State — this amount was actually 40% more than the total amount of money the State invested in China's railways during the period.¹¹

According to a study conducted in 1992, the total distance covered by China's five types of transportation (railway, highway, water, air, and pipeline) was 2.07 million km. This figure was less than 50% of the capacity of highway transportation alone in the United States in 1938.¹²

The transportation infrastructure completed in China a couple of decades ago already cannot meet the rapid growth of demand. When the Beijing subway was completed in the early 1970s, it had only 700,000 passengers per month. Now, it carried 1.25 million passengers per day.¹³

The shortage of highways has been particularly notable. Highways per square kilometer in China, for example, amount to only one-fifth of India's, one-seventh of the United States' and one-thirtieth of Japan's. Huang Zhendong, China's Minister of Transportation and Communication, has admitted that the average daily volume of transport on the nation's highways has surpassed the designed capacity by 20%. The transport volume of trunk lines on the national highway system

has surpassed the transport capacity by over 100%.¹⁴ Meanwhile, the number of cars in China has increased at a rate of 15% per year.¹⁵

In addition, more than a third of China's roads are unpaved or in poor condition.¹⁶ The rural road system has come under particular stress because China's vast rural area has faced a rapidly increase flows of goods, and migration of peasants. Yet as late as 1993, over 2,000 towns and 190,000 administrative villages nationwide were not connected by buses.¹⁷

Vincent Benziger, an American scholar who deals with China's rural road system, recently noted that in Sichuan Province the composition of bus travelers during the early 1980s reversed itself from a ratio of three peasant to every seven urbanites to seven peasants for three urbanites.¹⁸

"With the greatly expanded flood of bicycles, tractors and other slow-moving vehicles stemming from the success of agricultural reforms, these roads were simply overwhelmed," Benziger observed. The Chinese government has allocated resources to improve major intercity roads during the reform era, but rural roads have been "left largely without a system of support."¹⁹

Railways, the country's main transport arteries, can meet only 60% of the demand for both cargo and passenger transport. According to China's transportation

authorities, major railway trunk lines such as those from Beijing to Guangzhou, Beijing to Shanghai and Lianyungang to Lanzhou, can handle only 40% of the transport requirements. In addition, 75% of China's 55,000 km of railways are single-tracked and 80% are not electrified.²⁰

To be fair to the Chinese government, the State investment in transportation infrastructure has significantly increased in the past few years. For example, the Chinese government poured 71.2 billion yuan in 1993 into "infrastructure projects and basic industries in a major endeavor to ease strains in the transport, energy and raw material sectors."²¹ In 1994, a total of 33.2 billion yuan (\$4 billion) was invested in railway construction and 3,346 km of railway lines were completed. According to government officials, the country's total length of rail lines has increased by 26% over that of 1970.²² The government has also decided to inject over 100 billion yuan during the next three years to add over 10,000 km of railway lines nationwide.²³ China's infrastructure shopping list for the next decade, as some foreign business people calculate it, is eye-popping: "40 airports, 14 metropolitan subways and light-rail systems, scores of ports, power plants, roads and bridges."²⁴

In Jiangsu Province several new railway lines, including the one that will connect Lianyungang to Yancheng and Nantong, are under construction. The Jiangyin Bridge on the Yangtze River is going to be built later this year. This will be the first bridge that links Sunan and Subei, connecting Jiangyin County on the south side and Jingjiang County on the north side of the Yangtze River. These projects are expected to reduce bottleneck effects and to stimulate economic growth in both the Sunan and Subei regions.

But the increase of State investment in transportation infrastructure, according to experts, is still insignificant, especially considering the great need to improve poor transport in both rural and urban areas of the country. According to a recommendation made by the United Nations, investment in urban infrastructure should account for 1.5% to 4% of GDP of a country, but China's budget on urban infrastructure in the early 1990s was only about 0.14% to 0.87%.²⁵

Chinese authorities have often used financial constraints of the government as an excuse for not investing enough money in transportation infrastructure. According to Liu Zhongli, China's Financial Minister, China would need \$50 billion to upgrade infrastructure over the next decade.²⁶ The main question, as Minister Liu asked, is how China can raise such a large amount of money? Loans from foreign banks and foreign direct investment are certainly two major sources. Over the past decade, six loans totaling \$1.63 billion were acquired from the World Bank to finance ten railway projects. This year more than \$4.5 billion in foreign funding (from Japan, Australia and the World Bank) is expected to be spent on railway projects.²⁷

Foreign companies, however, are often reluctant to invest in China's transportation infrastructure.

"I wouldn't touch infrastructure projects in China," a direct-investment-fund manager told a Hong Kong journalist. They can change the rules any time, and you can't take a road with you."²⁸

Problems such as the absence of a legal system, the uncertain political future of the country, rigid bureaucratic management, official corruption and low economic return have driven potential investors away.

"The main problem concerning China's infrastructure development," a scholar from Jiaotong University in Shanghai said, "is not the shortage of capital, but the poor management of financial resources. During the reform era, especially in the past few years, too much money has been spent on building luxurious hotels and fancy department stores in major cities. Urban reconstruction in large cities has been achieved at the expense of some more needed projects of improving the transportation infrastructure in smaller cities and rural areas."

In a recently published article on the strategy of China's economic development, an author found it ironic that China claims to be a front runner in scientific and technological development worldwide in fields like nuclear technology, rocket and satellite development, but the government cannot even deal with some basic problems such as traffic congestion in cities and the shortage of roads in rural areas.²⁹

Government officials often argue that China will not be able to inject a large amount of money in transportation projects until China becomes a rich country.

"This argument is completely wrong," an economist from Nanjing University whom I interviewed commented. "China is of course not a rich country. But the point is that China will never become a wealthy country unless it has a well-developed transportation system."

"In the early decades of this century, people in the U.S. built a large number of expressways, not because they were rich," the economist continued. "They were rich partly because they had built these expressways, which led to the boom of industry and commerce in the country."

My friends and I stayed in Yancheng that night. The following morning we boarded a bus back to Shanghai. In a few towns or market places, we saw several hundred young adults waiting on the road — not for buses, but for jobs. They were surplus rural laborers from poor counties in the Subei region. They waited on the road hoping to be picked up by anyone who could offer them jobs, temporary jobs or otherwise.

This scene was not new to me. I have seen this kind of "labor market" in Zhengzhou, Xi'an, Shanghai, Beijing and many other places. It is believed that there are 200 million surplus rural laborers nationwide. I can't

help but ask the following questions: Why hasn't the Chinese government launched more labor-intensive transportation and infrastructure projects to absorb these surplus laborers? Is there anything more essential to China's economic development than the improvement of infrastructure and transportation? Or more important to social and political stability than absorbing millions of idle laborers? □

NOTES:

1. *Jiangsu jiaotong Yunshu* (Transportation in Jiangsu), No. 2, 1994, p. 10. In 1978, the average income of Sunan's Suzhou city was 151.8 yuan and the average income of Subei's Huaiyin city was 56.3 yuan. The difference was less than 100 yuan. But in 1987, the average income of Suzhou was 1,105 yuan while the average income of Huaiyin was 541 yuan. The difference increased to 564 yuan. Mu Guangzong, "Xiandai renkou zhuanbian de sunan moshi," (The Sunan model of population change at present.) *Nongchun jinji yu shehui* (Rural economy and society), No. 2, 1993, p. 52.

2. *Qunzong* (Mass), No. 4, 1993, pp. 16-19.

3. In his study of the economic conditions in different regions on China's coast, Fei Xiaotong, a distinguished Chinese sociologist, wrote: In 1984, I traveled from southern to northern Jiangsu Province. At first I assumed that the differences between the two areas were the result of different starting points in the process of development, but after research in Wenzhou City in 1986, I realized that each had taken a different path of development because of different conditions. ... Later in 1988, during an investigation of Guangdong and Guangxi, the fact that local villages were quick to follow the Pearl River Delta model made me realize that my developmental concept was rather static — I had failed to take into account that fact that local conditions themselves can change. "The Course of Development in China's UrSocial Sciences in China, No. 2, 1994, pp. 74-81. originally from *Zhongguo shehui kexue* (China's social science), No. 1, 1993.

4. *Jiangsu jiaotong yunshu* (Transportation in Jiangsu), No. 11, 1993, pp. 11-12.

5. *Jiangsu qivi guandi* (Enterprise management in Jiangsu), No. 8, 1993, p. 40.

6. *Jiangsu jiaotong yunshu*. (Transportation in Jiangsu), No. 2, 1994, p. 10.

7. Gautam Kaji "Challenges to the East Asian Environment," *The Pacific Review*, Vol. 7, No. 2, p. 205.

8. Vincent Benziger, "China's Rural Road System During the Reform Period," *China Economic Review*, Vol. 4, No. 1, 1993, p. 3. The original data is from Sichuan Provincial Traffic Bureau, *Sichuansheng nongcun jiaotongyunshu fazhan zhanlue* (Sichuan Province rural traffic transport development strategy), Chengdu, 1994, p. 5.

9. Yan Wenbin, "Railway Construction Moves into Top Gear," *New China Quarterly*, May 1995, No. 28, p. 36.

10. Gu Shengzhu, *Feinonghua yu chengzhenhua yanjiu* (A study of non agriculturalization and urbanization), (Hanzhou: Zhejiang People's Press, 1991), p.124.

11. Song Xiaoman, "Woguo tielu fazhan de xianzhuang yu celie" (Current situation and strategy of the development of China's railways), *Caijing Yanjiu* (Financial and economic research), No. 8, 1994, p. 38.

12. Zuang Jian "Zhongguo disan chanyi de fazhan yu wenti," (The status and problems of the development of China's tertiary industry) *Zhongguo disan chanyi nianjian* (Almanac of China's tertiary industry), 1993, p. 969.

13. *Chengshi wenti* (Urban problems), No. 3, 1993, p. 47.

14. "Minister Huang Zhendong on China's Communications" *Economic Reporter*, No. 2, 1994, p. 12.

15. *Cankao xiaoxi* (Reference news) April 10, 1995, p. 8.

16. *Far Eastern Economic Review*, Nov. 10, 1994, pp. 56-58

17. *Jingji yu guanli yanjiu* (Economics and management research), No. 5, 1993, p. 2.

18. Vincent Benziger, "China's Rural Road System During the Reform Period," *China Economic Review*, Vol. 4, No. 1, 1993, p. 3.

19. *Ibid.*, p.1.

20. Song Xiaoman, "Woguo tielu fazhan dexianzhuang yu celie" (Current situation and strategy of the development of China's railways), *Caijing Yanjiu* (Financial and economic research), No. 8, 1994, p. 38.

21. Zhou Zongmin, "China All Out to Ease Economic Bottlenecks," *New China Quarterly*, Dec. 1993, No. 30, p. 9. 22. *China Daily*, Feb. 4, 1995, p. 1.

23. Yan Wenbin, "Railway Construction Moves into Top Gear," *New China Quarterly*, May 1995, No. 28, p. 36.

24. *The Wall Street Journal*, Dec. 10, 1993, p. R16. 25. Gu Shengzhu, *Feinonghua yu chengzhenhua Yanjiu* (A Study of Non agriculturalization and urbanization), Hanzhou: Zhejiang people's Press, 1991, p.125.

26. *Far East Economic Review*, Nov. 10, 1994, pp. 56-58.

27. *China Daily*, Feb. 23, 1995, p.1.

28. *Far East Economic Review*. Nov. 10, 1994, pp. 56-58.

29. *Chengshi wenti* (Urban problems), No. 3, 1993, p. 48.

Current Fellows & Their Activities

Bacete Bwogo. A Sudanese from the Shilluk tribe of southern Sudan, Bacete is a physician spending two and one-half years studying health-delivery systems in Costa Rica, Cuba, Kerala State (India) and the Bronx, U.S.A. Bacete did his undergraduate work at the University of Juba and received his M.D. from the University of Alexandria in Egypt. He served as a public-health officer in Port Sudan until 1990, when he moved to England to take advantage of scholarships at the London School of Economics and Oxford University. [The AMERICAS]

Cheng Li. An Assistant Professor of Government at Hamilton College in Clinton, NY, Cheng Li is studying the growth of technocracy and its impact on the economy of the southeastern coast of China. He began his academic life by winning the equivalent of an M.D. at Jing An Medical School in Shanghai, but then did graduate work in Asian Studies and Political Science, with an M.A. from Berkeley in 1987 and a Ph.D. from Princeton in 1992. [EAST ASIA]

Adam Albion. A former research associate at the Institute for EastWest Studies at Prague in the Czech Republic, Adam is spending two years studying and writing about Turkey's regional role and growing importance as an actor in the Balkans, the Middle East and the former Soviet bloc. A Harvard graduate (1988; History), Adam has completed the first year of a two-year M. Litt. degree in Russian/East European history and languages at Oxford University. [EUROPE/RUSSIA]

Cynthia Caron. With a Masters degree in Forest Science from the Yale School of Forestry and Environment, Cynthia is spending two years in South Asia as ICWA's first John Miller Musser Memorial Forest & Society Fellow. She is studying and writing about the impact of forest-preservation projects on the lives (and land-tenure) of indigenous peoples and local farmers who live on their fringes. Her fellowship includes stays in Bhutan, India and Sri Lanka. [SOUTH ASIA/Forest & Society]

Hisham Ahmed. Born blind in the Palestinian Dheisheh Refugee Camp near Bethlehem, Hisham finished his A-levels with the fifth highest score out of 13,000 students throughout Israel. He received a B.A. in political science on a scholarship from Illinois State University and his M.A. and Ph.D. from the University of California in Santa Barbara. Back in East Jerusalem and still blind, Hisham plans to gather oral histories from a broad selection of Palestinians to produce a "Portrait of Palestine" at this crucial point in Middle Eastern history. [MIDEAST/N. AFRICA]

Sharon Griffin. A feature writer and contributing columnist on African affairs at the *San Diego Union-Tribune*, Sharon is spending two years in southern Africa studying Zulu and the KwaZulu kingdom and writing about the role of nongovernmental organizations as fulfillment centers for national needs in developing countries where governments are still feeling their way toward effective administration. She plans to travel and live in Namibia and Zimbabwe as well as South Africa. [sub-SAHARA]

Pramila Jayapal. Born in India, Pramila left when she was four and went through primary and secondary education in Indonesia. She graduated from Georgetown University in 1986 and won an M.B.A. from the Kellogg School of Management in Evanston, Illinois in 1990. She has worked as a corporate analyst for PaineWebber and an accounts manager for the world's leading producer of cardiac defibrillators, but most recently managed a \$7 million developing-country revolving-loan fund for the Program for Appropriate Technology in Health (PATH) in Seattle. Pramila is spending two years in India tracing her roots and studying social issues involving religion, the status of women, population and AIDS. [SOUTH ASIA]

William F. Foote. Formerly a financial analyst with Lehman Brothers' Emerging Markets Group, Willy Foote is examining the economic substructure of Mexico and the impact of free-market reforms on Mexico's people, society and politics. Willy holds a Bachelor's degree from Yale University (history), a Master's from the London School of Economics (Development Economics; Latin America) and studied Basque history in San Sebastian, Spain. He carried out intensive Spanish-language studies in Guatemala in 1990 and then worked as a copy editor and Reporter for the Buenos Aires Herald from 1990 to 1992. [THE AMERICAS]

Teresa C. Yates. A former member of the American Civil Liberties Union's national task force on the workplace, Teresa is spending two years in South Africa observing and reporting on the efforts of the Mandela government to reform the national land-tenure system. A Vassar graduate with a *juris doctor* from the University of Cincinnati College of Law, Teresa had an internship at the Centre for Applied Legal Studies in Johannesburg in 1991 and 1992, studying the feasibility of including social and economic rights in the new South African constitution. While with the ACLU, she also conducted a Seminar on Women in the Law at Fordham Law School in New York. [sub-SAHARA]

Author: Institute of Current World Affairs
Title: ICWA Letters - East Asia
ISSN: 1083-4265
Imprint: Hanover, NH
Material Type: Serial
Language: English
Frequency: Monthly
Other Regions: South Asia; Mideast/North Africa;
Europe/Russia; SubSaharan Africa;
The Americas

Chosen on the basis of character, previous experience and promise, Institute Fellows are young professionals funded to spend a minimum of two years carrying out self-designed programs of study and writing outside the United States. The Fellows are required to report their findings and experiences from the field once a month. They can write on any subject, as formally or informally as they wish. The result is a unique form of reporting, analysis and periodical assessment of international events and issues.

ICWA LETTERS

ISSN 1083-4265

ICWA Letters are published by the Institute of Current World Affairs Inc., a 501(c)(3) exempt operating foundation incorporated in New York State with offices located at 4 West Wheelock Street, Hanover, NH 03755.

The letters are provided free of charge to members of ICWA and are available to libraries and professional researchers with indexes by subscription.

Executive Director	Peter Bird Martin
Program Administrator	Gary L. Hansen
Letters Coordinator	Ellen Kozak

Phone: (603) 643-5548
Fax: (603) 643-9599
E-Mail: ICWA@valley.net

© 1995 Institute of Current World Affairs, The Crane-Rogers Foundation.

The information contained in this publication may not be reproduced without the writer's permission.

The Institute of Current World Affairs

4 WEST WHELOCK STREET
HANOVER, NEW HAMPSHIRE 03755

ADDRESS CORRECTION REQUESTED

Nonprofit Org.
U.S. Postage
PAID
Lebanon, NH 03766
Permit 130