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Rural Poor Aren't Sharing In Spoils of China's Changes

By Peter S. Goodman

SANBAIHU VILLAGE, China -- The China that Wang Huazhong glimpses on television is in the midst of an amazing transformation. In cities he has never visited, skyscrapers tower over highways choked with cars, and people jam glass-fronted malls buying up jewelry and luggage simply to pass the time.

Here in his village in the country's northwest, Wang sees the same desiccated landscape that has changed little in his 46 years. A rutted dirt track winds through treeless mountains to the county seat 30 miles away, the outermost boundary of his experience. Watermelon plants emerge reluctantly from chalky soil, waiting for rain that may never come. A wood stove occupies his mud floor, painting his walls with soot.

But Wang's world is far from cocooned from the larger forces shaping his country's fortunes: In the 3 1/2 years since China entered the World Trade Organization, aggressive industrialization combined with an outpouring of consumption has jacked up prices for everything from fertilizer to transportation, roughly doubling the average cost of living here.

Those within reach of China's booming coastal cities have been compensated with new opportunities that have lifted millions out of poverty, such as factory jobs making goods for export and cash markets for fruit and vegetables. But that upside remains beyond this rural community and thousands of others like it across this still predominantly peasant country. The costs of buying food and growing watermelon have climbed faster than what Wang receives for his crop. His household income has slipped by 20 percent over the past five years, to about \$300 per year.

"Our lives are more and more difficult," Wang said, as his donkey probed the soil near the family outhouse for stray wheat. "Every year, it gets harder."

A recent study conducted by the World Bank found that incomes among rural Chinese -- about three-fourths of the total population -- have declined slightly in the years since China entered the WTO, while urban residents have enjoyed modest gains.

Economists say this trend underscores the downside of globalization: While free trade has proved highly efficient in generating wealth, it has failed to share the spoils, intensifying gaps between rich and poor, urban and rural. In many instances, new wealth is coming at the direct expense of the poor as local governments sell off land for development projects.

"Industrial companies gain the profits while rural people lose their basic materials of livelihood," said Wen Tiejun, dean of the School of Agricultural Economics and Rural Development at People's University in Beijing.

In China, the divide between rich and poor is greater than before the peasant-led revolution that brought the Communist Party to power in 1949. Last month, China's government announced that the income gap had widened in the first three months of the year, with the richest 10 percent of the population controlling 45 percent of the country's wealth and the poorest 10th holding little more than 1 percent, according to the official New China News Agency.

In Beijing, concern mounts that the rural poor are falling so far behind as to challenge the legitimacy of the party. Demonstrations have become near-daily occurrences as farmers protest loss of land to development and excessive taxation. In response, the central government has rolled back taxes on peasants.

Last year, China's State Council, the equivalent of a cabinet, released an official document outlining a strategy aimed at closing the rural-urban income gap, including tax cuts for farmers and development funds aimed at stimulating business in poor areas. President Hu Jintao and Premier Wen Jiabao are frequently quoted in the state press pledging to alleviate village poverty.

Some worry that rural poverty is a potential threat to the overall economy. China is beset by a surplus of production, as over-exuberant investment erects too many factories making more goods than the country needs. Policymakers are banking on domestic consumption to absorb the surplus.

"Rural areas have no spending power," said Yu Nanping, a sociologist at East China Normal University in Shanghai. "If farmers have no money, then who is going to buy all these home appliances and cars?"

The recent World Bank study notes that China's farmers were already suffering declining income in the years before WTO entry. But the linking of China's fortunes to foreign markets has apparently aggravated the trend, particularly as China removes tariffs that once protected local farmers from imports. In some counties of Liaoning province, where imports of foreign grains are depressing prices for local farmers, incomes have fallen by more than 5 percent, according to the study.

In crucial ways, this village of 3,000 people in Gansu province, one of China's poorest, has seen progress. As communism has given way to free-market reforms, villagers have been able to raise cash by selling produce. Man-made caves carved into the hills, now abandoned, remain as reminders of a time when people had no other shelter. Today, most people live in mud and brick homes the same color and texture as the parched soil. Many homes have satellite dishes, bringing in television from the provincial capital Lanzhou and the national news from Beijing.

"People's lives are improved a little," said the village's Communist Party secretary, Yan Jiying, as he sipped a refrigerated bottle of orange soda in his home, beneath a beaming portrait of Chairman Mao that looked down on a karaoke set and video-disc player. "Before, we couldn't feed ourselves. Now, we have food to eat."

China's linkage to the world economy has brought one direct benefit to this village: Increasingly, it exports watermelon seeds, the principal crop here and, dried, a popular snack in much of Asia. Demand for the seeds in Taiwan and Hong Kong has sent the price of the local crop soaring by 75 percent since 2000. Still, farmers here are angry, asserting they are being cheated out of an even higher market price by middlemen who monopolize the trade. The traders have trucks to transport the seeds to processing plants, something the farmers lack. Living hand-to-mouth, the farmers cannot afford to stockpile and wait for a higher price.

"We have no bargaining power," Wang said. "It's not fair."

What gains they are enjoying have been erased by increased prices for pretty much everything. Fertilizer has roughly doubled in price as farmers in coastal areas expand operations to exploit demand for fruit and vegetables in Japan and Korea -- an option foreclosed to farmers here, who lie more than 1,000 miles from the nearest coastal port.

Wang's family cannot afford to eat meat, buying it only during the Chinese New Year. The rest of the year, they subsist on what vegetables they can grow and noodles made from wheat flour, a commodity a third more expensive than five years ago. Throughout China, food prices increased 28 percent between 2000 and 2004, according to the National Bureau of Statistics.

Wang's shoes are full of holes. He owns a single pair of pants. He bought them two years ago in the county seat, Jingyuan, for about \$3.50. That was twice as much as the pants they replaced, which he purchased in 2001.

Throughout China, more than 200 million farmers have supplemented incomes by heading to coastal provinces to do construction or factory work. Typically, one or two people go, sending money back to relatives who remain at home to tend land.

Roughly 360 residents of this village work outside the village, according to the party secretary, but 80 percent of them work within Gansu province, where wages are low. Train or bus fare to Guangdong province near Hong Kong, traditionally the largest source of higher-paying factory work, costs about \$35, roughly a third of the average local per capita income.

Wang's two oldest children work outside the village -- his 22-year-old son as a security guard in a village and his 20-year-old daughter in Jingyuan as a waitress. But neither makes more than about \$25 per month, leaving them nothing to send home after supporting themselves.

They could make twice or three times that if they went to the coast. But their father will not allow it. He cannot understand the newscasts he watches at his neighbor's house because he does not understand Mandarin Chinese, the national language. He cannot read a newspaper because he is illiterate. But he has heard stories about exploitative factory owners in

Guangdong.

"I fear they'd be put in danger or cheated, because they have never seen the world," Wang said. "I would worry that they would never return."

All of Wang's hopes rest on his youngest son, now in Jingyuan in high school. He is the first in his family to attain that level of education. The costs of keeping him in school are monumental, about \$250 per year.

Every year, Wang borrows that amount from the local credit cooperative, and every year he cobbles together about \$100 from friends to keep up with the interest payments so he can draw another loan.

His total debt exceeds \$1,250 -- about what the average person lives on here in a decade. Still, his may be a rational strategy for the times: He hopes his son will test into a university, get a white-collar job in a city, and lift his family out of the poverty that still defines reality in most of rural China.

Special correspondent Jason Cai contributed to this report.

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