



Elspeth Thomson, *The Chinese Coal Industry : An Economic History*

London, New York, RoutledgeCurzon, 2003, 412 p.

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- 1 China is the world's largest producer of coal, and coal remains the most important energy source for an economy that continues to grow at an astounding rate. The implications for China's energy policy and for local and global environmental conditions are considerable. At the same time, the development of the Chinese coal industry illustrates major economic, social and political changes that have taken place over more than a century. In particular, the management and expansion of the coal sector reflects various priorities of industrial policy in China since 1949, from Soviet-style central planning—developing major state-owned mines in the 1950s—to reforms involving contract-responsibility systems and encouragement of small local mines in the 1980s. Coal mining has also been subject to recent experiments with marketisation and new ownership principles, including attempts to attract foreign investment to the sector.
- 2 These changes and their relationship to economic development in China constitute the key focus of Thomson's analysis. She provides an authoritative account of the major developments in coal production, transportation and consumption for important epochs in the economic history of China. Tracing the industry back to its rise under the influence of foreign investment during the nineteenth century and the rapid expansion under Japanese control after the 1930s, Thomson's first chapter shows that the PRC inherited a fragmented, but extensive sector of coal production which, however, suffered from low levels of mechanisation, insufficient facilities for purification and transportation, and a lack of national planning and support. The second and third chapters deal with the years of expansion under socialist planned development during the three decades after the establishment of the PRC, punctuated by severe setbacks during the Great Leap Forward and the Cultural Revolution. The rate of growth of coal production and transport was never sufficient to meet the actual demand, and Chapter Three provides a penetrating assessment of the negative effects of inconsistent policies,

artificially low prices, lack of investment, and questionable spatial distribution of production and consumption.

- 3 The era of reform in the 1980s witnessed a great deal of priority assigned to developing the coal industry to fuel China's modernisation, through new incentives, accountability and decentralisation of decision-making. Chapters four and five provide details of the new policy thinking and the development of the sector experienced during the seventh to the ninth five-year plans (1986-2000). In her assessment of the years of reform presented in Chapter Six, Thomson notes that coal production grew rapidly as a result of the opening of many local mines, but that serious problems remained with regard to quality and transportation. China became the world's top coal producer in the 1990s, gradually developing exports of coal and mining equipment. Deregulation of prices encouraged further production, but also opened up opportunities for corrupt practices. However, the increase in prices did not necessarily help state-owned mines that were required to supply coal to power plants and major industries such as steel, since the inter-industry debts were accelerating and coal suppliers were left with mounting losses. Demand for coal eased somewhat towards the end of the 1990s, largely on account of the closure of inefficient state-owned enterprises in industries that had been major consumers of coal. The government tried to raise the efficiency of coal consumption and reduce pollution levels, and encouraged the use of alternative sources of energy such as gas.
- 4 Nevertheless, Thompson concludes in her analysis in Chapter Seven that serious issues remain with respect to the restructuring of the coal industry—closing inefficient, illegal and unsafe local mines, for example—and improvement of the technological level of production and financial solvency of large mines. Perhaps most significantly, China continues to face crucial challenges with the pollution caused by consumption of low quality coal, partly due to a lack of coal-washing facilities (including water resources), and the prospect of relying primarily on coal for energy generation in the foreseeable future.
- 5 Elspeth Thomson's book can be read with two complementary perspectives in mind. On the one hand, it provides a very detailed and encyclopaedic insight into the political, organisational and economic aspects of the production, treatment, transportation and consumption of coal in the People's Republic of China. Given the central role of the coal industry in China's energy sector, and the attention that coal mines continue to attract because of the occurrence of serious accidents, Thomson's book appears to be essential reading for foreign investors and reporters. On the other hand, the fate of the coal industry is clearly symptomatic of many of the old illnesses that plagued central planning and state-owned production units during pre-reform days, and the equally pernicious new illnesses that plague China in its current, partly reformed, partly marketised manifestation. The book is therefore valuable reading for students of China's economy, highlighting the critically important, but frequently ignored, sectors that keep the much-publicised export industries rolling.