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China

The Consequences of 60 Years of Nation-State Building

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The People's Republic of China has been established for 60 years, there are tremendous changes in different aspects, particularly in the economy. It is said that China will exceed Japan and even USA within ten years and become the most powerful economic entity.

Completion of capitalist restoration

China "has completely transformed from a highly centralized planned economy system to a market economy of socialism. The percentage of state-owned economic sector in the economy has decreased from 77.6% of 1978 to 29.5% of 2007. The prices of over 98% of commodities and over 95% of production materials are controlled by market, but not by the government."(1)

Chinese Community Party claimed that it was market economy of socialism with Chinese characteristics, although it was practically capitalist market economy. One of CCP's justifications was that state-own economic entities were still dominating China's economy which was under the national "Five-Year-Plan". However, several years ago, the usual phase of "Five-Year-Plan" was changed to "Five-Year-Schedule", showing that national "Plan" could not control market economy any more. In reality, the state-owned economic entities are gradually marginalized, while 70% of private entities make huge profits and exploit workers. Once the official claimed that China's planned economy was replaced by market economy, implying that capitalism has been already revived in China.

Today's China economy is characterized with the nature of capitalism: unplanned production, anarchic status, and over production. Chinese government once again tackled the daunting problem of over production. According to Wen Wei Po, dated 19 October 2009, recently, ten official departments, such as the National Department and Reform Commission, have jointly declared that they would regulate the over-productions and redundancies of constructions in some industries through policies like project approvals and loan credits. The highlighted industries in the list of regulation not only included traditional industries like steel, cement and coal, but also new industries like silicon and wind-power.

China's economy is integrated into global capital economic system. In 2008, due to financial crisis, 8 of 9 national enterprises had negative growth, among which shipping industry lost RMB 28.2 billion. (2) Moreover, Gao Hucheng, the vice deputy of Ministry of Commerce stated that according to the statistics of General Administration of Customs, from January to July 2009, the total cost of export and import was RMB 1150 billion, that decreased 22.7% when compared with the last year, and the export decreased 22% during that period. (3)

A high cost

According to the special issue on 60th Anniversary of China of Wen Wei Po, Zhong Wei, Professor of Beijing Normal University, pointed out, "China's economy is ranked no. 3 in the world, but it is only 6.4% of the world economy, or one-fourth of USA, and GDP of per person is out of top 100. The utmost important fact is that despite the rapid economic growth, China has to pay the costs of exploiting resources and environment, as well as the cost of the ever widening of income distribution." (4)

Willy Lam, a Hong Kong critic, provided some statistics about the situation of "rich government and poor people", for example, national revenues increased from RMB 2000 billions of 2003 to over RMB 6000 billions in 2008. However, the percentage of income of both the city and the countryside in GDP has been decreasing. It decreased from 53% of 1999 to 41.4% of 2006, 15% less than the developed countries. Sun Liping, Professor of Sociology of Tsinghua University, stated that the gap of living standard between the city and the countryside was 6 times, but the world standard was only 1.5 times. Worse still, millions of peasant workers create a lot of wealth for the whole country but they suffer serious diseases, due to polluted working conditions and lack of labor insurance. It is estimated that 200 millions of workers suffer from different kinds of occupational diseases. (5)

After being affected by the world financial crisis, China's market economy confronts problems such as an escalating

inflation. The prices of staple food and commodities, particularly property estate, have largely increased. Ordinary people suffer seriously. According to the global Forbes index, the tax burden of the working people in China is ranked no.2 in the world. (6)

One of the characteristics and setbacks of capitalism is the widening gap between the rich and the poor. According to the news report from the website of People, Zeng Xiangquan, the Dean of the School of Labor and Human Resources of Renmin University, quoted the latest research of the Ministry of Finance and pointed out that the national income distribution has been "in extremely imbalance", 10% of the richest families occupies 45% of the property of the whole urban population, in contrast, 10% of the poorest families occupies only 1.4% of the property of national population. Nowadays, in the income structure, the lowest and the lower middle classes together are composed of 64.3% of the whole population. (7)

China's government has implemented a series of policies, valued of RMB 4000 billions, more or less encountered the global financial crisis and saved the descending economic growth, but it worsened the balance of economic structure. This year the government has invested in the state-owned enterprises, composed of 95% of GDP growth. The phenomenons of redundancy and over-production have appeared again, in that the enterprises of "highly consumed energy and highly polluted" have rekindled, that seriously affect the transformation of mode of economic development.

This kind of governmental investment has led to a loosely currency policy, that has increased the bubble economy of financial property as well as has worsened the inflation.

In order to stimulate national consumption for economic growth, the government carried out various policies such as "electronic appliances are being sent to the countryside", "cars are being sent to the countryside", and the exchange of the newly appliances, etc. The policy of stimulating internal consumption of 2002 has still remained only at the stage of crying the slogans. Percentage of consumption in the economic growth has gradually decreased. In accordance with the perfect model of economic growth, consumption need is the engine of economy. Experts in Beijing analyze of three main obstacles:

First of all, local officials are indifferent as they are only concerned about pushing GDP up for an appraisal by the central government.

Secondly, there is an imbalance of income distribution. Due to low income, it directly affects people's capability of consumption. China's financial revenue has annually increased 20.4%, but the working class merely 15.7%, which is obviously against the general will of consumption.

Thirdly, social security like education and health system are lagging behind. Health problem of family members and children's education have become the main "consumption needs", so it hinders the mode of consumption behaviors. (8)

Those are the consequences of China's implementation of capitalism. Even though the government has conferences on economic policies every year, it cannot reverse the worsening of the situation.

Political cost

Since 1949, China is under the dictatorship of CCP. People do not have human rights. Particularly during Mao Zedong's period, many intellectuals were suppressed. Great Leap Forward and People Commune movement led to three-year great hunger. The Cultural Revolution was a disaster and the Democratic movement of 1989 was violently suppressed. Wang Dan, the former student leader of Democratic Movement of 1989, claimed that people died in those movements exceeded 80 millions, much more than the death toll records of the second Sino-Japanese War. (9)

Many officials of CCP enjoy political privileges and become corrupted. This led to widespread discontentment among people, particularly the marginalized and suppressed peasants. Some leaders of the ruling class attempted to make concessions to grassroots people. Nevertheless, it was oppressed by the interested groups and the privileged bureaucracy. Although the national leaders claim that it should be "people-oriented", there is no change at the ground level. Dissents like Liu Xiaobo and legal-right protectionists like Tan Zuoren (a lawyer), Huang Qi and Guo Quan were all oppressed and sent to prisons. This violates the constitutional laws and the conventional human rights.

For example, a number of journalists were arrested, prosecuted, and was penalized. Guangzhou Daily reported that journalism has become one the top ten risky careers. Insurance companies in Guangzhou refuse to provide insurance for war journalists and even increase the insurance cost of accidents. (10) In October 2009, Reporters Without Borders declared that China was ranked the last eighth place, in the list of press freedom of 168 countries. The Committee to Protect Journalists in USA, announced that within the consecutive 10 years, China had sent the

largest number of reporters to prisons in the world. Now 28 reporters are imprisoned and among of which 24 are internet reporters. (11)

Critical class struggle

People are greatly discontented with the reality. Two years ago, the author provided facts and data in his article, "People's Widespread Discontents", in October Review, no.213 of 2007. The more developed capitalism in China, the more people suffered. This led to social conflicts and mass disturbances. According to Ming Po, dated 15 March 2008, the statistics of Labor Dispute Mediation Committee of All-China Federation of Trade Unions showed that there were 406 thousands of cases of labor disputes in 2007, not to mention the statistics of Ministry of Labor and Social Security and juridical systems. Zhang Mingqi, the vice deputy of All-China Federation of Trade Unions, disclosed that, in recent years, the labor disputes have sharply increased, with an increasing rate of 20% every year (for the details, please see this issue no.224). And according to China Labor Bulletin, in 2008, there were 127,467 cases of mass disturbances in China.

The struggle of the largest state-owned enterprise in Jilin Province, Tonghua Iron and Steel Group (TISG), is the most significant class struggle of 2009. At the end of 2005, Jianlong Steel Group (JSG), a Beijing private enterprise, became a shareholder of TISG which has a history of 50 years old. JSG intentionally planned to annex the state-owned enterprise. In 2007, TISG lost over RMB 10 billion and faced bankruptcy. In early 2009, JSG declared to retreat its shareholdings from TISG. Then in March, workers complained about salary cut and then went on demonstrations. In June, as soon as TISG gained a profit of RMB 80 millions, JSG became again the shareholder of TISG. In July, 30 thousands of workers demonstrated on the street and had conflicts with the police. Chen Guojun, the new chief manager, requested workers to resume work but later he was beaten to death.

As local people narrated, in April 2009, TISG broke out a strike, opposing JSG's shareholding. Chen came back again to declare the policy of restructuring by the new management that became the proximate cause. The workers complained that they normally had a salary of RMB 1800-2000, but after JSG became the shareholder, they only had a salary of RMB 600. Worse still, some of them had only a salary of RMB 200-300. On the contrary, the chief manager had an annual salary of RMB 3 millions, and other managers around RMB 1 million. Some informants disclosed that the location of TISG was originally an agricultural area, and most of workers were local peasants. For over 40 years, several generations of local people have worked for TISG. It was definitely a disaster for the landless peasants when they suddenly became unemployed. This was the main cause of the conflict. (12)

The lessons of the struggle of TISG workers

First of all, a capitalist became a shareholder of state-owned enterprise in that both common property and workers were exploited. Once the state-owned enterprise gained profits, the capitalist became the shareholder again. The workers were forced to resist the repeated exploitation. This proved the shortcomings of transforming a state-owned enterprise into a stock corporation, which were deprived of economic development and workers' rights. It was also an outcome of capitalist production.

Secondly, a state-owned enterprise became a stock corporation that carried out the super-exploitation of capitalism which led to a critical class struggle. This was the common phenomenon in capitalist society. Nowadays China has already become a capitalist society in that the exploited workers beat the capitalist to death. This showed that the working class was extremely angry with capitalist system!

13 December 2009

Notes:

- (1) Wen Wei Po (Hong Kong), 27 September 2009.
- (2) Wen Wei Po, (Hong Kong), 11 October 2009.
- (3) Wen Wei Po (Hong Kong), 8 September 2009.
- (4) The special issue on 60th Anniversary of China of Wen Wei Po (Hong Kong), p.12 and 13.
- (5) Willy Lam's column on Apple Daily, 20 July 2009.

- (6) (7) Wen Wei Po (Hong Kong), 11 December 2009.
- (8) Wen Wei Po (Hong Kong), 12 December 2009.
- (9) Quoted from Wang Dan's column on Ming Po, 2 October 2009.
- (10) Quoted from Apple Daily dated 9 November 2009.
- (11) Apple Daily, 9 November 2009.
- (12) Wen Wei Po (Hong Kong), 29 July 2009.