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China

# The crisis and peculiarities of Chinese capitalism

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**The Chinese regime has never been as opaque as it is today. We are living in a time of uncertainty, not yet knowing how Donald Trump will play his cards in relation to China. Between the climate crisis and chaotic de-globalisation, these are unprecedented times. Let's try to decipher the situation, without trying to remove the question marks.**

According to official figures published on 17 January, China's gross domestic product (GDP) will have grown by 5% in 2024 and the target set by Xi Jinping will have been met, as (almost?) always. In December, however, some 'leading' Chinese economists expressed serious doubts on this subject, including Gao Shanwen, who estimated growth at just 2% - before being severely punished. In fact, since the Covid-19 crisis, stimulus measures have failed to restore consumption. The country is going through a crisis of overproduction. The gap between weak domestic demand and a sharp rise in exports is widening still further.

## Capitalist transformation stalled

As the world's second economic power, China has become a major component of the international capitalist order, but its social formation remains highly complex, marked by a specific history. As my friend Au Loong-yu and also Romaric Godin (in *Mediapart* on 24 September) pointed out, we need to take into account the specific characteristics of Chinese capitalism to understand how the country is now facing the same impasses as advanced Western countries (industrial overcapacity, the exhaustion of financialisation, the limits of technological growth, to use Godin's terms), even though it has not completed the transformation begun by Deng Xiaoping after the crushing of the workers', students' and people's movement in 1986.

The completion of this capitalist transformation has been hampered by the weight of the bureaucratic apparatus at all levels, by systemic corruption and by the changes in power introduced by Xi Jinping when he decided to become President for life: the increased marginalisation of government structures and the end of collegiality in the CCP leadership in favour of his fraction alone. Collegiality was a guarantee of continuity and a possible safeguard against adventures. The big difference between the process of Russia's and China's full reintegration into the world market is that in Beijing there was an effective pilot in the plane. This success is above all that of Xi's three predecessors, rather than that of Xi himself.

## Debt, corruption and stagnation

The bursting of the 'property bubble', with the bankruptcy of the giant Evergrande in 2021, illustrates the importance of the links, often family links, between the public and private sectors in the Chinese capitalist system. If this crisis has taken on such proportions, it is because at every level there has been collusion between the bureaucrats in power and their relatives in the private sector to multiply investments, sources of both legal and illegal profits. The consequences are far-reaching, not only because of the burden of accumulated debt, but also because of the social consequences. Xi Jinping refuses to implement a social protection policy. In order to prepare for their retirement and plan for their healthcare costs (for which they will have to pay), many lower income Chinese have bought off-plan flats that were never built, or have taken up residence in towns that have remained largely ghost towns.

Parents now fear that their children will have a worse life than they have. Youth unemployment is very high and

qualifications no longer guarantee access to a decent job. The population is getting poorer and has to save for a very uncertain future. Harold Thibault, in a report for *Le Monde* published on 9 January, describes the shops and restaurants deserted by the 'the outcasts of consumption'. Xi Jinping is urging the population to show resilience before the economy recovers, but companies are subject to fierce competition that is forcing them to cut back on everything.

The desire for absolute power makes one paranoid. Xi Jinping is incarcerating businessmen, 'disciplining' finance and repeatedly purging the party apparatus, the army general staff and the secret services. China remains a market that cannot be ignored, but investing in it has become a risky game, leaving international capital bewildered. We can speak of a real crisis of regime with unpredictable jolts.

## Crisis De-Globalisation

Happy globalisation (for Capital) belongs to the distant past. It has been succeeded by the crisis of de-globalisation, opening the way for geopolitical conflicts between states and partial protectionist retreats.

However, it is not easy to free oneself from the interdependencies created by the formation of a single world market and the internationalisation of production chains. These interdependencies are still very much alive, even as other issues, such as war and global warming, come to the attention of governments.

## The balance of power with the United States

Donald Trump's initial signals are ambivalent. He has appointed fierce opponents of Beijing to key posts, but has suspended the ban on TikTok. And what are we to make of Elon Musk's apparent position as 'President II', a major investor and supporter of Xi who has proposed a plan to settle the Taiwan question to Beijing's advantage (the richest man in the world gives himself every right to interfere)? Xi Jinping must have a hard time predicting whether a deal will be desirable and possible with Trump - for once we understand him. Is it a sign that his policy remains very cautious on the currency front? The time was ripe to strengthen the international role of the yuan, but for the time being it is not taking advantage of this. The technological and commercial tug-of-war between the two powers has begun, and could lead to the imposition of a Sino-US duopoly on the world or, conversely, to armed confrontation.

The technological and commercial tug-of-war could lead to the imposition of a Sino-US duopoly on the world, or to armed confrontation.

The United States remains dominant in the military sector and in advanced semiconductors. It is demanding that the Dutch champion of artificial intelligence chips, Nvidia, stop supplying its high-end products to China. Despite massive research subsidies, Chinese companies seem unable to catch up in this crucial area. As a result, Beijing is threatening to block the export to the United States of several metals essential to semiconductor production (gallium, germanium, etc.). Did you say interdependence?

## Between Western Europe and Putin

China's influence extends far and wide from Africa to Latin America, but this is no substitute for links with developed

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capitalist countries. Access to the United States is likely to be restricted. As a result, Xi Jinping could turn to Western Europe, Australia and South Korea - but then there's the war in Ukraine being waged by his buddy Putin, who is allied with North Korea! Is it time to sacrifice this unshakeable friendship? Difficult, given that global warming is opening up the polar regions to exploitation and maritime communications. Beijing is not a country bordering the Antarctic and needs Moscow to take part in the great strategic game being played in this region, at a time when Donald Trump wants to take possession of Greenland!

The fate of the world depends in part on leaders like Donald Trump and Xi Jinping, which is hardly reassuring. To chaos from above, let us oppose internationalism from below.

26 January 2025

Translated by [ESSF](#) from [ESSF](#).

PS:

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