

# China sets austerity plan

**Martin McLaughlin**  
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The Chinese People's Congress, which concluded its annual session last week, approved a sweeping program of cutbacks in state-owned industry while elevating the program's author, Zhu Rongji, to the post of prime minister.

As deputy prime minister since 1993, Zhu has been widely praised by the United States and other capitalist countries for his role in managing China's transition to a full-fledged market economy. During his tenure the country's inflation rate has fallen from over 30 percent in 1993 to barely 1 percent last year. Over the same period China's foreign currency reserves have risen from \$20 billion to \$140 billion.

The social cost of these policies has been paid by the Chinese working class. Millions of workers in state-run industries have been laid off. In recent months the state railways announced an additional 1.1 million jobs would be cut by 2000, while the textile industry said it would eliminate 1.2 million jobs.

In his report to the People's Congress, Zhu called for eliminating 11 of the 40 state ministries and cutting the jobs of up to half the eight million civil servants on the national government's payroll. He pledged to push ahead with plans to privatize all but 1,000 of the 370,000 state-owned enterprises. The vast majority of these enterprises are small local factories which will be closed down.

Chinese officials said that an 8 percent growth rate was necessary to absorb the workers displaced from state industry and prevent social unrest arising from unemployment. An estimated 130 million workers are already considered "in excess" of the requirements of their workplace, although many have not yet been cut off all salaries and benefits.

It will be difficult to meet the 8 percent target because of the impact on the Chinese economy of the financial and trade crisis throughout east Asia. More than half of China's foreign investment and 30 percent of its

exports come from the countries whose currencies and trade have been hammered by the crisis which first erupted in Thailand and now has spread throughout Southeast Asia and on to Korea and Japan.

Of particular concern to Beijing is the impact of the crisis in Hong Kong, which was returned to direct Chinese rule last July 1, but still maintains a separate currency and financial system. Beijing has pledged to support the value of the Hong Kong dollar, which is pegged to the US currency.

The stability of the Chinese currency, the yuan, is also at issue. Devaluation of the Korean won and all the currencies in Southeast Asia has undercut Chinese exports and virtually wiped out the country's \$40 billion annual trade surplus. But in a meeting in January with US Deputy Treasury Lawrence Summers, Zhu Rongji and China's Central Bank chief, Dai Xianglong, promised not to devalue the yuan.

Vice Premier Li Lanqing repeated the pledge in his address to the World Economic Forum in Davos, Switzerland last month, declaring that Beijing wished to contribute to the restabilization of Asian and world markets. "China should not add fuel to the flames," he declared.

While giving solemn undertakings to Wall Street and the international bankers, the Beijing Stalinists continue to slash away at the living standards of Chinese workers. One dramatic change confirmed by Zhu Rongji at his press conference after the People's Congress is the ending of the housing subsidy which has been provided to all state employees, including workers in state-owned industries. He also confirmed that political controls on bank lending, under which preferential financing was given to large state-owned companies, would be ended this year.

Zhu also reiterated the Stalinist bureaucracy's defense of the Tiananmen Square massacre, despite token gestures like the release of a few well-known

political prisoners like Wei Jinsheng. There would be no change in the official evaluation of the Tiananmen Square demonstrations as counterrevolutionary, he said, declaring, “On this matter the whole party is entirely of one mind. This conclusion will not be changed.”

While the elevation of Zhu to the number two position in the state marks no radical shift in policy, it is significant as a further step in the rightward evolution of the Stalinist regime. Zhu is the first top Chinese leader to have played no role whatsoever in the Chinese Revolution. He joined the Communist Party in 1949, the year of the establishment of the People’s Republic under Mao Zedong.

Trained as an engineer and economic planner, Zhu was demoted and publicly branded a “rightist” for opposing the adventurist economic policies of Mao’s 1958 Great Leap Forward, which produced widespread starvation in rural China. He was exiled to farm labor during the Cultural Revolution, only being recalled to Beijing after the return to power of Deng Xiaoping in 1978-79.

Since then he has moved up through the bureaucracy as a specialist in economic management who enthusiastically adopted Deng’s pro-capitalist policies. In 1988-91 he served as mayor of Shanghai, where Jiang Zemin was the Communist Party secretary. Zhu spearheaded the development of an enterprise zone for foreign investors and opened the country’s second stock exchange.

Zhu succeeded Li Peng, who stepped down as prime minister in accordance with a constitutional limit to two five-year terms. While there was much foreign press speculation that Li, long identified as one of the architects of the Tiananmen Square massacre, might not receive a high position, he was chosen as chairman of the People’s Congress, the number three post in the Chinese state.

Zhu and Li thus continue as the principal lieutenants to Jiang Zemin, who remains as President and chairman of the Chinese Communist Party, holding the top positions in both the state apparatus and the Stalinist party bureaucracy.



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