The legacy of retiring Chinese premier: social inequality and unrest

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China's National Peoples Congress (NPC) concluded last weekend with the formal retirement by some of the country's main political leaders from their government posts. Among them were ex-President Jiang Zemin, former NPC head Li Peng and Premier Zhu Rongji.

Zhu Rongji's retirement warrants particular comment. As head of the executive branch of government—the State Council—he directed the far-reaching free market policies that have seen capitalist relations spread into every aspect of the economy over the past five years. Within the regime, he also aggressively agitated for the sweeping concessions to foreign investors that enabled China to join the World Trade Organisation (WTO) in December 2001. In recognition of his services, he was dubbed the "economic czar" in the international financial press.

During Zhu's term, the Chinese government abolished 61 separate ministries and departments and laid off more than 1.15 million officials. State-owned, nationally regulated industries have been decimated. Well over 40 million workers have been sacked due to the bankruptcy or privatisation of thousands of state enterprises.

Living standards in rural China have been allowed to deteriorate. According to one estimate by economist Hu Angang, the operation of the free market has led to a 23 percent fall in agricultural prices over the past four years. Even according to the questionable official statistics, rural incomes have risen only 3.8 percent in the past five years. Cultural backwardness has continued, with some 186 million rural Chinese still functionally illiterate. Tens of millions of rural youth have been compelled to abandon the countryside and migrate to the cities in search of work. The official number of rural migrant workers in the urban areas has reached 94 million.

The WTO terms agreed to by Zhu will lead to the removal of tariff barriers on a range of agricultural goods. Initial estimates are that a further 20 million farmers will be driven from the land due to competition from foreign producers. The lifting of trade barriers will also severely impact upon large areas of Chinese industry. Half-a-million auto jobs are expected to be eliminated.

This social devastation underpins what has been hailed in the international financial press and at the NPC itself as the great achievement of Zhu Rongji—China's ability to sustain high rates of economic growth despite the 1997-98 Asian financial crisis and growing recession internationally.

Zhu reported to the NPC that his cabinet presided over a 37 percent growth in China's Gross Domestic Product from 1998, the amassing of $US286.4 billion in foreign-exchange reserves and the expansion of the country's annual foreign trade to $620.8 billion. Zhu boasted that China now has 421 million mobile phone users.

The reality behind the figures is the consolidation of China as a low-wage export platform for the major transnational corporations. The widespread poverty and desperation has been exploited to provide an inexhaustible supply of cheap labour to free trade zones along China's eastern coast. While the Stalinist regime and financial papers focus on the emergence of cities like Shanghai and Shenzhen as world-class industrial cities, the rural interior regions of China—where the majority of the population live—languish in economic backwardness.

Similarly, glowing reports about the prosperity that Zhu's policies have brought to China's coastal cities ignore the fact that only a small layer has benefited from the free market policies. According to a recent

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study by the Singapore-based think tank, Asian Banker, just 65 million people, or 5 percent of population, earn $5,000 per year. Only 2.4 million people have assets of $100,000. The average annual income in China is $700.

The legacy of Zhu Rongji's economic program is unprecedented social discontent—something even he could not ignore in his final speech to the privileged functionaries and businessmen who comprise the NPC.

With a tone of alarm, Zhu declared that unrest involving small farmers and urban workers "threatens" the regime and had been the "biggest headache" of his administration. In a warning to his successors, he said the government must "deal appropriately with sudden, collective incidents and work hard to resolve grass-roots conflicts and disputes to nip them in the bud".

Zhu outlined what he termed an "anti-poverty" budget for the coming year—providing increased benefits and assistance to unemployed workers and intended to boost rural household incomes by 4 percent. The Chinese press immediately hailed the proposals. The official Xinhua news agency praised the dedication of the officials, declaring on March 7: "They don't even stop working [on the anti-poverty plan] while they're eating."

However, far from stemming poverty and social inequality, the budget will intensify these processes. The new social security allocation is just $2.12 billion, out of total state spending of $183.3 billion. It provides for token improvements in job retraining for the urban unemployed, retirees and low-income workers. By comparison, spending on the military and internal security forces will be $22.4 billion—an increase of 9.6 percent.

To finance its budget, the government will be forced to record its largest-ever deficit—$38.7 billion. Beijing will need to issue another $16.9 billion in treasury bonds under conditions where public debt is already at high levels.

To shore up the balance sheet, Zhu announced an accelerated program of privatisation. A new State Asset Management Commission has been created to oversee the sale of many of the remaining 180,000 state-owned enterprises, including some of China's largest industrial companies. Currently these enterprises have a workforce of about 70 million. The privatisations will inevitably result in a new round of savage job cuts and the slashing of working conditions.

The beneficiaries of this fire sale will be transnational companies and China's wealthy elite, who have intimate connections to the political leadership. The upper echelons of the ruling Communist Party have cashed in over the past two decades of open market reform by using their political power to transform their families into members of a new Chinese bourgeoisie.

The families of retiring leaders Jiang Zemin and Li Peng are involved in former state-run telecom and power companies. The wife of new president Hu Jintao is an executive of a travel agency that was once owned by the Young Communist League. The son of Wen Jiabao, the new premier and Zhu's protégé, runs the Internet-service company Unihub, in partnership with Dell and Nortel.

Zhu is not departing Chinese politics without having secured the interests of his own family as well. The *South China Morning Post* noted last year: "Mr. Zhu Rongji's son, Levin Zhu Yunlai, works for Morgan Stanley, and Mr Hu Jintao's daughter was hired by JP Morgan, both global financial services firms. The big American financial houses are competing fiercely with each other to advise on and underwrite the selling off of the crown jewels of the Chinese state sector."

The intimate connections simply underscore the fact that there will be no fundamental change in policy as Zhu and Jiang Zemin hand over to Hu Jintao and the new political leaders. All are based upon a narrow property-owning elite, whose wealth and privileges derive from the exploitation and repression of the working people.

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