

# Chinese regime amends constitution to protect private ownership

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The primary feature of the 2004 Chinese National Peoples Congress (NPC), which concluded on March 14, was the amendment of the country's constitution to explicitly protect the private ownership of property, businesses and wealth.

Thirteen constitutional changes were made, adding clauses such as "lawful private property is inviolable" and committing the state to "encouraging, supporting and guiding the private economy." Former president Jiang Zemin's theory of "Three Represents," which permitted private entrepreneurs to join the Chinese Communist Party (CCP), was added to the "guiding principles" of the state, together with "Mao Zedong Thought and Deng Xiaoping Theory."

The amendments were drafted by the new CCP Central Committee, headed by President Hu Jintao and Premier Wen Jiabao. The 3,000 NPC delegates—mainly selected businessmen, government officials and professionals—passed them almost unanimously.

The constitutional changes continue the refashioning of China's Stalinist state apparatus in the interests of the new capitalist class that has been spawned by Beijing's free market agenda over the past 25 years.

In 1982, three years after the market reforms were launched, the constitution was revised to recognise the private sector as a "complement" to the state-owned economy. In 1993, the category of "market economy" was added. In 1999, private enterprises were elevated to the status of an "essential part" of China's economy.

Even the state media refers to this chronology as an "irreversible privatisation roadmap". By the end of 2003, the number of private enterprises had reached 2.97 million, with a total capital of \$US40.5 billion. The private sector is now responsible for half China's annual economic growth.

Both Chinese and international business leaders have hailed the latest changes as a firm guarantee of state protection. The previous constitutional references to private property did not explicitly protect ownership of the means of production, non-work-related incomes and intellectual property rights.

Tang Haibin, a director of the All-China Federation of Industry and Commerce, told the official *Xinhua* news agency the amendments "will eliminate entrepreneurs' hidden worries about the security of their assets and boost their confidence in long-term investment." Liu Yonghao, the founder of the private China Minsheng Banking Corp, declared: "Owners of private enterprises have been calling for legal protection of their private assets for many years. This will make us more confident and more optimistic about the future."

A western diplomat in Beijing told Reuters: "It's significant that they decided to say that private property is as legitimate as public ownership. It's a way of recognising that exploitation is good. It's a big step."

Editorial comments internationally have interpreted the constitutional changes as marking an ideological breakthrough, signalling that the Chinese regime is no longer "communist."

The *South China Morning Post*, for instance, commented on March 8: "This month, the National Peoples Congress will adopt a constitutional amendment recognising protection of private property, a decision running counter to basic Marxist principles and theories. This goes to say that while the Chinese Communist Party bears its historic name, it has adopted an entirely different legacy."

"One interpretation is that China is no longer communist. Another is that China Inc. has become the world's fastest-growing capitalist economy, retaining a one-party system, albeit with many competing interests and constituencies."

The reality is that China has never been a communist—or socialist—society. Since 1949 it has been ruled by a repressive bureaucracy. Far from being a turn away from "communism", the latest measures express the logical outcome of Chinese Stalinism.

The 1949 Chinese revolution saw, not the independent mobilization of the working class and the establishment of genuine workers' democracy, but the coming to power of the peasant-based movement led by Mao Zedong. Mao advocated the program of a "bloc of four classes"—an alliance with sections of the Chinese capitalist class and the rural peasantry. The establishment of the NPC itself was aimed at reassuring those Chinese capitalists who were prepared to work with the CCP that they would have a place in the new regime.

While claiming to represent "Chinese socialism," the Maoist policy was in fact a form of national autarchy, seeking to organise virtually every aspect of a backward and largely peasant economy on the basis of bureaucratically conceived plans and production quotas.

Severe economic crisis, a blockade by US imperialism and the flight of most of China's capitalists to Taiwan and Hong Kong forced the CCP to nationalise most industries. The sweeping collectivisation of land in the 1950s was driven by the need to generate revenues to carry out industrialisation and maintain support for the regime among the mass of the peasantry.

By the end of the Cultural Revolution of the 1960s and early 1970s—a reactionary movement aimed at entrenching Mao's grip on power—the isolated economy was stagnating and staggering toward a breakdown. Mao personally set in place the preconditions for a turn to the free market when he reestablished relations with the United States in 1973.

Following Mao's death in 1976, a faction around Deng Xiaoping seized control. Economic policy under Deng was openly modelled on the experience in South Korea and Taiwan, which had become production platforms for transnational companies, which took advantage of both their cheap labour and tight military control over the working class. In 1978, China established its first free trade zones, seeking to attract a share of global investment.

Over the ensuing decades, particularly in the 1990s when massive

investment poured into China, the families of CCP bureaucrats utilised political power and links with foreign capital to transform themselves into a new property-owning capitalist elite. CCP-connected entrepreneurs, executives, outsourcing contractors, import and export traders and professionals have emerged as the junior partners of major transnational corporations in ruthlessly exploiting the working class.

### The fourth generation of leadership

The interests of this social layer are expressed in the NPC decrees. At the same time however, the Beijing regime has demonstrated that it is conscious of the immense antagonisms that have built up over the past 25 years. While a minority has enriched itself, the majority of the population endures insecurity and hardship. The CCP's claims to represent egalitarianism have been totally undermined.

Even the *New York Times* warned on February 29 that China's ruling elite must learn from history that "extreme inequality tends to breed revolutions."

The *Times* wrote: "The most recent measure by which social scientists judge the inequality of a country's income distribution indicates that China is more unequal, for example, than the United States, Japan, South Korea and India. In fact, inequality levels approach China's own level in the late 1940s, when the Communists, with the help of the poor, toppled the Nationalist government."

The new leadership of Hu and Wen is seeking to shore the credibility of the regime with a series of high-profile populist measures aimed at giving the regime a liberal and even democratic face. Within this context, a guarantee of "human rights" was added to Article 33 of the constitution.

In a posture of concern for the Chinese masses, both leaders spent Lunar New Year's Eve in poor farmers' houses. Over the past year, they have made unprecedented visits to miners, HIV patients and other layers of the "disadvantaged."

Other attempts have been made to undermine the widespread sentiment that the government is corrupt and bureaucratic. A traditional but secretive annual meeting of party leaders at the luxurious Beidaihe summer palace has been abolished. Transcripts of Politburo's meetings and agendas have been made available to the public. Hu exploited the SARS epidemic last year to present his new leadership as supportive of "openness" and "honesty" by state officials and the state-controlled media.

A letter was even presented to the NPC calling for a reexamination of the CCP's condemnation of the May-June 1989 Tiananmen Square protests as "counter-revolutionary." The letter, authored by former military surgeon Jiang Yangyong, who first exposed China's SARS epidemic last March, was sent to both the NPC standing committee and CCP central committee.

Premier Wen Jiabao's report and budget presented to the NPC continued the "reformist" posture of the new leadership. In a change from the language of previous reports, which were often branded as "elitist" and valuing "economic growth" above social considerations, Wen portrayed his government's policies as a "people first" strategy to "balance" economic restructuring with long-term "social development."

While China's per capita incomes rose above \$US1000 last year, Wen's report focussed on aspects of the country's mounting social inequality, such as declining rural incomes and the disparity between rich and poor.

Wen declared in a news conference on March 14 that the Chinese economy is at a critical juncture: "Deep-seated problems and imbalances in the economy over the years have not been fundamentally resolved... If we fail to manage the situation well, setbacks to the economy will be

inevitable."

Despite 9.1 percent economic growth last year, the official unemployment rate has increased from 4.3 percent to 4.7 percent. Zheng Silin, a government minister told an NPC press conference on March 9 that at least nine million new jobs were required to simply maintain the present level of unemployment, yet 24 million job seekers were expected to join the labour force.

"I joined the ministry of labour and social security only about a year ago and I used to be responsible for closing down state enterprises. If I had known I was to be transferred to this job, I would not have been so enthusiastic in closing companies," he declared.

In the rural areas, incomes rose only 4.3 percent last year, down from 4.8 percent in 2002. Urban dwellers now earn up to 3.2 times the incomes of China's 900 million rural residents—a figure only slightly ahead of impoverished Zimbabwe. According to the China-Poverty Relief Fund, 30 million rural people lack adequate food and clothing, while another 60 million earn less than US\$100 a year. At the other extreme, the country's 400 wealthiest individuals have a combined fortune of 301.1 billion yuan (\$US36 billion).

In order to maintain stability in rural areas, Wen announced that a record 150 billion yuan would be spent assisting the rural workforce, including tax reductions and training programs for unemployed rural youth. He also announced 77.9 billion yuan for a limited social security program for workers laid off from state-owned enterprises. The money is to be concentrated on the northern provinces, where many companies have been shut down.

In all, Wen announced a budget of 2.68 trillion yuan—an increase of 8.8 percent from last year—including increased spending on education and health. The budget means the Chinese state, which already has a public debt of 30 percent of GDP, will go even further into the red. The regime clearly views the outlays on welfare as essential to stemming social unrest and promoting illusions in the new leadership.

### The limits to "reform"

The political and economic "reforms" are being carefully managed. Any appeals to the masses to directly intervene in politics—which would challenge the CCP's dictatorship—remain proscribed. According to a report in the *Washington Post* on March 14, the Chinese leadership's adoption of "elements of a western political system" is calculated to maintain their grip on the power.

The *Post* noted: "In effect, according to party officials and scholars who have participated in internal discussions, Hu and his colleagues are searching for a new political model for China. They argue that this country, with its huge population and its history of political turmoil, is not suited for multiparty democracy. But they also appear to have concluded that China's current system is crippled by corruption and increasingly unable to manage rising social discontent or implement economic reforms needed to ensure growth."

Prior to the NPC, Beijing tightened its control on the media and intellectuals, as well as the Internet. Police have not stopped their crackdown on protests of workers and peasants, and the state security has been ordered to monitor university lectures. Chinese translations of foreign books are being discouraged.

The recent best-seller, *An Investigative Report of China's Peasantry*, for example, an independent journalistic investigation of peasant's grievances, was blacklisted by the CCP's Central Propaganda Department on the eve of the NPC, on the grounds that it was too politically sensitive for further discussion.

Although some Western commentators have interpreted this ongoing social control as the lingering influence of Jiang Zemin—now chairman of the Central Military Commission—the new leaders are just as prepared as the previous generation to unleash brutal repression if the working class challenges the regime.

In a press conference following the NPC, Wen Jiabao stressed that the new leadership still viewed the anti-government upsurges in mid-1989 as a “very serious political disturbance” they had to put down. Following the Tiananmen Square massacre on June 4, 1989, Hu Jintao was the first CCP leader to publicly congratulate Deng Xiaoping for defending social order.

Behind the determination to maintain the dictatorial grip over the population is the fear in Beijing that its efforts to prevent new “serious political disturbances” may well fail. The Chinese government is under international corporate pressure to produce even greater economic restructuring.

The British-based *Economist* magazine, for example, opined on March 20 that while Beijing is facing problems, it had to “consider a range of risky, but necessary measures” in order to ensure economic growth and the continued flow of foreign investment.

“Genuine privatisations of state-owned enterprises are essential, even if that results in many of them shedding workers. Private businesses could supply new jobs to replace ones lost in the state sector if they are given the freedom to grow. That means streamlining China’s huge bureaucracy, which tangles too many firms in red tape and corruption. Gradually reducing corporate and personal tax rates, among the highest in Asia, would also help firms to grow,” it insisted.

In direct contradiction to the regime’s limited attempts to stem the rise of discontent, the demands of the market for further restructuring will drive class tensions to breaking point.



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