

Chinese president preaches the need for “a harmonious society”

John Chan
12 March 2005

The annual meeting of China’s National Peoples Congress (NPC), which began in Beijing’s Great Hall of the People last weekend, is being held under the shadow of growing social tensions.

According to an article in the *New York Times*, the top leadership held a series of meetings at the Diaoyutai State Guest House on the eve of the NPC to thrash out an approach to the country’s mounting social problems. The conclusion was the need for a new ideological campaign to shift the focus of official rhetoric from “economic growth” to “social harmony”.

President Hu Jintao launched the campaign with a speech to the NPC calling for the building of “a harmonious society”. He summed up his conception as the development of “democracy, the rule of law, justice, sincerity, amity and vitality” as well as a better relationship between the people and the government and “between man and nature”.

Behind these high-sounding ideas are a corresponding list of social problems: the lack of democratic rights, endemic official corruption, a huge and growing gulf between rich and poor, widening disparities between rural and urban areas as well as chronic unemployment, an appalling record of industrial disasters and severe pollution. The failure of Beijing to address any of these issues has provoked escalating protests.

A massive security operation in Beijing this week is evidence of the real relationship between the government and the people. Ahead of the NPC and associated Chinese Peoples Political Consultative Conference (CPPCC)—a business advisory body to the government—650,000 police, security guards and members of local residential committees were mobilised to patrol the streets of the capital. Hundreds of petitioners, who came from all over the country to highlight their grievances, were rounded up and taken away in buses.

As Mao Shoulong, a scholar from Peoples University in Beijing, pointed out to the *Financial Times*, Hu’s new policy is the result of “very serious conflicts between social classes”. The 3,000 NPC delegates seated in plush surroundings—mainly handpicked businessmen, professionals and state officials—have nothing in common with the hundreds of millions of workers, farmers and unemployed who are struggling to survive from day to day.

In his speech, Premier Wen Jiabao promised to spend 10.9

billion yuan (\$US1.3 billion) on the “re-employment” of millions of laid-off workers and another 3 billion yuan to improve industrial safety, especially in the country’s coal mines. He pledged to abolish central government’s agricultural tax on 730 million farmers and provide education subsidies for poor rural children.

Wen specifically referred to the 140 million rural migrant workers who form the backbone of China’s cheap labour force. “A mechanism will be promptly set up to ensure migrant workers in cities get paid on time and in full, and the work of getting their back wages paid to them will be continued,” he said. Official estimates put the backlog of unpaid wages as high as \$US12 billion.

Beijing plans to fund these limited measures from the increase in national revenue—up 21.4 percent to 2.64 trillion yuan (\$US318 billion) in 2004—and by cutting investment in infrastructure. With the economy growing at a frenzied 9.5 percent last year, the 2005 budget submitted to the NPC calls for lower growth, a cut in the government deficit and more money for “social projects”.

The official *China Daily* pompously declared: “To make use of the nation’s swelling coffers, we must spend more on social projects. Only when fiscal policy is transformed from a stimulus to economic growth to a booster of social causes can many of the social problems we currently face be properly addressed.”

The government has no intention of reversing the two decades of market reform that have produced the present social disaster. All the official fanfare about addressing social problems is largely cosmetic. For instance, the decision to axe the central government’s agricultural tax will not alleviate the burden of taxes imposed by local and regional authorities that now have to raise their own finances with little assistance from Beijing.

Zhang Yaojie, a well known peasant activist told the Voice of America: “In reality, the level of central government taxation is low throughout the country. More important are the additional, hidden costs. A peasant brother in Shangdong province told me that land tax is now halved for each person and his family saved 70 yuan (\$US8) a year. But he said the cost of farming has increased, like [the increased price of] fertilisers which is

far greater than the cut in tax.”

The central thrust of the budget strategy is not to divert money to provide for pressing social needs, but to try to rein in the overheated economy without producing a serious recession. Huge investments in steel, cement, automobile and property have raised fears that the financial bubble is about to burst. Last year 150,000 new construction and factory projects were started in China.

The government is deeply concerned that efforts at “macro-economic” control have had minimal effect. To control inflation, the government has tightened credit and limited approvals for land use. Ma Kai, a central government economic official, told the media: “At present, macro-adjustment remains at a crucial stage. The slightest slackening may lead to a reversal, wasting our previous efforts.”

In reality, Beijing has virtually no control over the vast amounts of foreign capital flooding into China. The NPC is considering an “anti-monopoly law” to restrict the present dominance of transnational corporations in most industries. But the new controls are unlikely to be any more effective than the present ones.

For instance, a survey of more than 300 large retailers found that foreign investment in the enterprises had been approved by the central government in only 28 cases. In the rest, investment had entered China “illegally” via local authorities that are in a cutthroat competition with one another for foreign capital.

The lack of financial control will be compounded when China opens its banking system next year as required under the WTO agreement. The competition from foreign banks will also place pressure on the state-owned banks to reduce their huge accumulation of bad debt. The result will be a new wave of bankruptcies among state-owned enterprises and further large-scale lay-offs.

According to the country’s Banking Regulatory Commission, the level of debt held by Chinese banks jumped by 13.4 percent to \$3.66 trillion in 2004. The figure for state-owned banks totalled \$1.96 trillion—including \$208 billion in non-performing loans held by the four largest state-owned commercial banks. The real level of bad debt is estimated to be much higher, with some analysts putting it at over 40 percent of the GDP.

China’s banking system is already regarded in financial markets as a time bomb. Yet it is one of the main props for the US financial system. Last year China’s foreign trade amounted to over \$1 trillion of which \$610 billion went into foreign currency reserves, mainly in the form of dollar-based assets. These assets along with those of other Asian central banks help cover the huge US trade and budget deficits.

A major feature of the NPC is the proposed “anti-secession law” due to go to a vote on Monday. The law is to formally legitimise the use of military force against any declaration of independence by Taiwan. A significant factor in the focus on Taiwan is the need for a pretext to whip up Chinese nationalism to divert attention from social tensions at home.

Alongside the “anti-secession law” is a 12.6 percent increase in the defence budget—in part to purchase new arms. One aspect of the spending increase has, however, received little attention: a pay rise and the provision of welfare benefits for soldiers. The decision reflects deep concerns in ruling circles about the loyalty of the army’s two million soldiers—the cornerstone of the Chinese regime.

In the past, Beijing provided jobs for veterans in state-owned enterprises and government in order to attract rural youth to join the army. But with enterprises being shut or sold off and cuts to the state bureaucracy, that is no longer the case. The government is now confronting protests by demobilised soldiers over the lack of jobs and welfare.

The unrest in the army is bound up with a deepening crisis in rural China where the majority of recruits are drawn from. In the rural areas, falling incomes are compounded by a lack of jobs and deteriorating social services—education and health in particular.

The cost of a standard four-year university course is equivalent to 35 years of income for the poorest farmers. Only 23 percent of the national education spending—government and private—goes to rural areas where more than 60 percent of the population lives. The Ministry of Health admitted half of the country’s 900 million rural residents could not afford medical treatment. A medical cooperative system set up last year requires a 10-yuan co-payment which many farmers cannot pay.

The level of anti-government opposition was highlighted by the Supreme Peoples Procuratorate annual report to the NPC. A total of 811,102 people were arrested last year for endangering state security or for being involved in activities regarded as separatist, terrorist or extremist—an 8.3 percent increase over 2003. Such charges are frequently used against protestors.

A recent article in the *New York Times* commented: “China now has millions of landless peasants, and their circumstances and growing discontent are not entirely unlike the conditions the Communists exploited to rise to power in 1949.” Well aware of the dangers of the acute social crisis, the Chinese regime is seeking to bolster the repressive apparatus. At the same time as seeking to pacify restive soldiers, it is extending the operations of the police force.

The government of Shenzhen Special Economic Zone recently announced it would spend 100 million yuan to construct a “battle training centre” for its police force to school officers in the suppression of urban unrest. This is the prototype for similar facilities in 21 major cities throughout China. Such measures are the real face of Hu’s “harmonious society”.



To contact the WWSW and the Socialist Equality Party visit:

wsws.org/contact