Fortune Global Forum celebrates corporate profiteering in China

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Some 800 economists, top government officials and business leaders from global corporate giants gathered in Beijing on May 16 for the 9th "Fortune Global Forum", hosted by New York-based *Fortune* business magazine.

The presence of hundreds of CEOs demonstrated the degree to which global capital depends on China as a crucial production base and source of cheap labour. This year's theme, "China and the New Asian Century", focused on plans for billions of dollars of further investment in Chinese-based auto production, energy projects, capital markets and third generation (3G) communication technology.

Fortune's senior editor David Kirkpatrick declared: "So many of the companies that our magazine are working with are getting more and more interested in China everyday. I think the concept is that China is more and more integrated into the world economy than it has ever been before. And as a result, we need to understand the changing China and so do the *Fortune* 500 CEOs."

More than a dozen private jets arrived in Beijing, carrying some of the world's most powerful capitalists. Time Warner CEO Richard Parsons summed up their enthusiasm: "We are happy to choose Beijing as the venture for the forum, and we will make it become a focal point of the world business circle."

US Chamber of Commerce president Thomas Donohue commented: "Generally the American companies that are here with business now feel very satisfied." US investment house Merrill Lynch, WalMart, British communication giant WPP, General Motors, General Electrics, Sony, BMW, Shell and others on *Fortune's* Global 500 list of the world's largest corporations sent their CEOs or other senior executives.

The British-run Hong Kong and Shanghai Banking Corporation (HSBC) and the US-based Oracle Corporation each sponsored the three-day conference to the tune of $US500,000. Yahoo and Chinese firms Mission Hills Golf Club and Sinopec, China's second largest oil company, donated $US100,000 each. *Fortune* magazine is estimated to have made $3.5 million from the forum.

To offset intense pressure on profitability, over the past 25 years transnational companies have taken advantage of new technologies to transfer large parts of their operations to areas of the globe that provide cheaper labour and higher rates of return. The consequence is that many underdeveloped countries, which once had marginal importance in the world economy, have become vital platforms for global production.

China has been at the centre of this process. A nationally isolated and autarkic economy, which was still dominated by peasant agriculture until the 1980s, many commentators now dub the country as the "workshop of the world". By 2004, China had accumulated more than $550 billion in foreign direct investment (FDI). Foreign-invested firms are responsible for more than 50 percent of all China's imports and exports.

Europe's biggest consumer electronics firm, Royal Philips Electronics, for instance, reported last month that its China-based factories increased sales by 20 percent to $9 billion in 2004, with 60 percent of all sales being exports. The company has invested $3.4 billion in China.

Some 5,000 firms in China supply US retail giant WalMart, which last year purchased over 10 percent of total US imports from China—or $18 billion worth of goods. Most of these suppliers, whether Chinese or foreign-run, are sweatshops churning out shoes, toys, clothes, home appliances or consumer electronics. WalMart also has 45 retail outlets in China, with more planned. CEO John Menze, who was at the conference, took the opportunity to attend the opening ceremony of WalMart's newest shopping plaza in Beijing.

Antonio Perez, the CEO of Eastman Kodak, told reporters that China was the company's second largest market for film. Kodak controls 50 percent of the photosensitive material industry in China. The company produced 95 percent of its digital cameras in China, and its film factory in Xiamen Special Economic Zone is the largest in Asia. Over the past six years, Eastman Kodak has created a massive network of more than 7,000 franchised photo shops, which employ half a million people across China.

Jussi Pesonen, the CEO of the world's largest paper manufacturer, Europe-based UPM-Kymmene, spoke at the conference about how China had become its production and sales platform in the Asia-Pacific region. UPM has invested $1 billion in China to meet the growing demand for paper in printing and office operations. Its new factory in Changshu will double its annual capacity to 800,000 tons of office and coated paper—the largest in China.

A significant example of how a declining company seeks to maintain its position by entering into China is General Motors. Its CEO, Richard Wagoner, commented during the conference that China is now the US auto company's second largest market, with half a million units sold last year. As a result, GM made $417 million in profit in China—one of the few places it is making money. Even though GM has recently had its debt reduced to junkbond status, the firm is planning to invest another $3 billion to double its capacity in China to 1.3 million units by 2007.

Although voices of concern over China's long-term economic and social stability were expressed at the forum, the main sentiment was exuberance over the frenzied pace of capitalist development in China and the intimate ties between the world's major corporations and the Chinese regime.

Chinese President Hu Jintao warmly welcomed the global capitalist leaders in Beijing's Great Hall of People—once the icon of Chinese Revolution in 1949. The nakedly pro-business character of the so-called "communist" regime was expressed in the slogan of the meeting: "You come, you profit, we all prosper."

Hu declared: "Many of you and the companies you represent have been vigorously involved for years in pushing economic and technological cooperation with China and have made a significant contribution to China's sustained economic growth and technological upgrading in certain industries. Facts have proved that such cooperation serves our mutual interests."

Echoing the slogan "get rich is glorious" enunciated by the late Chinese leader Deng Xiaoping in the 1980s, Hu's speech again demonstrated that the Stalinist regime in Beijing has nothing to do with socialism. The apparatus of the Chinese Communist Party has spawned a new Chinese capitalist elite—joint-venture operators, contractors, and corporate executives—who largely function as middlemen for transnationals.

China's own corporate weight is negligible. Just 16 Chinese companies, mostly state-owned monopolies, qualified to enter *Fortune*'s Global 500 list last year. The assets of the so-called "China 500"—the largest Chinese-based firms—represent only 5.61 percent of those of the Global 500, while their profits represent just 5.22 percent and revenue 7.3 percent.

As a result, the expansion of the Chinese economy and the continued growth of Chinese enterprises are still completely dependent upon the continued massive inflow of foreign capital and technology that has marked the past 15 years in particular. Politically, the attractiveness of China to world capital rests on the Stalinist regime's ruthless police-state repression of the Chinese working class and rural poor, ensuring an apparently inexhaustible supply of cheap, compliant labour.

Fortune magazine commented: "The most obvious explanation for this capitalist-communist lovefest is that one party rule gives China's policies more continuity and less silliness than you get in a multiparty democracy ... China's government—with its stated commitment to bring in more foreign investment—tends to be more businesslike than most Western CEOs are encountering in their home countries. Corporations are one-party entities too, after all."

In 1989, Western leaders and the media shed crocodile tears over the massacre of workers and youth in Beijing's Tiananmen Square, while hailing the end of Stalinist regimes in Eastern Europe as a victory of "democracy over dictatorship". It did not take the corporate elite long, however, to recognise that the 1989 repression was a sign that Beijing was prepared to crush any opposition to the impact of its pro-market policies. From 1992 on, China became the largest destination for FDI in the developing world.

The fulsome praise for the Chinese regime's "one-party state" also reflects a sentiment in corporate circles that anti-democratic methods will be necessary to ram through pro-market policies in the US and elsewhere in the face of deepening social polarisation. The "silliness" referred to by *Fortune* expresses the contempt of big business for the democratic rights of working people and any opposition to the continuing decline in their living standards.

Since 1998, the Chinese regime has sacked 27 million workers and shut down of thousands of state-owned factories. Police and paramilitary forces have suppressed waves of protests and demonstrations in working class communities. *Fortune* magazine wants similar methods applied in other countries.

Even amid this mutual congratulation in Beijing, more far-sighted economists have warned of the massive contradictions and social tensions building up in China.

Morgan Stanley chief economist Stephen Roach was representative. China, he warned, had to put "stability before everything". The country's high economic growth, he pointed out, was unsustainable due to the inevitable bursting of the country's investment bubble and its dependence on exports to the "most unstable" major economy, the United States. A recession in the US would have tremendous repercussions on China.

To offset the danger of external pressure plunging China into downturn, some economists are calling for a shift to domestic consumption as the motor of economic growth. Roach noted, however, that "household consumption [in China] fell to a record low of 42 percent of Chinese gross domestic product (GDP)—the smallest consumption share of any major economy in the world" in 2004.

The low level of consumer spending expresses the fact that the huge influx of foreign investment has not translated into better living conditions for the Chinese masses. Rather, the restructuring of the old state-owned sector has led to millions of workers being laid off. Free-market policies in rural areas have driven tens of millions of poor peasants off the land and forced them seek work in the cities and free trade zones as super-exploited labour.

As wages and rural incomes stagnate or even fall behind economic growth, ordinary people face a deepening social crisis. They are no longer provided with guaranteed jobs, health care, public housing or education. Employers refusing to pay wages or workers being laid off overnight are common occurrences in China. The constant insecurity lies behind China's high saving rate. Ordinary working people have to put aside a significant proportion of their incomes to safeguard against the prospect of suddenly losing their jobs or having family members fall ill.

For hundreds of millions of Chinese workers and peasants, the economic processes celebrated by the Fortune Global Forum mean appalling working and living conditions, a burgeoning gap between rich and poor and rampant official corruption, all enforced by pervasive political repression.