China's National People's Congress focusses on social instability

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This year's National People's Congress (NPC), which began in Beijing on March 5 and ended yesterday, has focussed on the Chinese government's concerns over the destabilising consequences of growing social inequality.

The atmosphere of class tension was demonstrated by the tight security measures surrounding the NPC. Hundreds of petitioners, who travelled to Beijing to try to air their grievances, were rounded up by police prior to the opening of the NPC. A 15,000-strong security force was deployed around the venue, the Peoples Hall in central Beijing, to prevent any protests.

Prominent Chinese dissidents reported stepped-up police surveillance. Liu Xiaobo, an outspoken writer, told reporters that police officers had been guarding his home and preventing him from going out since February 13. "They seem particularly nervous this year," he said.

In the main report to the 2,927 NPC delegates, Chinese Premier Wen Jiabao explained why the Beijing leadership was so nervous. The widening gap between rich and poor and growing unrest of workers and peasants are undermining social stability.

Wen warned that "market reform" was going through "a very difficult period". The economy grew 9.9 percent last year, foreign trade increased by 23.2 percent to $1.42 trillion and the country received $60.3 billion in foreign direct investment. However, these figures were achieved at the expense of the worsening social conditions of the Chinese masses.

"We need to see clearly that there are many hardships and problems in economic and social life. Many long-standing and deep-seated conflicts have yet to be fundamentally solved and new problems have arisen that cannot be ignored," Wen declared in his televised speech.

"There is strong public concern over the difficulty of getting medical treatment and receiving an education, and the people's interests are adversely affected by violations of regulations and policies ... including land expropriation, housing demolition and resident relocation, corporate restructuring, pollution and serious problems in production safety," he warned. He pointed to China's appalling industrial safety record, especially in the coal mines where nearly 6,000 workers died last year. This toll, one must add, continued despite all Beijing's phony promises to reduce it.

The Premier presented a list of limited measures aimed at placating widespread resentment toward the regime. The main focus was the countryside, where protests by poor farmers over land seizures, falling incomes, heavy taxation and lack of services have been particularly intense in recent years.

Wen repeated the Chinese government's promise to build a "new socialist countryside". In reality, it is desperately trying to consolidate the crumbling rural social base on which the regime has rested since coming to power in 1949. The peasant-based Peoples Liberation Army is still the foundation of the Beijing dictatorship. Wen formulated the new rural policy as "giving more, taking less and loosening control".

"Giving more" means a 14 percent increase in government spending on rural areas in 2006, to 339.7 billion yuan or $US42.3 billion. The money is to be spent on accelerating rural infrastructure construction, eliminating school fees for rural students within two years and providing other subsidies. The "taking less" refers to the abolition of agricultural tax throughout the country this year—a tax that is now of marginal importance for government revenues.

For the hundreds of millions of Chinese peasants, these measures are just a drop in the ocean. The ratio of average income in rural as compared to urban areas is about one to three. The gap is unlikely to narrow. Despite government calls for annual rural incomes to rise to 4,250 yuan ($US530) in the next five years, annual urban incomes are estimated to rise to 13,390 yuan ($US1,660). Even the Chinese Communist Party's Central Research Office projected the rural-urban income gap will increase to one to four by 2020. Likewise, the lack of rural services is unlikely to change.

China's 160 million school-aged rural children account for nearly 80 percent of the country's primary and junior middle school students. Beijing transferred the financing of services to local governments in 1990s, turning compulsory education into a heavy burden on rural households. In 2005, annual elementary and secondary school fees cost an average of $100 or a quarter of the average income of a farmer. Financial difficulties have led to increasing dropout rates and losses of teachers. Further schooling, especially costly university and college education, is beyond the reach of most rural youth.

Four out of every five Chinese farmers have to pay medical costs themselves. Tens of millions of rural migrants in the cities have no medical coverage at all. One of the gains of the 1949 revolution was the establishment of public clinics in rural areas. Although rudimentary, they provided affordable medical treatment for Chinese farmers. The dismantling of collective agriculture with its health care services in 1980s has been a major factor in driving millions of rural families into abject poverty.

The latest statistics from the Health Ministry show that one third of rural patients choose not to go to hospital and 45 percent of hospitalised farmers are discharged before fully recovering.

A typical example was a peasant woman surnamed Cheng who was dying of uterine cancer in Fengyan village in Sichuan province. She told the BBC that she had to stop treatment after spending all her savings. Her son had been forced to drop out of school to find work to

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support the family. “We used our life savings, more than $1,000, for treatment. But it cost more than three times that. All our relations and friends gave money, but it wasn’t anywhere near enough,” her husband explained.

The government’s newly-established cooperative medical insurance scheme requires farmers to pay 10 yuan ($US1.25 dollars) a year to participate, with the government putting in another 40 yuan. The program will just cover 65 percent of the medical expenses, leaving a gap that many farmers will find difficult to afford. The state media reported that the poorest farmers are reluctant to pay even the relatively small amount of 10 yuan.

Wen’s “loosening control” refers to further “market reform” in agriculture, which will inevitably undermine the limited concessions made by the government to farmers. Beijing opened up China to foreign agricultural imports as part of its commitment to join the World Trade Organisation (WTO) in 2001, deepening the crisis of the country’s uncompetitive, backward, small-scale farming.

Referring to the threat of food shortages, Wen admitted that falling grain prices and rising production costs were discouraging farmers from producing. He warned that land disputes were becoming an increasingly explosive issue. The Chinese government issued new regulations prior to the NPC, supposedly to ensure proper compensation for evicted residents.

After the decollectivisation of rural communes in the late 1970s, Beijing retained state ownership of land in order to build infrastructure and industrial zones to attract foreign investment. As a result, Chinese authorities expelled millions of occupants from their land, sparking growing protests over the lack of compensation.

Some Chinese academics have suggested allowing private ownership of land as a solution to land disputes. But the Beijing leadership fears that an end to nationalised land will destroy the only remaining social safety net in the countryside. Private land ownership will inevitably accelerate the destruction of the old relations in villages, creating millions landless peasants and concentrating land in the hands of wealthy elite.

Not only would the privatisation of land intensify rural instability but it would force many more rural poor into the cities to look for work. Already urban unemployment is a major factor in growing unrest in the cities. Wen explained that the government needed to create 9 million new jobs this year simply to keep urban unemployment at present levels.

Wen called for a “rejuvenation” of China’s northeastern provinces and other regions where state-owned industry predominated and where working class communities have been devastated by privatisation and streamlining. He said the government would boost subsidies for the re-employment of millions of laid-off state employees as a source of cheap labour for private investors.

Social inequality was the main topic of discussion among NPC delegates. Li Yonghai, a former secretary of the All-China Federation of Trade Unions, told the *China Youth Daily* that the country “has become one of the places in the world leading the fastest concentration of wealth into a few hands”. He cited statistics from 2003 when 236,000 individuals owned over $1 million of assets. This super-rich layer possessed more than $969 billion in personal wealth—equivalent to about two-thirds of China’s GDP in 2003.

Li pointed out that only 170 million people have pension insurance and just 130 million people have health care coverage, barely one tenth of the population. Most of China’s 399 million employees in manufacturing and service industries are now rural migrant workers, whose wages and conditions are appalling even by Chinese standards. “The gulf between rich and poor is terrifying and it is the cause of social unrest,” he warned.

In 2004, Beijing’s spending in social security, pension and health care was only 3 percent of the GDP, compared to 5 percent in the United States, which is notorious for its lack of social welfare. Li urged the government to lift this spending to 4-5 percent of GDP in order to provide urgently-needed financial assistance to Chinese workers.

Another delegate Zheng Gongcheng said the existing economic structure benefits business owners at expense of workers. He pointed to Guangdong province—the fast-growing export zone, where the average wage of rural migrant workers increased just 60 yuan in a decade. Taking inflation into account, their real wages actually declined.

These debates reflect the deep concern in the Chinese ruling elite that the intensification of social tensions will inevitably lead to a political explosion. At the same time, however, Beijing is well aware that international capital is investing in China because of the very factors that are creating discontent—low wages, poor working conditions, and government investment in infrastructure and business incentives rather than social services.

A *Financial Times* editorial on March 8 declared that Beijing’s rural subsidies, although “sensible”, should not be a long-term policy. “It [the Chinese government] should start by recognising that income inequality cannot be overcome by somehow keeping 450 million people down on the farm. China’s cultivable land is too small to support them all, and subsidising output of traditional crops is highly inefficient. Whether rural dwellers seek better-paid jobs in the cities, or whether the jobs come to them, their future lies mostly outside agriculture. Policy should facilitate that transition, not seek to prevent it.”

The editorial’s concern is not for the people as such, but rather to ensure that Beijing’s policies do not slow the supply of cheap rural labour to the sweatshops in the cities. The *Financial Times* need not be too worried: as in other countries, the operation of the market and global flows of capital are intensifying rural poverty and misery in China, driving millions off the land. The latest measures announced at the NPC will do nothing to halt the development of explosive social conditions in the cities as well as the countryside.

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