China passes private property law for capitalist elite

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At end of the 12-day National Peoples Congress (NPC) in Beijing on March 16, some 3,000 hand-picked lawmakers rubber-stamped a Property Law. The enactment of this law, which follows the opening of Chinese Communist Party (CCP) membership to private businessmen in 2002, is a significant step in establishing the dominance of capitalist property relations in China.

The law declares: “The property of the state, the collective, the individual and other obligees is protected by law, and no units or individuals may infringe upon it.” By elevating private property to the same status as state property, the law gives formal legal protection to China’s burgeoning private enterprises and legitimises capitalist exploitation of the working class for the first time in six decades.

The bill was shelved last year due to its controversy. A petition against the law, endorsed by hundreds of retired officials and academics, warned that it would increase social inequality and legalise the corrupt plundering of state-owned assets by officials. “With the unceasing advance of privatisation, our country already has a serious gap between rich and poor, which is polarising into two extremes,” the petition declared.

According to the Hong Kong-based *Asia Weekly*, prior to the NPC, President Hu Jintao and Premier Wen Jiabao sent officials to tour the provinces to drum up support for the law. When delegates arrived in Beijing, they were instructed to vote “yes”, as top officials feared that even a 10 percent “no” vote would be a political embarrassment. In just three minutes, a law under debate for 14 years was pushed through with 2,799 in favour, 37 abstentions and 52 against.

The vote on the law highlighted two glaring issues in China today: the CCP’s fraudulent claim to be “socialist” and the growing concentration of wealth in the hands of the new property-owning elite.

A comment on the CCP’s official web site on March 16 absurdly declared that “socialism” was the reason China had overtaken Canada, Italy, France and Britain as the world’s fourth largest economy. This rise had “demonstrated to humanity that socialism is the future, socialism is superior to capitalism”.

In fact, the CCP has transformed China into the world’s largest sweatshop where foreign investors and local entrepreneurs have amassed huge profits exploiting cheap labour with little or no restriction. The 2006 list of the top 10 Chinese billionaires compiled by *Forbes* magazine shows that the beneficiaries of China’s “socialism” are not workers, but capitalists.

No. 1 was Wong Kwong Yu, owner of the country’s largest home appliance retailer, Gome Appliance. Just 37 years old, his personal fortune was estimated at $US2.3 billion. Next on the list was Xu Rongmao, a resort and hotel property tycoon worth $2.1 billion. No. 3 was Rong Zhijian, the son of the famous “Red Capitalist” Rong Yiren, who supported Mao Zedong after the 1949 revolution. Rong had $2 billion. His Citic group helps Beijing acquire overseas supplies of oil and strategic raw materials. No. 4, Zhu Mengyi, was a former state bureaucrat who owns the nationwide property group Hopson. His fortune was $1.9 billion. No. 5, Yan Cheung, runs one of the world’s largest paperboard manufacturers, Nine Dragons. Her wealth stood at $1.5 billion.

Ranked no. 6 was Zhang Li, another property developer, valued at $1.45 billion. No. 7, Shi Zhengrong, owns Nasdaq-listed Suntech, one of the world’s largest and fastest growing solar energy corporations. Worth $1.43 billion, Shi is one of a growing number of Western-educated entrepreneurs. No. 8 was Liu Yongxing ($1.16 billion), whose East Hope Group is based on the aluminum industry. No. 9 was Guo Guangchang ($1.15 billion). His Fusun Group is one of China’s largest private conglomerates in steel, property and retail. Last on the list was Lu Guanqiu ($1.14 billion), whose Wanxiang Group was described by *Forbes* as an “auto parts empire”.

How these super-rich, and a multitude of smaller private bosses, amassed their wealth is a contentious issue in China. In 2005, *Forbes* listed a young businessman and rising political star, Zhang Rongkun, as China’s 16th richest man. Last year, however, Zhang was charged with stealing 3.2 billion yuan or over $400 million from pension funds in Shanghai. Together with the ex-Shanghai party boss, Chen Liangyu, he is accused of forming part of a corrupt syndicate.

With deepening social inequality, the current CCP leadership can no longer simply repeat Deng Xiaoping’s 1980s slogan of “let some people get rich first”. It is obvious that the few who have enriched themselves have done so at the expense of the majority of the population. Instead, in an attempt to prop up his increasingly discredited regime, President Hu calls for the building of a “socialist harmonious society”.

Chinese society is neither “socialist” or “harmonious”. In the past the CCP falsely equated socialism with bureaucratic state control over the economy. Much of the state sector was privatised in the 1990s, however. The labour minister admitted this month that another 5 million workers would be laid off from state enterprises this year. By contrast, the private sector, including foreign investment, now accounts for 65 percent of the economy and provides 70 percent of tax revenues.

As for social “harmony”, the new Property Law will do the opposite, by deepening the divide between rich and poor. The CCP leadership claimed the new law would protect farmers against forced evictions by local officials seeking to provide land for real estate developments or industrial projects. But the law only clarifies land usage for up to 70 years and reaffirms the state ownership of land.

The nationalisation of land after the 1949 revolution was a capitalist, not a socialist, measure. From the standpoint of capitalist production, private land ownership is parasitic—because private rent is a deduction from the surplus value extracted from the working class—and an obstacle to the free movement of capital. State ownership of land not only provides greater corporate profits, but allows the government to more easily establish infrastructure or economic zones for investors.

By stimulating the growth of market relations in the countryside, state ownership also accelerates the destruction of small-scale farming and thus the migration of rural labourers into the cities. The result has been an abundance of cheap labour for global corporations, supervised by Beijing’s police-state regime, and a growing social polarisation.

According to official statistics, China’s Gini co-efficient—a measurement of income inequality—is approaching 0.5, far above the “alarming level” of 0.4 that indicates vulnerability to social unrest. Urban incomes are 3.2 times those of rural areas, up from 2.5 times in 1978. Within the cities, in 2005 (the latest data available) the top 10 percent of the population earns 9.2 times the bottom tenth, up from 8.9 times in 2004. In rural areas, the gap was 7.3 times, compared with 6.9 a year earlier. Overall, the richest 10 percent now control 40 percent of private assets, compared to just 2 percent by the poorest.

Social discontent has produced an escalating wave of protests. Just two days before the NPC, about 20,000 people, mainly migrant workers, clashed with more than 1,500 armed police after private owners lifted bus fares in the Zhushan township of Hunan province. Several police cars were burned and dozens of people were injured. One student was reportedly killed.

To placate public anger, Premier Wen dramatically increased social spending this year. The funding features increases of 15 percent for rural areas, 87 percent for public healthcare, 42 percent for education system and 14 percent for social security. The $51 billion allocated for the countryside includes the extension of a subsidised healthcare insurance system and a minimum living allowance. The $27 billion for a “social safety net” is meant to provide limited protection for rural migrant workers and a rapidly aging population. The $11 billion for education includes the elimination of school fees for rural children.

These measures are drops in the ocean. The “social security net” is a market-based system partly copied from Western countries. Only partially funded by government, workers have to buy insurance to secure limited protection in case they lose their jobs or suffer serious illness. In healthcare, commercial insurance companies are expected to exploit a huge market of 6 trillion yuan or $780 billion in private annual medical bills, constituting 70 percent of total national medical costs.

Where cash is handed out to the most destitute, the assistance is minimal. Allowances for the poorest farmers are just above the national poverty line of 683 yuan ($88) a year. In 2006, the population covered by this program was just 15 million, up by 82 percent from 2005. A similar urban network covered 22.4 million people, who each received just $21 a month.

Economic instability will only further fuel social tensions. Premier Wen projected China’s economic growth to be 8 percent in 2007. However, he set the same target last year. The actual rate in 2006 turned out to be 10.7 percent, as his government could do little to stop investment bubbles driven by private investors and local authorities. “Hot money” flowed into the share market, which skyrocketed 130 percent last year but showed marked instability in February.

In a media press conference after the NPC, Wen admitted China’s economic situation was “unsteady, unbalanced, uncoordinated and unsustainable”. But the premier emphasised that the pro-capitalist policy would not be reversed. Using what is now the official doublespeak, he told reporters China was at the “100-year” first stage of its “socialism,” in which the main task was to “promote market-oriented reform”.