Soaring inflation sparks social unrest in China

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China's annual inflation rate surged to an 11-year high of 6.9 percent in November, provoking protests by working people over rising food, fuel and housing costs and growing nervousness in Beijing over the prospects of further unrest.

Inflation started to surge from the middle of this year. In November, food prices rose by 18.2 percent on a year-on-year basis, following a 17.7 percent rise in October. Over the past 12 months, the price of pork, a staple meat in Chinese diets, has risen by a startling 54.9 percent. The price of cooking oil increased 34 percent, while vegetable prices rose 29.9 percent. Water, electricity and gas prices rose 5.6 percent. In a country where a large proportion of income is spent on food, these rises have hit working people hard.

In early December, the Chinese government's annual top-level economic policy meeting decided to tighten the supply of money in order to curb "overheating", amid fear of financial instability in the US. At the same time, Beijing announced a series of tax and subsidy measures to increase the domestic sale of grains and oil in an effort to contain soaring prices of basic consumer goods.

Many factors are fuelling inflation, including poor harvests in the world's major crops-producing countries this year, rising international oil prices and disease among China's pig population. A major source of inflation and "overheating" in China has been the injection of capital from the country's large trade surplus. Chinese authorities have lifted interest rates six times and bank reserve ratios 10 times this year to rein in lending, with little impact.

The annual economic meeting took place amid a wave of strikes and protests. In late November, several thousand workers from Guangdong-based Alco Electronics staged a rally against rising food expenses being docked from their wages. Hundreds of police were called to break up the demonstration.

On December 10, according to the Hong Kong-based Information Centre for Human Rights and Democracy, 4,000 oil workers demonstrated for nearly a week at the Qilu Petrochemical Corp in Shandong province, demanding higher pay amid rising prices and record profits for the oil industry.

A worker in the plant told Reuters: "The protest started with the front-line workers who are having a very difficult life now, as pay increases very slowly but prices of everything rise so fast". Another source said: "For a family of three with only one bread earner it is extremely tough."

The protest gathered steam when former workers who had been laid off in 2001 from the partially privatised firm, joined the demonstration. The Hong Kong-based *Ming Pao* reported that some demonstrators distributed "anti-corruption" placards, demanding the sacking of the company's chief.

The company is part of Sinopec, which is China's second largest state-run oil corporation. It has reaped huge profits as oil prices skyrocketed to nearly $US100 a barrel, offsetting losses in the refining divisions. Yet, workers at the Qilu plant earn monthly wages of only 1,000-2,000 yuan ($US135-271).

The *Wall Street Journal* on December 12 warned of the danger of mass anti-government protests like those of 1989: "The trend this year is causing growing pain among the nation's consumers and raises the spectre of the sort of destabilising, double-digit inflation that caused political unrest in China in the late 1980s and again plagued the economy in the mid 1990s."

Xie Xiaomei, a 61-year-old retired factory worker in Shanghai, told the newspaper that her monthly income was just 1,000 yuan or $135. "In the past year, my salary rose less than 10 percent while [prices for] some products went up 50 percent.... I have no money see the doctor." Her friend Xiao Yindi added: "We'd be better off returning to the times of Mao Zedong."

Jiang Zhiguao, a migrant worker in Beijing, said prices of chilli peppers, which are commonly used in Hunan cuisine, had risen 40 percent this year, while "our salaries haven't been raised."

Chinese Academy of Social Sciences economist Yi Xianrong told Singapore's *Strait Times* on December 7: "Beijing recognises the danger that an economic problem can turn into a political and social issue." Beijing Institute of Technology economist Hu Xingdou said that on a recent trip to the eastern province of Zhejiang he had learnt that workers in many firms were expressing their anger through strikes and demands for higher wages.

The social tensions have found other expressions. Last month, three people were killed and 31 injured in a mad scramble to buy discount cooking oil in a French-owned Carrefour store in the city of Chongqing. The store was offering a discount of about $1.50 on 5 litre-bottles of oil. A similar stampede occurred on October 26 at a supermarket in Shanghai, injuring 15 people. These tragedies have compelled the commerce ministry to ban time-limited sales promotions.

The Chinese Communist Party (CCP) regime has few mechanisms for influencing prices. The abolition of collective agriculture in the early 1980s left the authorities with no effective control over food supplies for an urban population that has vastly expanded. Attempts to contain price rises by increasing grain production have also been undermined by a severe drought in China and tight supplies internationally.

Although the CCP talks of increasing food supplies to bring prices down, little is said about lifting the chronically low level of wages. The CCP leadership has called for a greater role for state unions in negotiating wages with private business owners. The stated aim was to allow wages to increase with inflation, but the hard reality is ruthless capitalist exploitation.

According to a new report on China's "corporate competitiveness" by the Chinese Academy of Social Sciences, workers' wages as a proportion of gross domestic product (GDP) have decreased from 53.4 percent in 1990 to 41.4 percent in 2005—even though the economy has grown four times larger. The profit share, by contrast, increased from 21.9 percent to 29.6 percent. "It can be said that, the large increases in corporate profits were largely achieved at the price of paying low wages to the employees," the report admitted.

Even the official *Workers Daily* acknowledged on December 17 that the "rising tide did not lift all boats". "Some enterprises used various means to violate employees' legal rights in order to lower the costs of production. For example, profits are surging, but employers refuse to lift wages, they prolong working hours, refuse to pay pension premiums for employees, have no housing super funds and use large numbers of casual but low-paid labour, etc. In order to retain scarce jobs, workers in disadvantaged positions have no choice but to bow down their heads before the bosses," the article stated.

A 2005 survey by the state-run All China Federation of Trade Unions found that in 2002-2004, 81.8 percent of workers earned below the average wage in their local regions—34.2 percent earned half the average and 12.7 percent received less than the minimum wage. The figures indicate the huge disparity between the incomes of the majority of working people and those of the wealthiest layers of society.

University students are no better off. A Communist Youth League survey found that among graduates of 2005, 66.1 percent expected jobs paying only 1,000-2,000 yuan a month, similar to a factory worker's wage, with 1.58 percent willing to accept a "zero wage" initially. At the same time, however, 77.3 percent of employers thought the college students "expected too much".

Chinese workers are especially sensitive to inflation because of the wholesale destruction of public housing, healthcare, education and pensions in 1990s. Personal consumption significantly contracted from 48.8 percent of GDP in 1991 to 38.2 percent in 2005. Workers and the rural poor have to save considerable sums for illness and other emergencies and spend less on basic items.

The latest protests over price rises are one more indication that the immense social explosion brewing in China, as the regime's pro-market policies deepen the gulf between rich and poor.