Protesting Chinese steel workers kill manager

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In another sign of the explosive social tensions in China, thousands of workers at the state-owned Tonghua Iron and Steel Group in the northeastern Jilin province beat the newly-appointed manager to death last Friday in an angry protest against a government-backed takeover by a privately-owned steel company.

Last Wednesday, the Jilin provincial state asset committee decided to sell its majority stake in Tonghua to Jianlong Heavy Industry. On Friday morning, thousands of workers led by redundant and retired workers blocked local highways and a rail line supplying raw materials to the mill and halted all seven furnaces. Workers clashed with 1,000 police and paramilitary officers who were called to break up the protest. Three police cars were smashed and more than 100 people were injured.

The Hong Kong-based Information Centre for Human Rights and Democracy reported that 30,000 workers joined the riot, while the official Xinhua newsagency claimed there were only 1,000.

At nightfall, Chen Guojun, Jianlong's new general manager, arrived and ordered workers to return to work. Chen reportedly declared that he would cut the 30,000 workforce to 5,000. According to a local police officer who spoke to *China Daily*, this infuriated the workers. "Chen disillusioned workers and provoked them by saying most of them will be laid off in three days," he said.

Workers refused the order to return to work, battered Chen with boots when an argument broke out and pushed him from a second-storey office. He died later, as 10,000 workers reportedly prevented police and ambulance officers from rescuing him.

Workers were also incensed by the fact that Chen was paid three million yuan ($US 440,000) a year—about 300 times their average wage—while workers retired from the plant received as little as 200 yuan ($29) a month.

The protest was only ended at 10 p.m., after the provincial government announced on television that it would permanently shelve the privatisation plan. Workers lit fire crackers to celebrate. Xinhua reported that the provincial authorities halted the merger to "prevent the situation from expanding" into a broader movement by workers in northeastern China, where large sections of state industry were shut or sold in the 1990s.

The incident exposed the ticking time bomb produced by the combined impact of the global economic crisis and the ongoing dismantling of state-owned enterprises for the enrichment of China's new capitalist elite.

In 2005, Jianlong became the second largest shareholder of Tonghua after the provincial government sold 49 percent of its stake. Far from making Tonghua more efficient, the new management under Jianlong made major losses last year and cut central heating in winter to Tonghua workers and their dependants. Thousands of Tonghua workers staged a protest in March over the cutting of wages. In response, Jianlong withdrew its investment.

However, when Tonghua made a profit again in June ($US6.2 million)—largely due to the Beijing government's stimulus packages—Jianlong returned, this time seeking a 65 percent stake. The Jilin government immediately agreed, as part of the national government's policy of consolidating the steel industry in the hands of larger conglomerates.

The privatisation of Tonghua was typical of the plundering of state assets—through collusion between the Stalinist Chinese Communist Party (CCP) and the capitalist elite that the regime has cultivated—at the expense of the working people.

Jianlong's owner, Zhang Zhixiang, was China's 10th richest man in 2008, with a fortune of $2.9 billion. Set up in 1999, Jianlong owns 17 businesses in steelmaking, resources, shipbuilding and machinery, and last year ranked 158th in China's largest 500 companies. The state-owned Tonghua was the 244th largest enterprise, with an annual output of seven million tonnes of steel.

Because of the global slump, China's steel industry has been increasingly embattled. China's annualised steel production rate in June reached 545 million tonnes—a record level—as a result of stimulus packages in infrastructure building and subsidised car and home appliances production.

China accounts for 60 percent of global steel production and buys two-thirds of the world's sea-borne iron ore. However, the three big international mining corporations (Brazil's Vale, the Anglo-Australian Rio Tinto and Australia's BHP Billiton) only agreed to a cut in 2009-10 prices of 33 percent—less than the 40 percent cut Beijing wanted. Burdened with extortionate price hikes in recent years by these mining giants, the pricing dispute is a matter of life and death for Chinese steel companies.

China's top 27 steel producers lost a total of 9.6 billion yuan ($1.4 billion) in the first half of 2009—compared with profits of 36.3 billion yuan in the same period last year. In order to increase its bargaining power over iron ore prices, Beijing issued a plan in January that by 2011, the top five producers should account for 45 percent of China's steel output—up from 28.5 percent. Hence the official backing for the Jianlong takeover, despite the hostility of workers.

The intense pressures on the steel industry—the bedrock of China's manufacturing-based economy—are also reflected in this month's arrest of Stern Hu, the Chinese iron ore head of Rio, allegedly for stealing commercial information that put Chinese steel makers at a disadvantage in the iron ore price negotiations.

The protests by Tonghua workers are only the tip of the iceberg of the unrest generated by the intensifying exploitation of the working class. The London-based *Financial Times* warned on Monday: "The violent riot in northeast China late last week involved up to 30,000 workers, a reminder of the ongoing sensitivity about lay-offs from state companies in industries targeted for consolidation. The government laid off about 50 million workers in state enterprises in the 1990s, equal to the combined workforces of Italy and France at the time, but many companies still retain bloated staffing rosters."

The restructured state-owned firms have kept redundant workers on their payrolls, but only on poverty-level allowances, making them the new urban poor in China. When private owners completely take over state enterprises, however, they cut off even the last lingering support to redundant workers, which was a major factor behind the angry eruption at Tonghua last week.

The violent protest was driven by the same underlying processes that sparked the riots in the Xinjiang capital of Urumqi on July 5 after two Uighur workers were killed in a Guangdong toy factory. Uighurs and other oppressed minorities are being used as cheap labour under conditions where plunging export orders have eliminated some 20 million jobs, even as 20 million job seekers and 7 million college graduates try to find work this year. Amid rising job losses, a disgruntled Han worker spread a rumour that Uighur workers had raped two girls at the factory, which led to the ugly brawl.

While the ensuing military-police repression in Xinjiang drew more international attention, protests are constantly erupting in China over social inequality, official corruption, rising unemployment and the lack of basic social services like healthcare. Liu Kaiming, executive director of the Institute of Contemporary Observation in Shenzhen, told *Bloomberg News*: "Many ordinary people in China are now filled with pent-up frustrations as they see their livelihoods diminish with the economic crisis. It's spreading from north to south, and many tiny disputes can easily be inflamed into major clashes."

According to the National Bureau of Statistics and Ministry of Human Resources, the number of labour disputes rose 98 percent to 237,000 cases last year from 2007. This appears to be a gross under-estimate. The March issue of the Hong Kong-based *Trend* magazine reported that there were 546,470 labour disputes across China from last September to March—a seven-fold increase from the end of 2007. In the export-dependent coastal provinces like Guangdong, Fujian and Jiangsu, the increases were 10-fold.

The magazine also noted that in the first two months of 2009, more than 500 private businessmen and senior executives were murdered, as a result of not paying, or cutting, wages or because of the intensifying exploitation of workers. The latest protest by Tonghua workers indicates that class relations in China are reaching boiling point.