"Wealth gap" dominates Chinese congress session

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Immense contradictions—economic, social and political—were apparent at the opening of this year's ten-day session of the Chinese regime's annual National People's Congress (NPC) in Beijing last Saturday.

In his two-hour report on the work of the government, Premier Wen Jiabao began with a list of "brilliant achievements" over the previous five years, boasting of average annual growth of 11.2 percent and a "significant" rise in China's "international prestige and influence". These gains, he said, were proof of "the advantages of socialism with Chinese characteristics".

Despite this extraordinary claim, which flies in the face of the breakneck development of capitalism in China, Wen declared the need to urgently tackle inflation, overheated growth, corruption, and the widening gulf between rich and poor, which have caused mounting discontent.

"We need to put people first, make ensuring and improving their well-being the starting point and goal of all our work," Wen stated. He outlined vague plans to lower annual economic growth to 7 percent, lessen the income gap "as soon as possible," slow soaring real estate prices that have made home ownership out of reach for most people, and even "basically eradicate poverty" by 2020.

The gathering of nearly 3,000 handpicked "people's representatives" that he addressed embodied the rampant rise of Chinese capitalism over the past two decades. Included in its number, among legions of pro-business party functionaries, were some of China's wealthiest tycoons, whose economic and class interests are diametrically opposed to those of the 400-million strong Chinese working class.

According to the *Wall Street Journal*—whose web site is reporting on the congress in minute detail—an article by Bloomberg "ignited discussion" the day before the congress. The article highlighted the latest report on China's ultra-wealthy from the Shanghai-based research group Hurun.

Bloomberg said 83 of the 1,363 individuals identified as yuan billionaires in Hurun's 2010 rich list were delegates to the congress. They included China's wealthiest man, Zong Qinghou, chairman of beverage maker Wahaha Group, who is worth an estimated $US12 billion. Based on the Hurun list, Bloomberg estimated that the richest 70 NPC members had a combined wealth of 493.1 billion yuan, or roughly $75 billion.

This makes the Chinese congress a concentrated assembly of the super-rich—even more so than its US counterpart. The Center for Responsive Politics, a Washington research group, estimated that the top 70 members of the US Senate and House of Representatives had a collective net worth of $3.1 billion. At least 38 NPC delegates had more assets than the wealthiest US Congress member, Representative Darrell Issa of California, who had holdings of $451.1 million in 2009, according to congressional disclosures.

The predominance of billionaires in the NPC flows from the Chinese Communist Party's opening to capitalists to join it a decade ago. One-third of the Hurun Rich List's 1,363 yuan billionaires are members of the CCP, and 173 hold significant government advisory posts.

These statistics are merely the tip of the iceberg of the unrestrained accumulation of wealth in the hands of the Chinese corporate elite and their CCP allies. Hurun has estimated that its list includes 189 billionaires in US dollar terms, but probably misses at least as many again because of non-disclosure of wealth, so that China probably has between 400 and 500 dollar billionaires—the largest number in the world.

Over the past two years, on average, the rich list's combined assets grew by 64 percent, with property development the biggest contributor, followed by healthcare, information technology, retail and clothing industries. The average worth of the Hurun List is now $577 million, higher than the comparative $536 million for the 1,000 wealthiest people in Britain, and not far behind the $722 million figure for the US.

Beneath the tycoons spawned by the CCP regime stands another significant layer. Hurun estimated that China had 875,000 individuals—less than 0.1 percent of the country's 1.3 billion people—with personal wealth of more than 10 million yuan ($1.5 million). Of these, 55,000 individuals held more than 100 million yuan each.

At the opposite end of society, the official poverty line is just 1,196 yuan per person per year, or about 50 US cents a day. According to the state Xinhua news agency, 150 million Chinese live on less than $1 a day. That figure is almost certainly a vast underestimate. Because of accelerating inflation—officially 4.9 percent—and property prices, slums have emerged in the suburbs of cities from Beijing to Guangzhou, with migrant workers and urban youth unable to find affordable places to live.

China's Gini coefficient, an income distribution gauge, has climbed to near 0.5 from less than 0.3 a quarter century ago, Li Shi, a professor of economics at the School of Economics and Business at Beijing Normal University, told the *Wall Street Journal*. The 0.4 mark is used as a predictor by analysts for social unrest.

As the NPC gathered, Zong Qinghou, the wealthiest delegate, gave voice to the sentiments of his class. Speaking to journalists in Beijing on March 1, he denounced higher taxes and European-style welfare programs. He declared that nations with those policies will "have problems when all their money is spent", adding: "Rich people are investing their money, creating more jobs. If rich people all get killed, nobody is going to invest or build factories."

Zong, whose soft drinks conglomerate employs some 30,000 people in 58 plants, was clearly speaking with the regime's backing. He was featured at a NPC news conference on March 6, declaring: "The most important thing we can do is teach them (poor people) how to help themselves and help them get rich through hard work."

In order to protect such interests, and fearful of growing disaffection, the Beijing regime is boosting its internal security apparatus. A Finance Ministry budget report to the NPC shows that funds for items like state security, police, courts, armed civil militia and jails will rise 14 percent to 624.4 billion yuan ($95 billion) this year.

This means that officially the CCP is spending more on domestic security than the military. The figures given for military spending were 601.1 billion yuan ($91.5 billion), representing a rise of 12.7 percent.

Actual spending on both fronts is probably far higher. The military budget omits key items such as arms imports, while the security budget does not include all covert surveillance. Premier Wen suggested in his opening report that some of the internal spending would be channelled toward Internet controls. "We will intensify our information security and secrecy, and improve management of information networks," he said.

The Chinese leadership is manifestly alarmed by the potential for the kind of uprisings that have erupted throughout the Middle East and North Africa since mid-December. For the past three weeks, the security services have mounted an intense crackdown in response to anonymous online calls for silent "strolling" protests in dozens of Chinese cities every Sunday, even though there have been few signs of actual protests (see: "Chinese regime reacts with alarm to 'Jasmine Revolution' calls").

By contrast to the security build-up, healthcare spending last year was just 1.2 percent of gross domestic product. This budget is set to increase by 16.3 percent this year, to roughly $26 billion, but that amounts to just 25 yuan ($3.80) per person. Likewise on education, the 2010 budget shows spending at only 3.1 percent of GDP, still below the average for middle-income countries, according to World Bank data.

For all the lip service paid by the regime to using market-driven growth to raise living standards, working people are falling behind. During the past five years, according to the National Development and Reform Commission, workers' income matched growth in productivity and gross domestic product in only three of China's 27 provinces and autonomous regions.