# World Bank demands further pro-market measures in China

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A World Bank blueprint to dramatically deepen China's pro-market measures, drafted in collaboration with sections of the new capitalist class connected to the Chinese Communist Party (CCP), has set the stage for sharp social and political conflicts.

World Bank president Robert Zoellick visited China last week to deliver a 468-page report, "China 2030". It was produced jointly with the Development Research Center—a think tank that reports to China's State Council headed by Premier Wen Jiabao. The report was commissioned in 2010 by Wen's likely successor, Vice Premier Li Keqiang. He is the chief representative of President Hu Jintao's so-called Communist Youth League faction in the new generation of CCP leaders to be installed later this year.

The report purportedly aims to help China to make a transition to "a high income society" by 2030, achieving a per-capita income around the level of today's South Korea. In reality, its purpose is to fully privatise the remaining large state enterprises and banks, which are already controlled by pivotal bureaucrats as their de facto private property, or to sell them to foreign corporations and private entrepreneurs.

The World Bank blueprint reflects an attempt by the current leadership to set the agenda for the next "fifth generation" of leaders, who mostly consist of "princelings"—children of senior bureaucrats, past and present. While the "princelings" are not a politically coherent tendency, many seized control of major state corporations after the regime transformed them into joint-stock companies in the 1990s. As a result, they have amassed huge wealth.

Just recently, for example, Premier Wen's billionaire son, Wen Yunsong, was appointed as chairman of the state-owned China Satellite Communications Company. Its share prices jumped 50 percent after the announcement. Wen's predecessor, Zhu Rongji, had his son Levin Zhu head the China International Capital Corporation, one of country's leading investment banks, co-founded by Morgan Stanley and Beijing's sovereign wealth fund. Former premier Li Peng's daughter, Li Xiaolin, is the chairwoman of China Power International Development—a flagship subsidiary listed on the Hong Kong stock exchange as a major state power generating group.

The next logical step for this privileged layer is to further consolidate these companies as their own private property. Driving this agenda is fear that they could be challenged by the working class, amid a deepening and unresolved global economic breakdown. Zoellick declared at his press conference: "As China's leaders know, the country's current economic growth model is unsustainable."

The report noted that China's rapid growth over the past 30 years, based on cheap labour, capital-intensive investment, a focus on exports and suppression of domestic consumption, had reached a dead end.

Over the past decade, that expansion was sustained by debt-driven consumer spending and housing bubbles in America and Europe, providing markets for goods produced in China's vast sweatshops. That mode of growth has all but collapsed since the world financial crash in 2008. There is no sign of any significant recovery in the US, and the European sovereign debt crisis threatens to plunge the world economy into a far greater recession than in 2008-09.

Even with the World Bank's superficially optimistic forecast that China would overtake the US as the largest economy before 2030—assuming no disruption of war or social turmoil—the report predicted that China's annual growth rates would gradually slow to 5 percent in the years leading to 2030. This is half the average rate of the past 30 years.

With tens of millions of workers and school graduates needing to find a job each year, such slow growth presages a social explosion. The report asked: "Can China's growth rate still be among the highest in the world even if it slows from its current pace? And can it maintain this rapid growth with little disruption to the world, the environment, and the fabric of its own society?"

Although the World Bank insisted China could resolve the crisis, the resolution it prescribed involved a far-reaching restructuring in the interests of Western finance capital and corporations.

The report called for support for private-sector firms, with measures such as "lowering barriers to firm entry and exit" and "breaking up state monopolies or oligopolies in key industries (petroleum, chemicals, electricity distribution, and telecommunications). It further advocated "promoting the growth of dynamic SMEs [small and medium enterprises] and increasing their access to finance, stimulating much needed regional and local specialisation, and encouraging spontaneous state enterprise reforms through competition."

After a savage restructuring, especially from 1998 to 2002, in which more than 60 million workers were laid off from state- and collectively-owned enterprises, most small and medium firms were converted into private companies or subsidiaries of transnational corporations. The remaining large corporations, in which the state owns the biggest stake, account for only 3 percent of the total number of firms in China, but still produce 40 percent of its gross domestic product. At the core are some 120 "national champions", which dominate strategic sectors such as banking, energy and telecommunications, as well as "pillar" industries, including base metals, automobiles and chemicals.

This core includes most of the 61 Chinese companies in the Fortune Global 500, the third largest group after the US (133) and Japan (68). The Industrial and Commercial Bank was the most profitable bank in the world in 2010, ahead of Bank of America, largely because it was protected by heavy restrictions on foreign financial institutions operating in the Chinese financial system.

American investment banks played a key role in transforming the once debt-stricken Chinese state firms into lucrative joint-stock companies by helping them to raise more than $650 billion from 1993 to 2010 and elevating them to international prominence.

Since the global financial crisis erupted in 2008, however, Western finance capital has sought to reconfigure the previous profit-sharing arrangement with the CCP's capitalist cronies, demanding that Beijing open up sectors closed to foreign investors. Major Chinese entrepreneurs, who have closely integrated themselves with Western corporations, are also agitating for "fair" competition reforms to end the shielding of the "privileged" corporations.

Among those bureaucrats who have taken profitable positions in the "national champions" there is resistance to losing their favoured access to cheap state credit and protected market shares. There are also concerns that a new round of free market restructuring will trigger opposition by the working class.

This conflict was reflected at Zoellick's press conference. A "new left" academic, Du Jianguo, popped up to protest against the World Bank's "prescription" for privatising the state sector. It was "a poison" for the Chinese economy and people, he said, seeking to "eliminate a competitor to the Western corporations."

This "new left" tendency, which emerged in the mid-2000s, has nothing to do with socialism. Its program is based on the economic nationalism and protectionism that benefits important sections of the corporate elite. Auto companies, for instance, especially the Big Four state-owned automakers, rely heavily on state subsidies and foreign ownership restrictions that have forced major transnational corporations to form joint ventures with them.

Zoellick insisted that it was entirely up to Beijing to accept the World Bank's proposals. How the CCP will deal with its inner conflicts remains to be seen. But one thing is certain. Whether the Chinese capitalist elite subordinates itself to these demands, or resists further opening up to international capital, it will be forced to intensify the already brutal exploitation of Chinese workers. Far from paving the way to a "high income society", that process must lead to a revolutionary explosion of the working class.