

# Chinese president's speech points to uncertainty and crises ahead

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The outgoing general secretary of the Chinese Communist Party (CCP), President Hu Jintao, delivered the opening speech at the party's 18<sup>th</sup> national congress yesterday, setting the broad agenda for the next leadership, to be headed by Vice President Xi Jinping. The central thrust of the speech was to expand and elevate the legal status of the private sector in the economy, while continuing a foreign policy of "peaceful development" in a bid to appease the US.

Hu's speech was a summary of his report, approved last week by the final plenum of the outgoing Central Committee. It was an attempt to balance between the rival party factions and end the sharp differences that have emerged this year. To send a signal to the world that the party was united, Hu, from the Young Communist League faction, entered the People's Great Hall with former President Jiang Zemin, from the so-called Shanghai clique, just behind.

Some 2,700 journalists are present at the congress, outnumbering the 2,300 delegates. This is an indication of the importance of China, and thus its leadership, for global capitalism. Hu did not bother to pretend that the congress was a gathering of communists—the term "working class" did not appear in his speech, while his reference to "socialism with Chinese characteristics" was a euphemism for Chinese capitalism. His speech was pitched to "all Chinese compatriots"—primarily to sections of the wealthy elite and the middle classes—with a nationalist appeal "for the great rejuvenation of the Chinese nation".

Hu's patriotic boastings about China being the world's largest exporter and second largest economy could not conceal the country's enormous

contradictions. Without explicitly acknowledging China's slowing economic growth, a widening gulf between rich and poor, and the danger of conflict with the US or Japan, Hu admitted the CCP was faced with "risks and challenges unknown before."

Behind the falling growth in China is the continued slump in its major export markets, particularly the US, Europe and Japan. Hu called for "a hard battle" to "boost domestic demand" and "unleash the potential of individual consumption" in order to double per capita gross domestic product (GDP) from 2010 to 2020. But the promotion of consumer-driven growth confronts a major obstacle. Any significant lifting of real wages is incompatible with China's emergence as the world's largest cheap-labour platform after the CCP embarked on capitalist restoration in 1978.

The Hu leadership has been talking about "rebalancing" the export/investment-driven growth toward domestic consumption for years. Yet the level of Chinese household consumption remains among the lowest in the world, accounting for just 37 percent of China's GDP, compared to 70 percent in the US. In reality, Hu's promise to double average income by 2020 will mean a renewed onslaught on the living standards of the working class, aimed at further enriching the wealthy and the middle classes.

President Hu and Premier Wen Jiabao have prepared a program of full-scale "free market" restructuring, jointly worked out with sections of Western finance capital, in the form of the "China 2030" report published by the World Bank in February.

In his speech, Hu declared that China should "ensure

that the private sector of the economy competes on a level playing field” with the state sector and “allow public ownership to take more diverse forms”. Many of the country’s remaining 100,000 state enterprises, most of which are already joint stock companies, will be sold off to private and foreign corporations, and, above all, to the CCP officials who now function as their “CEO” or “president”.

At the same time, Hu called for the continued protection of large state-controlled enterprises in “strategic” sectors such as defence and energy, and “pillar” industries like auto, machinery and steel. He said the regime will “invest more state capital in major industries and key fields that comprise the lifeline of the economy and are vital to national security”. This reference was aimed at placating factional rivals whose power, wealth and privileges are bound up with state-protected industries.

Hu provided a glimpse of the enormous social tensions wracking China when he issued an unusually blunt warning about the CCP’s endemic corruption. “If we fail to handle this issue (corruption) well, it could prove fatal to the party, and even cause the collapse of the party and the fall of the state,” he said.

Corruption has become highly visible with the expulsion of top party leaders—Bo Xilai and Liu Xijun—whose private fortunes were publicly exposed as they fell victim to factional infighting. The fear voiced by Hu is that public anger over corruption at all levels of the CCP could generate active political opposition to the regime.

Hu’s call for a new round of pro-market restructuring, designed to open up new opportunities for global corporations, is also aimed at appeasing the major powers, especially the US. Just before the CCP congress opened, Hu rushed to congratulate Barack Obama on his re-election as US president and appealed for a cooperative relationship.

Hu has built China’s foreign policy over the past decade on the doctrine of a “peaceful rise”—using China’s economic clout to build diplomatic ties in Asia and internationally. But this strategy has come under

increasing fire from Hu’s factional opponents and sections of the Chinese military, because the Obama administration has waged a diplomatic and strategic offensive, or “pivot” to Asia, that has significantly undermined China’s influence in the region.

Hu emphasised the need “for peace, not war” and to “be friends with neighbours” as the basis of China’s global diplomacy. Nevertheless, he endorsed an “active defence for the new period” and the need to “intensify military preparedness” to “win the local war in an information age.” He also called for measures to “enhance our capacity for exploiting marine resources, resolutely safeguard China’s maritime rights and interests, and build China into a maritime power.”

These words clearly sought to placate those who have been critical of Hu for being too weak in responding to the maritime disputes with the Philippines, Vietnam and Japan that have been deliberately stoked up by the Obama administration. The Chinese military, in particular, is concerned by US efforts to strengthen its naval domination over key shipping routes through South East Asia on which China depends for the import of energy and raw materials from the Middle East and Africa.

Hu’s attempt to steer a mid-course through inner-party differences over foreign and economic policy can only create a temporary unity, as the regime faces a deepening economic crisis, sharp social tensions and confrontation with the US.



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