Chinese Communist Party congress preceded by expulsions

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There are signs that factional tensions within the Chinese Communist Party (CCP) are deepening ahead of its 18th national congress, due to open tomorrow. The event will see a once-a-decade power transition from the current general secretary, President Hu Jintao, to a "fifth generation" of leaders headed by Vice President Xi Jinping.

In its final November 1-4 plenum, the outgoing Central Committee expelled former Chongqing party secretary Bo Xilai, who has been accused of murder and corruption. Also expelled was former rail minister Liu Zhijun, for allegedly taking bribes of $US100 million during the country's infrastructure stimulus program after the 2008 global financial crash.

The expulsions represent an uneasy, temporary consensus between Hu's "Young Communist League" faction and former President Jiang Zemin's "Shanghai clique," which initially opposed Bo's removal because of its close association with him. The two factions have been vying to install their protégés in a new Politburo Standing Committee (PSC) and other key party bodies. Only Xi, a compromise figure, but tied more to the Shanghai group, and the YCL's Vice Premier Li Keqiang will survive from the current PSC. Xi will become the new president, and Li the next premier.

The present PSC featured a four-to-five split between the YCL and Shanghai groups, a careful balance of power worked out when Jiang stepped down in 2002. Jiang retained the powerful chairmanship of the Central Military Commission (CMC) for two years until 2004, in order to maintain his influence. But the relatively peaceful coexistence between the two factions has been disrupted by the worst worldwide economic breakdown since the 1930s. The US "pivot" to Asia, using its military alliances and bases in the region to undercut China's influence, has also opened up deep divisions in defence and foreign policy.

Both Bo and Liu represented an economic policy that has imploded. Under his "Chongqing model," Bo offered various partnerships between transnational corporations and local governments and their state-owned enterprises, to manufacture for export. Amid rising property prices, he used revenues from the sale of land use rights to finance token social programs, supposedly to expand domestic consumption. However, the deepening crisis in China's export markets in Europe and America, combined with rampant property speculation fuelled by cheap credit from state commercial banks, made the "Chongqing model" unviable.

Liu's case highlighted the collapse of the "boom" produced by Beijing's stimulus packages. By March, the railway ministry had debts of 2.43 trillion yuan ($380 billion), and most of the high-speed railway lines that it built made little return.

The two expulsions signal a turn to another policy, set out in a joint report by the World Bank and Premier Wen Jiabao's State Council in February, just weeks before Bo's removal as Chongqing party boss. To replace the export-led expansion of the past two decades, new sources of profit must be generated by opening up heavily state-controlled sectors, like banking and the railways, to private and foreign ownership.

As for the Chinese working class, the World Bank

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called for the intensified exploitation of their labour through higher productivity, a delayed retirement age and "centralised" social spending, i.e., making it easier for Beijing to control and cut government spending. These "reforms" will inevitably lead to a further polarisation between the rich and poor, with China's wealth gap already among the widest in the world.

Despite the eventual agreement to expel Bo to allow the congress to proceed, enormous tensions clearly remain within the leadership. Last month, the *New York Times* revealed that Premier Wen's family controlled a fortune worth at least $2.7 billion, apparently after his factional rivals supplied the information to the newspaper.

According to sources cited by the *South China Morning Post* on Monday, Wen has now submitted a letter to the Politburo Standing Committee requesting an inquiry into the alleged riches, which he has denied. Officially, the PSC agreed to his "request," but the *Post* reported that "several conservative elders known to dislike the premier's more liberal stance have urged him to provide detailed explanations on all the major allegations in the *Times* report."

Wen in turn renewed the push for a "sunshine law" allowing for public declarations of family assets by senior leaders, once proposed by former general secretary Zhao Ziyang in 1989. This is an appeal to layers of the middle classes and private entrepreneurs who have long complained that the corrupt "red aristocracy"—members of the residual Stalinist apparatus that still controls key sections of the economy—has blocked the development of a "free market."

Significantly, the "conservative" figures were reportedly "unhappy" that major "overseas Chinese web sites," which are usually critical of the top leaders, have supported Wen. Many of these sites are dominated by the dissident "democracy movement" that had its origins in the 1989 student protests that backed Zhao's attempted "political reform." These elements advocate a more open embrace of private ownership, on the pretext of "opposing corruption".

However, Zhao's actions in 1989 unexpectedly allowed the working class to raise far more radical social demands, threatening the entire project of restoring capitalism. This prompted Deng Xiaoping, who was the CMC chairman, to declare martial law in the capital and crush the working class. Zhao was placed under house arrest until his death in 2005, and Jiang was chosen as the new general secretary, with the support of tanks rolling on the streets of Beijing.

Wen's turn to emulate Zhao's methods is another sign that the CCP is heading into a similarly convulsive period.

Control of the military remains a key issue. Since October 25, Hu has carried out a major reshuffle, appointing generals he promoted in recent years to head major departments and the strategic nuclear missile force. The reshuffle broke a tradition that department heads be replaced by their deputies. These hand-picked generals will make up most of the new CMC.

In another break with the norm, last weekend's CCP plenum installed air force commander Xu Qiliang as a new CMC vice chairman, defying the traditional dominance of the army. Another new vice chairman, Fan Changlong, the commander of Jinan Military Region, was the first to be appointed without having previously been a member of the commission.

These unusual moves have fuelled speculation over whether Hu will retain his post as the armed forces commander in chief. His doctrine of a "peaceful rise", to expand China's influence without a confrontation with the US and other major powers, has been challenged by sections of the leadership, including Bo's supporters in the military. At the same time, all factions depend on the military to suppress any working class eruptions.

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