

# New Chinese leader signals further pro-market restructuring

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The new Chinese Communist Party (CCP) general secretary, Xi Jinping, conducted a “southern tour” from December 7 to 11. It was designed to send an unequivocal message that his leadership will impose another round of pro-market restructuring, further opening up the Chinese economy to foreign capital. The tour followed the recent 18th CCP congress, which installed Xi as party leader and adopted an economic agenda in line with the *China 2030* report, jointly published with the World Bank in February.

Xi sought to replicate the “southern tour” of CCP leader Deng Xiaoping in January-February 1992, just weeks after the dissolution of the former Soviet Union. Deng’s tour greatly accelerated the processes of capitalist restoration that he had begun in 1978. With the backing of the military, Deng ended the protracted internal debates that had followed the 1989 Tiananmen Square protests and crackdown, and opened up all of China as a cheap labour platform for global corporations. As investment flooded in, tens of millions of workers were laid off as state enterprises were restructured into joint-stock companies or sold to private owners.

The global financial press did not miss Xi’s message. The London-based *Financial Times* commented favourably on the tour in an article headlined, “Xi stokes economic reform hopes in China.” The *Wall Street Journal* enthused: “China’s new leader, Xi Jinping, appeared to signal a commitment to further liberalising the economy.”

Xi’s “southern tour” was laden with symbolism. He included every stop made by Deng in 1992, including Guangzhou and Shenzhen, and his entourage included senior officials who had accompanied Deng. The southern Guangdong province had been used by Deng since 1978 as the “testing ground” for his pro-market

measures, and private export enterprises were flourishing there.

In Shenzhen, Deng had appointed Xi’s father Xi Zhongxun to establish China’s first “special economic zone” in 1980. There, Xi laid flowers in front of a statue of Deng. Xi told his audience: “The decision made by the party’s central leadership to open up and reform was correct... We must unswervingly take the road of enriching the nation, enriching the people, but we must also open it up even further.”

The state media has promoted Xi as a man of the people who has instructed party officials to cut back on extravagant ceremony. During his tour, he reportedly removed flower bouquets, ordered lower-key security arrangements, shunned hotel presidential suites and ate cheap meals. He visited poor families and shook the hands of onlookers. These cosmetic gestures are a threadbare cover for Xi’s pro-market agenda, which will further undermine the social conditions of the working class and widen the gulf between rich and poor.

Economic stagnation and recession in Europe and North America have dramatically lowered the demand for goods made in China, threatening to unleash a wave of industrial unrest. Chinese exports were up by just 2.9 percent last month year-on-year, down from the 11.6 percent rise in October. Economic growth has been largely propped up by stimulus measures, estimated at \$US160 billion this year, resulting in vast overcapacities. The most pronounced are in real estate, which has been the focus of frenzied speculation. According to Professor Patrick Chovanec at Tsinghua University, it would take more than four years to sell all the existing residential properties in China, 9.2 years to sell off the commercial office space and 8.8 years for the retail space.

Officially, the urban unemployment rate is 4.1 percent. But a recent survey by the country's Southwestern University of Finance and Economics found that the real level was 8.05 percent, with the jobless rate among the 200 million internal migrant workers up sharply to 6 percent, from 3.4 percent a year ago.

Social inequality is also rising to acute levels. A new study by the Survey and Research Centre for China Household Finance found that the country's Gini coefficient had risen to 0.61 in 2010, up from 0.412 a decade earlier, putting China in the same league as countries like South Africa. The Gini coefficient is a standard measure of income inequality, ranging from 0, signifying perfect equality, to 1, or perfect inequality.

Just as South Africa has been rocked by militant struggles by miners in recent months, explosive social tensions are finding expression in China. The Hong Kong-based *South China Morning Post* reported that during Xi's visit to Shenzhen, a strike by 3,000 workers at Huacai Printing and Packaging Plant blocked an expressway and had to be "dispersed by a large number of armed policemen." Several workers were arrested and beaten by the police.

Xi is well aware that his pro-market agenda will provoke resistance by the working class. Xi reportedly told local officials and business leaders: "We should recognise that adverse domestic and overseas effects will be long-term, complicated and winding. We should not run from conflicts and cover up problems."

A key component of Xi's tour were visits to military bases in Guangdong that were once commanded by his father in the 1970s and 1980s. In part, his tour to the South Sea Fleet and the elite 124th Amphibious Mechanised Division sought to ensure "real combat awareness" in the face of rising tensions in the South China Sea, fuelled by US encouragement to the Philippines and Vietnam to escalate their territorial disputes with China.

At the same time, Xi is determined to ensure that the army can deal with opposition by the workers. Xi told officers: "Whatever time and whatever circumstances, [the army] must listen to the party and follow the party." Behind these remarks is the fear that in a confrontation with the working class, as happened during the upheavals of 1989, soldiers will sympathise with protesters and strikers, and refuse to fire on them.



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