Chinese Premier Li signals new pro-market reforms before European tour

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25 May 2013

Newly installed Chinese Premier Li Keqiang, in his foreign visit, signalled that his government will implement a new wave of pro-market restructuring. This is aimed at reducing the still substantial state-owned sector and enforcing productivity increases that will inevitably further impoverish the Chinese working class.

In an article published Thursday in *Neue Zürcher Zeitung*, a German-language Swiss daily, just ahead of his visit to Europe starting on May 24, Li wrote: "We will make an all-around effort to deepen market-oriented reform, unleash the dividends of change, and continue to grow the economy, improving livelihoods and promoting social equity."

At the same time—on Friday, Chinese time—China's National Development and Reform Commission issued broad policy proposals to open up remaining state sectors to private capital, including gradually deregulating bank interest rates and "promot[ing] the effective entry of private capital into finance, energy, railways, telecommunications and other spheres." Foreign capital will be given more access to protected sectors like finance, logistics and health care. "All of society is ardently awaiting new breakthroughs in reform," the new directive enthused.

Xiao Gang, the chairman of the China Securities Regulatory Commission, the top financial regulator, earlier last week also publicly pledged to speed up financial market reforms, emphasising improving protections given to investors. He reportedly declared at a videophone conference that the basic principle behind this decision is deregulation: "As the securities regulatory institution, the CSRC will gradually and resolutely ease its control in areas which shouldn't be controlled, as long as the legislation allows for this."

International financial circles have demanded such measures from the new Chinese Communist Party (CCP) leadership headed by President Xi Jinping, who was installed last November.

Stephen Green, a China economist at the British Standard Chartered told the *New York Times* the current reform drive "is radical stuff, really." He continued, "People have talked about this for a long time, but now we're getting a clearly spoken reform agenda from the top."

As the representatives of the so-called "princelings" or "red aristocracy"—the children of current and former Stalinist leaders who have amassed enormous personal wealth through their political connections—Xi and Li have long experience attacking the working class in China. The CCP regime's most essential role is to enforce continuing brutal exploitation of the 500 million Chinese workers as cheap labour, a vital source of profit for the world imperialist system.

Li, a pupil of China's leading neo-liberal economist Li Yining, championed the destruction of state-owned enterprises in China in the early 1990s, after the collapse of the Soviet Union. Many of Li Keqiang's leading cabinet ministers were involved in former Premier Zhu Rongji's massive privatisation drive in the late 1990s, which made tens of millions of workers redundant and paved the way for China's joining of the World Trade Organisation (WTO) in 2001.

China's dramatic economic expansion in the past decade, however, was driven by seemingly endless exports of cheap manufactured goods to Western economies, principally America, based on unsustainable consumer spending driven by debt, including the housing bubble. China itself sustained that bubble by recycling huge foreign currency reserves coming from export earnings and foreign investment back to the US, in the form of financing Washington's ballooning debts.

The spectacular global financial collapse in 2008, though centred in the US, sent China into a deep crisis; some 23 million workers rapidly lost their jobs. A social explosion was averted only by unleashing a wave of state bank credit, amounting to trillions of dollars, to stimulate infrastructure-building and industrial subsidies. This has only worsened overcapacity, under conditions where the mass of the population remains impoverished—a crisis that has only been covered up by the fact that much of the capital has been channelled into a giant real estate bubble.

There are mounting signs that China's growth is reaching a dead end. Li's pro-market agenda was initially outlined in a joint report, *China 2030*, with the World Bank earlier last year. It proposed to dismantle the so-called "state monopolies" of key sectors like energy and finance as well as basic industries, and increase productivity by imposing a speed-up on the workforce.

The publication of that report was followed by a power struggle inside the CCP leadership to oust former Politburo member and Chongqing CP secretary Bo Xilai. Bo has employed superficial "neo-left" rhetoric, aimed at preserving the state sector, claiming China must protect "national industry" against Western capital.

The CCP made extensive efforts to reassure global investors that China would remain a premier investment outlet, despite the political instability related to Bo's downfall.

Shortly after being installed as the new CCP general secretary, Xi travelled around southern China in the footsteps of Deng Xiaoping's 1992 "southern tour," to emphasise that the new leadership will stick to Deng's pro-capitalist policy.

Li told Chinese officials earlier this month that pro-market reform is driven by the sense that a stimulus policy is no longer viable to deal with the current crisis. "If we place excessive reliance on government steering and policy leverage to stimulate growth, that will be difficult to sustain and could even produce new problems and risks", Li declared.

Li's reform agenda is setting the regime on course for a confrontation with the working class. In a language reminiscent of European bourgeois leaders arguing for austerity, Li declared at his first press conference in March after being installed as the premier at the National People's Congress, that his sweeping reform is like "self-imposed revolution".

"It will require real sacrifice and this will be painful and even feel like cutting one's wrist," he warned. That means the destruction of millions of jobs and lowering of wages that must further widen the country's already large gap between rich and poor.