

Chinese Communist Party unveils pro-market “Reform 2.0”

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The third plenum of the 18th Central Committee of the Chinese Communist Party (CCP) concluded yesterday, announcing a new wave of pro-market restructuring, labelled “Reform 2.0.”

The plenum communiqué, issued last night, said the central committee passed a resolution to “comprehensively deepen the reform.” It emphasised that the “the key issue is handling the relationship between the government and the market, allowing the market to play a decisive role in allocating resources.” These “results” must be achieved by 2020.

A working group will oversee the reform agenda, apparently duplicating a method once used by former CCP leader Deng Xiaoping, who initiated the program of capitalist restoration three decades ago.

A National Security Committee will also be established, paralleling the US National Security Council. Few details were provided, but this is undoubtedly a move to strengthen the police-state apparatus in anticipation of working class resistance to the devastating impact of the sweeping pro-market measures. It is also part of a response to the growing threat of the US “pivot to Asia,” which seeks to diplomatically and militarily counter China.

The term “socialist market economy”—first adopted by the third plenum of the 14th CCP central committee in 1993—appeared many times in the communiqué, after being somewhat downplayed during the past decade. This phrase is an ideological symbol of Deng’s decisive turn to fully restore capitalism in China following the dissolution of the former Soviet Union in 1991. It was widely employed in the 1990s and early 2000s, when the vast majority of collectively-owned enterprises and second-tier state-owned enterprises were privatised or transformed into joint-stock companies, destroying tens of millions of jobs.

The communiqué pointed to a new land reform drive, encouraging farmers to lease their land for commercial purposes, in order to establish a “uniform land market.” This process will lead to the formation of profit-making agribusinesses at the expense of small farmers, millions more of whom will be forced into the cities. At the same time, the so-called house registration systems, which tie social services to one’s town or village, will be dismantled. This will supposedly transform tens of millions of migrant workers into full urban dwellers. In reality, the urban areas will be saturated with new sources of cheap labour, acting to depress wages.

Before the plenum, there was media speculation that a specific set of measures would be unveiled to restructure the major state-owned enterprises that still constitute the “commanding heights” of the Chinese economy, such as energy and finance. However, the State Assets Administration Commission said measures on state firms would be announced at a later time.

There are signs that the powerful groups within the ruling bureaucracy resisted the agenda advanced by President Xi Jinping and Premier Li Keqiang. The communiqué still describes the state sector as “the main foundation” of the economy, while pledging to “encourage, support and guide the development of the non-state sector” and “unleash the vigor and creativity of the non-state economy.”

In international financial circles, this outcome is regarded as a big disappointment. Mark William, economist with London’s Capital Economics, said: “This was an opportunity for the party to lay out a clear vision for where the country is heading. If they had been able to do that successfully, I think it would have had a big impact on the behaviour of officials, but I don’t think they have been given a clear steer.”

Just before the plenum, Premier Li declared that, in

principle, local governments should no longer “directly invest into and run businesses.” They had become a source of “local protectionism” against the formation of a “unified and open national market.” This signals further privatisations and millions more job losses. Of the remaining 144,000 state-owned enterprises, most are local government-owned entities.

The major division within the top leadership is over the 100 or so largest state firms still controlled by Beijing. Between them, the three biggest—Sinopec, China National Petroleum and State Grid—earned more revenues in the past three years than the country’s 500 largest private companies combined. Not only is the immense wealth of key CCP bureaucrats and their families bound up with these firms, but there are strategic differences over how to proceed with them.

On the *Business Spectator* website, University of Sydney professor John Lee noted that retaining these “national champion” firms was in line with CCP policy during the late 1990s. He quoted Wu Bangguo, then vice premier, citing the reliance of the US, Japan and South Korea on a handful of conglomerates such as GM and Boeing. Wu declared: “In the same way now and in the next century our nation’s position in the international economic order will be to a large extent determined by the position of our nation’s largest enterprises and groups.”

According to Lee, with Western corporations dominating every major industry on global scale since the 1970s, “the desire to develop huge ‘national champions’ is derived from immense vulnerability and desperation to catch up with advanced economic competitors.” He added: “It is the same reason why Beijing refuses to genuinely open up key sectors of its economy to outside competitors, fearful that more efficient and technologically advanced foreign firms will similarly dominate key sectors like they have done in other developing countries.”

Premier Li, however, who represents an entire layer of private businessmen and foreign investors, regards the privileged “state monopolies” as the chief obstacles to the formation of a “free and unified market.” His agenda was worked out with the World Bank in a joint report, *China 2030*, which reflects the drive of global finance capital and major transnationals to fully dominate the Chinese economy.

Despite the unresolved differences over the fate of the

largest state firms, the whole CCP leadership represents various layers of a new bourgeoisie created by the regime’s capitalist restoration. Their aspirations were outlined this week by Liu Chuanzhi, the founder of computer firm Lenovo, one of the few privately-owned Chinese multinationals. He told a weekly news magazine on Monday that private businessmen wanted three things.

The first was “a clear political identity” as “the creator of social wealth, a group supporting the Communist Party and the socialist road.” Second was the “protection of private property” to halt the growing outflow of capital and the migration of businesspeople to other countries in recent years. Third was reduced government “approval procedures,” to “let market rules determine economic development, allowing businesses to run completely according to the principles of fairness and transparency.”

At the same time, this capitalist class is acutely aware of the deep hostility of the vast majority of Chinese workers and the rural poor, who will lose out even more after the plenum. Liu warned that private business people must have “self-discipline” because “if there is too much popularisation over social wealth, it will cause social instability, and this is no good for businessmen themselves.”



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