

Former Chinese security chief under house arrest

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In a further sign of divisions in the Chinese regime, President Xi Jinping has reportedly ordered a formal internal party investigation into corruption allegations against former security chief Zhou Yongkang.

Citing senior party sources, the *New York Times* reported: “Mr. Xi and other leaders agreed by early December to put the elder Zhou directly under formal investigation by the party’s commission for rooting out corruption and abuses of power... They said a senior official went to Mr. Zhou’s home in central Beijing to inform him of the inquiry, and Mr. Zhou and his wife, Jia Xiaoye, have since been held under constant guard.”

If charged, Zhou would become the first member of the Chinese Communist Party (CCP) top leadership body—the Politburo Standing Committee—serving or retired, ever to face corruption charges since the founding of the People’s Republic in 1949. Zhou was politically associated with the imprisoned former Chongqing party chief Bo Xilai, who was sentenced to life imprisonment in October for corruption and abuse of power, including a cover-up of the murder of a British businessman by his wife.

Zhou, like other top party leaders, has used his political influence to benefit family members. In Zhou’s case, his connections to huge state-owned energy companies as well as the security apparatus—from police, prosecutors and courts to intelligence—have enabled his businessman son, Zhou Bin, to amass enormous personal wealth.

Since September, there have been signs that Zhou was under investigation. Several of Zhou’s “oil faction” protégés, including former executives of the state-owned China National Petroleum Corporation where Zhou rose in the party hierarchy, have been detained over alleged corruption. The most prominent was Jiang Jiemin, until recently the head of the State

Asset Administration Commission that oversees the country’s 100 or so largest strategic state-owned enterprises (see “China’s former security chief under investigation”). So far, no criminal charges have been announced.

The targeting of top officials is always an indication of a major shift by the regime. The public trials of Mao Zedong’s widow, Jiang Qing and her associates in 1980, over alleged abuses of power during the so-called “Cultural Revolution”, was bound up with Deng Xiaoping’s turn to restore capitalism in China. The removal and house arrest of former CCP general secretary Zhao Ziyang took place amid a bitter split in the Politburo Standing Committee on the eve of the 1989 Tiananmen Square massacre, as the initial student protest movement was becoming a working class revolt.

Behind the slogans of eliminating corruption and bureaucratic waste, the new leadership of President Xi is intent on slashing the huge government apparatus that is regarded by the new bourgeoisie and foreign investors as an obstacle to their enrichment. “Corruption” provides the pretext for breaking up and privatising large state-owned enterprises that still dominate strategic sectors, such as telecommunications, energy and finance. This agenda is at the heart of Xi’s pro-market restructuring that was unveiled at the CCP central committee’s plenum last month.

An element of Xi’s response to the Obama administration’s “pivot to Asia”, to militarily contain and diplomatically isolate China, has been an attempt to appease the American financial elite. Wall Street has long complained about the “restrictions” to market access in China and demanded the break-up of the so-called “state oligopolies”.

Zhang Junsai, China’s ambassador to Canada,

summed up the agenda in the *Globe and Mail* yesterday: “Unreasonable restrictions upon the non-public economy will be removed so as to improve the basic economic system where both public and non-public economy can have equal access to the market.” In other words, the private sector will be promoted to the same status as the state sector, while the country will open up areas that were previously restricted.

Zhang continued: “The service sectors such as finance, education, culture and health will enjoy an orderly opening-up to market access. Investment restrictions will be eased in fields such as nursery, pension, architectural design, accounting and auditing, trade and logistics, and e-commerce. Further liberalisation will be achieved in the general manufacturing sector.”

The chief driver of the pro-market program is Premier Li Keqiang, a pupil of a leading neo-liberal economist, Li Yining. Another of Li’s pupils, Li Yuanchao, is now the vice president. The three had jointly authored a book, *Towards A Strategic Choice of Prosperity* in 1991, amid the collapse of the Soviet Union.

The government largely adopted their proposals, implementing a wholesale privatisation that eliminated most of the state-owned enterprises as well as tens of millions of jobs. Many former state enterprises in non-strategic sectors were taken over by transnationals or foreign investment banks as part of their global networks.

However, the former leadership of President Jiang Zemin decided to retain the largest 100 or so state enterprises in a bid to transform them into capitalist conglomerates akin to South Korea’s Samsung or Japan’s Mitsubishi. Initially supported by the state, these enterprises ultimately came to be controlled by the families of top CCP leaders.

The export boom to the West, especially to the US, stimulated annual economic growth in China to more than 10 percent. The large state enterprises, thanks to their protected position, became some of the world’s most profitable businesses. Chinese state oil companies expanded rapidly to secure supplies across the world, stoking geo-political tensions with the US and other Western powers.

However, the export boom collapsed following the 2008 global financial breakdown. A massive rise of both government and corporate debt, combined with

the relentless drive by the US to counteract Chinese influence in Asia, undermined the bureaucratic and business elites connected to state monopolies. These vested groups associated with Zhou are now regarded as an obstacle to further opening up the Chinese economy to global finance capital.

The implications could be very far-reaching, as Zhou was a protégé of former President Jiang Zemin, who retains considerable political influence in Beijing. The *New York Times* commented: “In taking on Mr. Zhou, Mr. Xi could jeopardize elite unity if the case falters or ignites dissension among party officials and elders, including the retired president Jiang Zemin, under whose tenure Mr. Zhou became a minister for land and then a province party secretary.”

The deepening leadership turmoil in Beijing is a clear sign that imprisoning Bo Xilai has not resolved the political conflicts within the CCP leadership.



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