

Chinese Communist Party plenum pushes pro-market agenda

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The Chinese Communist Party held its fourth plenum of the 18th Central Committee involving 200 top party bureaucrats from October 20 to 23. The CCP leadership under President Xi Jinping used the meeting to tighten its grip on power and to continue the drive for more extensive pro-market restructuring.

Utilising a phrase formulated by former Chinese leader Deng Xiaoping, who initiated capitalism's restoration in China three decades ago, the state-run Xinhua news agency reported on the final day of the plenum that the meeting had "set a blueprint for rule of law in the world's second-largest economy."

Foreign investors have pushed for the "rule of law" and a more independent judiciary as a means of safeguarding their capital and profits in conflicts with the state bureaucracy and Chinese partners and rivals.

However, the changes announced by the plenum are to the judicial system at the local level and are aimed at preventing local officials from interfering in court cases affecting their interests. At the local level officials often determined funding for the courts and the career paths of judges.

The proposals include setting up circuit courts of the country's Supreme Court to extend its reach throughout China and the appointment of local judges by higher levels of government. While the changes are being presented as defending the rights of citizens, they are directed mainly at securing Beijing's control over local administrations, including their economic activities.

Local governments have been heavily involved in land grabs, property speculation and raising money through local government financial vehicles (LGFV) largely outside the control of the provincial and national levels of administration. China's State Council this month issued a decree banning the use of LGFVs

to raise funds for local governments. The estimated total local government debt has blown out to a massive 18 trillion yuan (\$US3 trillion).

An article in the *Wall Street Journal* entitled "China law reform leaves investors hanging" expressed the reaction in international financial circles. "The crux of the problem will remain: a legal system that, while improving in some low-level commercial matters, is fundamentally designed to protect the party and its economic interests," it commented.

The plenum's edicts on the "rule of law" are bound up with Xi's "anti-corruption" campaign over the two years since he was installed in power. As well as reassuring foreign investors against bureaucratic obstacles and interference, Xi has exploited the issue of corruption to consolidate his position of power and remove opponents.

Last year's plenum outlined extensive plans for privatisation and economic deregulation in a bid to further open up the Chinese economy for foreign investment, including in key strategic areas such as telecommunications, energy and finance. These measures include weakening the dominant position of about 100 large-scale state-owned enterprises (SOE), which has been resisted by sections of the CCP bureaucracy.

The installation of Xi in November 2012 was preceded by months of intense internal factional struggles that resulted in the purging of former Chongqing party secretary Bo Xilai who had been a contender for the party's top body—the Politburo Standing Committee. While fully supporting capitalist restoration, Bo advocated the continued protection of the major SOEs as the means to economically challenge existing global corporations for markets.

Bo was expelled from the CCP, tried and convicted

on charges of corruption and abuse of power. He was sentenced to life imprisonment and in October 2013, his appeal against the conviction was rejected.

It was widely speculated that Bo's main backer in the Politburo Standing Committee, Zhou Yongkang, would be expelled from the party at last week's plenum. Zhou, who had been the top security official, is closely connected to the so-called "oil faction"—that is, CCP officials associated with China's giant energy SOEs. He has been under internal party investigation since late last year.

In the event, last week's plenum made no announcement about Zhou's fate. However, the CCP did confirm the expulsion of six high-ranking officials, four of whom were allied with Zhou. They included three former Central Committee members—Li Dongsheng, Jiang Jiemin, former chairman of the China National Petroleum Corp, and Yang Jinshan, a former deputy commander in the People's Liberation Army.

The other three were alternate Central Committee members: Wang Yongchun, former senior vice-president of PetroChina, Li Chuncheng, former provincial party chief of Sichuan province, and Wan Qingling, former Guangzhou party secretary.

The expulsions were clearly designed to send a message that the CCP leadership intends to accelerate plans for pro-market restructuring and will tolerate no opposition.

On July 15, the government announced plans for the restructuring of large SOEs to attract private investment. Two companies, China National Building Materials Group and China National Pharmaceutical Group Corporation (Sinopharm), were chosen for a program that would allow mixed—state and private—ownership. Four other large SOEs were also targeted for other reform programs.

International credit rating agency Moody's enthused: "The kickoff of the programs is credit positive for central SOEs, even those not included in this pilot."

The continuing tensions and rifts within the CCP leaders are being exacerbated by the country's continuing economic slowdown and the danger of a serious financial crisis. The Chinese economy grew by just 7.3 percent in the third quarter, the slowest in five years, and well below 8 percent that has been regarded as the benchmark to contain unemployment.

At the same time, the country's frenzied property market is also slowing, with investment growth for January to September at 12.5 percent, down from over 19 percent last year. Any collapse of the speculative property bubble threatens to trigger broader financial instability amid high levels of debt.

The Chinese leadership fears that the economic slowdown will fuel social unrest, particularly in the working class. Xi's anti-corruption campaign is a desperate attempt to defuse widespread hostility to the party, which is widely viewed for what it is—the political vehicle for the interests of a tiny ultra-rich oligarchy. At the same time, the CCP is strengthening its police-state apparatus to suppress any opposition that erupts.



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