

Internal tensions mount despite facade of Chinese leadership unity

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The US naval incursion on Tuesday within the 12-nautical-mile limit around Chinese-controlled islets in the South China Sea was highly provocative, not least because it was timed to take place while the Central Committee of the Chinese Communist Party (CCP) was holding its annual plenum this week.

By placing further pressure on President Xi Jinping and Premier Li Keqiang, Washington's challenge to China's territorial claims will also heighten tensions within the CCP and its leadership, which already confronts a deepening economic slowdown and rising social tensions.

The four-day plenum, held behind closed doors, was followed by a bland communiqué, released on Thursday. Above all, the top leadership sought to portray itself as in control, particularly of the country's deteriorating economy, and to mask the mounting inner turmoil.

The communiqué provided only a broad outline of the next five-year plan, covering 2016 to 2020, adopted at the plenum. It was the first to be drawn up under Xi's leadership. Details are expected to be released in coming weeks and months of the plan's pro-market restructuring measures, which will further open up the Chinese economy and privatise state-owned enterprises.

As reported by the Xinhua news agency, the plan tacitly acknowledges that there will be no return to double-digit annual economic growth rates and even the target of a 7 percent rise in gross domestic product is unlikely to be met. Instead, the Chinese leadership will seek "medium-high economic growth" over the next five years, a phrase that has been interpreted as meaning in the 6.5 to 6.9 percent range.

In the lead-up to the plenum, Premier Li signalled lower growth rates by declaring that the government would not "fight to the death" to maintain 7 percent.

Last month, the official growth rate fell to 6.9 percent for the first time in six years. Many analysts estimated that the government figures significantly overstated China's economic growth.

The slowdown has political, as well as economic, ramifications. A major plank of the CCP's pitch to the ultra-rich, whose interests it represents, and to layers of the affluent middle class has been guaranteed high economic growth and thus higher profits and incomes. China, however, is being hard hit by global recessionary trends, falling exports and large manufacturing overcapacities that will not be overcome by plans for a much-vaunted "transition" to services and higher domestic consumption.

The CCP leadership is already under a cloud over the collapse of Chinese share prices in July and August that provoked a panic response, including controls on short selling, new stock offerings, share sales by large investors, and a 2 percent currency devaluation. Analysts and party insiders who spoke to the *Financial Times* in August suggested that Premier Li was "fighting for his political future."

This week's plenum announced another round of expulsions as part of the so-called anti-corruption drive prosecuted by Xi since assuming office in 2012. In reality, "corruption" has simply been the pretext for Xi to crack down on political rivals and consolidate his grip on power. Since 2012, 18 Central Committee members have been expelled, more than in the previous two decades.

The most senior of the 10 expelled officials was Ling Jihua, former adviser to the previous Chinese President Hu Jintao and vice-chairman of the influential National Chinese People's Political Consultative Conference. Ling has been referred to as the fourth member of the so-called "New Gang of Four," along with former

security chief Zhou Yongkang, ex-Politburo member Bo Xilai and Xu Caihou, former vice-chairman of the Central Military Commission.

Ling's standing was tarnished after his son was killed in a car accident amid lurid stories that two women passengers, also seriously injured, were scantily clothed. Ling was found to have "seriously violated political codes of conduct" by accepting huge bribes and taking advantage of his posts to profit others.

In reality, corruption is rife throughout the CCP apparatus. The real reason for Ling's expulsion, as well as the trial and jailing of Zhou and Bo, is political. Bo, in particular, championed economic policies that cut across the orientation of the Xi-Li leadership to opening up new sectors of the Chinese economy to foreign capital. While having no disagreement with the policies of capitalist restoration, Bo advocated continuing economic protection, in order to turn large state-owned monopolies into corporations that could compete in the global market. He also supported a more hard-line stance against the US "pivot to Asia" and military build-up within the region.

According to Bloomberg, when details of the new five-year plan are finally released they will include a 2020 deadline for dismantling currency controls and the lowering of barriers for the entry of foreign non-bank firms in the securities, trusts and insurance sectors, and new inroads into state-owned enterprises. The plenum already announced a further easing of the highly unpopular one-child policy, to permit all couples to have two children—a measure aimed at expanding the workforce and easing growing shortages of cheap labour.

While the plenum sought to present a unified leadership, the deep divisions in the CCP bureaucracy have not been resolved. An article headlined, "Coup whispers sour Xi's return to Beijing after visit to Britain," in the *Sunday Times* last weekend pointed to ongoing political rifts, as well as rumours of "an abortive conspiracy last March to stage a coup d'état against him, leading to the postponement of a visit to Pakistan."

The article suggested that Xi's leadership could be in political trouble. "Threats to Mr Xi's prestige multiplied after China's stockmarket crashed in the northern summer, its economy slowed and thousands of officials and army officers fell to his campaign against

corruption," it commented. "Some analysts believe that if the campaign goes on as it is, the party's morale could crumble, along with its organisational strength."

This week's plenum adopted a new enforceable code of party conduct. Along with bans on ostentatious displays of wealth, including golf and gluttony, the code proscribes factional politics and "negative remarks" about the general policy directions of the central leadership that could disrupt party unity. Such measures are aimed to suppressing any signs of opposition within the party.

The injunction against flaunting wealth only highlights the nervousness in ruling circles over the widespread public hostility toward the obvious affluence of the CCP hierarchy and the deepening gulf between rich and poor. Whatever their factional differences, the CCP leaders are united in their determination to suppress any resistance in the working class to the destruction of jobs and living standards produced by the pro-market agenda.

The fears in the ruling elite are only growing as the economy slows. A growth rate of 8 percent was long regarded as the benchmark for preventing rising unemployment and social discontent. The latest report from the Hong Kong-based China Labour Bulletin concluded that worker unrest in China's factories reached new heights in the third quarter of 2015, concentrated in protests and strikes in the manufacturing sector as a result of relocation, closures and sell-offs.



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