Chinese premier outlines plans for accelerated pro-market restructuring

Peter Symonds
7 March 2016

The annual National People's Congress (NPC) opened in Beijing on Saturday amid growing signs of marked slowdown in the Chinese economy. The event, which runs for more than a week and is expected to rubberstamp the five-year plan for 2016-2020, is a test for President Xi Jinping and Premier Li Keqiang, who were installed as the new leadership in late 2012.

Li opened the Congress with his annual work report focussed on the economy which grew by just 6.9 percent last year. He spoke of the "extremely complicated and challenging international environment" and warned that "deep-seated domestic problems were becoming prominent and downward pressure on the economy was mounting." Compared to an average growth rate of 7.8 percent for the previous five years, Li foreshadowed an average rate of 6.5 percent over the next five-year plan.

In the aftermath of the 2008–09 global financial crisis, the Chinese government only maintained relatively high levels of economic growth through a massive stimulus package and a flood of cheap credit which fuelled a frenzy of speculation in property and shares. It had counted on a global recovery to revive China's export-fuelled growth, and now, amid stagnation in the international economy, confronts growing levels of debt, particularly at the local government level, and huge overcapacities in basic industry such as steel and coal.

The Chinese Communist Party's (CCP) only "plan" is to further open the Chinese economy for private investment, both foreign and domestic, in the hope that it will drive economic growth. Li's speech continued to make token references to "socialism with Chinese characteristics" but, as all of the nearly 3,000 delegates from the CCP bureaucracy, the military and private business understood, the slogan has simply been code for the policies of capitalism restoration over the past four decades.

The CCP in no way represents the interests of the working class or the rural poor but rather those of the tiny layer of ultra-rich billionaires spawned by capitalist restoration. At least 114 of the NPC delegates are on the Hurun list of China's richest people. According to Associated Press report, the 10 wealthiest delegates to the Congress are worth a staggering total of $184 billion.

Not only are business entrepreneurs present, but they are increasingly making their voice felt. Prior to last year's NPC, the founder of the IT company Tencent, Pony Ma, who has an estimated fortune of $18.8 billion, wrote an open letter demanding a national strategy for advancing the digitalisation of the economy. In last year's report, Premier Li announced the launch of an "Internet Plus" plan. Ma and other billionaires fund their own private think tanks and are increasingly influential in formulating government plans.

In his work plan, Li outlined a number of pro-market policies for 2016 that will benefit the wealthy elite at the expense of the working class, and widen the social gulf between rich and poor.

Li called for the elimination of overcapacity in steel, coal and other industries by strictly controlling any expansion of production capacity and shutting down outdated facilities. He said that the issue of "zombie enterprises"—those kept afloat by state loans—had to be addressed "proactively yet prudently" through "mergers, reorganisations, debt restructurings and bankruptcy liquidations."

Last Monday, employment minister Yin Weimin announced plans to destroy 1.8 million jobs in the steel and coal industries alone. Other estimates suggested that as many as 6 million could go across basic industries including cement, plate glass and aluminium. Such measures will hit the country's industrial heartland the hardest such as the already economic depressed areas of the northeast where growth rates are negative.

Li pledged to press ahead with the restructuring, merger and corporatisation of state-owned enterprises (SOEs). He promised, in particular, to "more quickly relieve SOEs of their obligations to operate social programs"—that is, abolish the remnants of the so-called iron rice bowl under which state corporations were responsible for the welfare of their employees. At the same time, Li declared that the government would "energise the non-public sector" ensuring equal treatment with SOEs on every level from financing and legal protections to land availability.

Li hyped up the prospects of technological innovation, promising every assistance to private entrepreneurs, while encouraging the so-called transition from an export-driven economy based on manufacturing, to one focussed domestic consumption and services. While expressing concern about the welfare of the population, his promises to expand health care and education in reality are aimed at encouraging private hospitals and educational institutions and open up new arenas for profiteering.

Li's report is replete with promises to further "modernise" the financial sector; tax policy through the expansion of the indirect value added tax; the legal system by guaranteeing private property rights; and monetary policy by improving "the market-based mechanism for setting the RMB [renminbi or yuan] exchange rate."

International financial commentators have no disagreement in general terms with any of these measures, but remain sceptical as to whether the policies will be carried out.

The *Financial Times*, for instance, noted that many international economists believed that the projected growth rate for this year—between 6.5 to 7 percent—was too high. Louis Kuijs of Oxford Economics warned: "The growth targets are ambitious and efforts to meet them may detract from [pro-market] reform. The caveat that [trimming overcapacity] will be done 'proactively, yet prudently' confirms our expectations that the efforts will be relatively timid."

The Chinese leadership is deeply fearful that mass layoffs in basic industry combined with falling growth rates will lead to a sharp rise in unemployment and spark widespread social unrest. Official statistics on strikes and workers' protests are few and far between, but the Hong Kong-based China Labour Bulletin recorded 2,774 disputes for 2015 from media reports and its own sources, double the figure for 2014.

The actual figure is far higher. Last November, employment minister Yin Weimin cited 11,007 incidents involving unpaid wages—the most frequent cause of disputes—in the first nine months of 2015, a 34 percent increase from a year earlier. A steep rise in layoffs and joblessness, which Li declared would be kept below 4.5 percent, could trigger a broader strike movement.

The Chinese regime is treading a fine line. As the global economic crisis deepens and plans to boost growth stall, the CCP, like capitalist governments around the world, will endeavour to impose even greater burdens on the working class.