Chinese leadership drops economic growth target

Nick Beams
25 May 2020

The depth of the impact of the coronavirus pandemic on the Chinese economy and the emerging problems and contradictions besetting the Beijing regime were revealed in the fact that the National People's Congress opened last Friday with no forecast of economic growth for this year.

This was a marked departure from the practice over the last quarter century in which GDP forecasts have been a very prominent feature of congress events.

This was to have been particularly important this year because Xi set down 2020 as the year GDP would have doubled from 2010. It was to have been the precursor for the celebration of the 100th anniversary of the founding of the Chinese Communist Party in 1921.

In delivering his work report, which opened the NPC, Chinese premier Li Keqiang was anxious to put the best face on the internal economic situation.

His report was delivered in the wake of a 6.8 percent contraction in China's economy in the first quarter of the year. Many economists forecast that, at best, growth rates would be at least half the rate of 6.1 percent for 2019.

However, Li said the government had refrained from setting a GDP target, not as a result of domestic conditions, but because foreign markets were so uncertain.

The state of global markets is of particular concern because it is estimated that almost 200 million jobs in China are connected to foreign trade. As the Minister of Commerce Zhong Shan wrote in a recent article, cited on Bloomberg, this is more than the entire working population of the US.

Li did note the situation within the country and the concerns it has raised within the government.

"Pressure on employment has risen significantly," he said. "Enterprises, especially micro, small and medium enterprises, face growing difficulties. There are increasing risks in the financial sector and other areas."

A Bloomberg report published last week as the NPC was opening, pointed to the worsening situation facing smaller enterprises in the southern coastal province of Guangdong that has been at the centre of China's industrial development over the past three decades.

The article report gave details of economic conditions in the sprawling city of Dongguan, with a population about the size of New York City, where many small textile manufacturers have either shut down or are struggling to survive.

The owner of one small factory said: "You can see around here, nine out of ten textile workshops have already closed down." The factory owner said his ten remaining workers had seen their take-home pay cut in half because of the loss of working hours, reducing their income to the level of a decade ago.

Chinese officials have tried to downplay the absence of a GDP forecast and the failure to make the target of doubling the size of the economy over the past decade.

He Lifeng, the head of China's main economic planning body, told reporters on Friday that even with growth of just 1 percent this year it would still mean GDP had expanded 1.9 times from 2010.

The overriding concern of the Chinese leadership bodies is not falling growth as such but the effect it has on employment and the threat that rising jobless levels pose to social and political stability.

The Chinese regime, representing the country's capitalist oligarchy, long ago scrapped any commitment to social equality, much less to socialism. It has sought to maintain its position on the basis that the turn to capitalism, initiated in the late 1970s under Deng Xiaoping, has ensured rising living standards and made China a powerful economy.

But the capitalist path has run now into its greatest obstacle in the past 40 years—a palpable breakdown of the world economy triggered by the COVID-19 pandemic. This takes place amid ever increasing daily threats by the US as all sections of its military and political establishment pursue a virulent anti-China campaign.

The US anti-China campaign goes across the board—from the efforts to bankrupt the Chinese telecoms giant Huawei by denying it vital supplies; the imposition of tariffs on a range of Chinese goods; an increasing orientation to Taiwan, threatening to abrogate the "one China" policy; to the rising tide of accusations that China is responsible for the virus and "seeding" it in the US.

In these conditions a worsening of the economic situation and a rise in unemployment has major political consequences for the regime. Li pointed to those concerns in March when he called on economic officials to make employment a priority over GDP numbers.

According to a report in the *Wall Street Journal*, the premier said: "As long as employment is stable this year, it's not that big of a deal whether the economic growth rate is a bit higher or lower."

While China has claimed it has largely stamped out the virus, the economy, already slowing markedly before the pandemic struck and recording its lowest growth rate in 30 years, is very far from returning to even previous levels of activity.

According to estimates by BNP Paribas, when accounting for migrant workers who could not travel for work to major industrial centres, there may have been 50 million job losses with an unemployment rate of 12 percent in March.

In the early 1990s there were protests over large-scale sackings from state-owned enterprises, but these subsided as the Chinese economy expanded to become the chief manufacturing centre of the global economy. That road is now all but closed amid a rising tide of economic nationalism, not only in the US but around the world, and a process of de-globalisation.

The loss of 23 million jobs in 2008 as a result of the global financial crisis also sent a shiver of fear through the regime. It responded with a massive stimulus package based on construction and infrastructure spending. But that option is also now closed because of rising debt levels which financial authorities are trying to reduce.

This situation points to the significance of the other major development to emerge from the opening of the NPC. The government announced a national security law covering "sedition" and "subversion" in Hong Kong in response to last year's mass protests, involving up to 2 million people, which local authorities proved unable to suppress.

The new law is clearly connected to the regime's deepest fear that the expression of such could spark mass working class protests on the mainland if economic conditions worsen.