

# Chinese Communist Party meets amid rising social and geo-political tensions

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The Chinese Communist Party (CCP) held its fifth plenum of the current central committee over four days last week, issuing a communiqué on Thursday outlining the general features of the new five-year plan [2021-6] and an associated set of long-term goals for 2035. Attended by 198 full members of the central committee and 166 alternates, the gathering was a highly stage-managed affair, with no hint of any disagreements with the policies set by President Xi Jinping.

The plenum took place on the eve of the US election, in which both President Donald Trump and Democratic challenger Joe Biden signalled a continued ramping up of Washington's confrontation with Beijing, initiated a decade ago with the Obama administration's "pivot to Asia." The geo-political tensions with the US coincide with mounting domestic social tensions in China, as a sharp economic decline—a result of the COVID-19 pandemic—has hit the working class and rural poor the hardest.

The communiqué again paid lip-service to the CCP's absurd claim of upholding "socialism with Chinese characteristics," under conditions where the capitalist market, private profit and foreign investment dominate the economy and some of the country's wealthiest private billionaires are counted as "communists" in the party's ranks.

Behind the bland language lauding the CCP's achievements, the communiqué pointed to the deepening crisis confronting the regime, at home and abroad. Confronted by the Trump administration's rapid escalation of the US trade and economic warfare against China, the CCP is emphasising the need to reduce the country's dependence on foreign technologies. Trump has implemented a series of bans aimed at choking off supplies of vital high-end semiconductor chips to successful Chinese companies, such

as Huawei, in a bid to prevent them challenging their American rivals in areas like 5G technology.

Under Xi, China had already elaborated a "Made in China 2025" program to develop competitive hi-tech products, in a bid to reverse its economic slowdown and dependence on foreign investment. Facing US efforts to block China's technological development and cripple companies like Huawei, the CCP is accelerating this drive.

"It is the first time ever in the history of our party's five-year plans ... that [China] is placing the plans on science, technology, and innovation before all other sectors," Wang Zhigang, China's minister of science and technology, told a press conference last Friday. "We need to improve our ability to create things independently because we cannot ask for or buy the core technologies from elsewhere."

The ability of Chinese companies to do so is severely limited by the existing international division of labour, developed over decades and dominated by the US, which is seeking to block Chinese access not only to American technologies but those of its European and Asian allies. No nation, including one of China's size, can compete in the globalised economy based on the resources and industry within its own borders. The dissolution of the Soviet Union and collapse of the Stalinist regimes in Eastern Europe was the sharpest expression of the bankruptcy of the policy of national autarchy. It appears that the CCP's technology goals are no longer for 2025, but have been delayed until 2035.

As well as facing US economic and military threats, the Chinese leadership is deeply fearful of mounting social tensions at home. For the first time, no specific target has been set for economic growth, under conditions where the coronavirus pandemic has hit the

Chinese economy hard. Despite claims of recovery, economic growth is well below last year's figure of 6.1 percent. The questionable official growth figure for the third quarter [July-September] was 4.9 percent, up from 3.2 percent in the second quarter and a huge 6.8 percent contraction in the first quarter, when China was struggling to cope with COVID-19.

For years, CCP leaders set 8 percent growth as the bare minimum needed to ward off rising unemployment and social unrest. As the Stalinist regime abandoned its socialistic pretences, it relied more and more on its claims to be providing economic prosperity, as well as the promotion of Chinese nationalism, to try to create a base of political support in the emerging bourgeoisie and upper middle classes. In reality, its embrace of capitalist restoration has created one of the most socially unequal countries in the world, and the CCP is identified with rampant corruption, notwithstanding Xi's anti-corruption drive, and police-state repression.

A Reuters survey of 37 economic analysts projected that the Chinese economy would grow by just 2.1 percent overall in 2020—the slowest growth rate since 1976. Already there are signs of social opposition, with reports of strikes by express delivery workers, who are struggling to survive on much reduced wages, or wages that have not been paid at all.

There are also indications that the economic impact of the COVID-19 pandemic has hit the poorer layers of the population the hardest. Many of the country's 290 million internal migrants from rural areas have been unable to return to jobs in the cities. According to Nomura, growth in average incomes for migrant workers, for the second quarter, was 6.7 percent less than the same period last year. A Gavekal Research analyst, Wei He, cited by the *Wall Street Journal*, estimates that the bottom 60 percent of households in China lost \$200 billion in income during the first half of 2020.

At the same time, the wealth of the ultra-rich in China, like their counterparts internationally, has continued grow. A Hurun ranking of China's richest individuals, released last month, contained 2,398 people with wealth of over 2 billion yuan (about \$US300 million)—up by 32 percent compared to 2019. This tiny, obscenely-rich layer gained more wealth this year than ever before in the 22-year history of the Hurun list—boosted by a booming stock market.

The CCP's five-year plan again proclaims the need to boost domestic consumption as a means of offsetting an economic slowdown. President Xi has attempted to render the aim more profound by promoting a “dual circulation” strategy, to focus on domestic production and consumption, supplemented by foreign trade and investment. Regardless of the terminology, the plan to increase domestic consumption confronts the major obstacles of rising unemployment, falling wages and a lack of basic social services that force workers to save to provide for health care, loss of a job and retirement.

Supposedly 95 percent of the population is covered by various health care plans, but out-of-pocket health spending by individuals accounted for a huge 35.9 percent of total health spending in 2018. Similarly, in the midst of the pandemic, only 2.3 million people were eligible for poverty-level unemployment benefits, leaving the remainder of the estimated 78 million unemployed to somehow fend for themselves.

The CCP plenum piously declared that it would reduce the gap between urban and rural earnings, lift living standards and end poverty. Xi's anti-poverty drive is projected to end extreme poverty in China by the end of the year, but this only applies to about 5 million people, who earn less than 92 cents a day. According to official figures, more than 40 percent of the population, or about 600 million people, lived on less than \$5 a day last year.

Under these conditions, the plenum's communiqué once again extolled Xi as “the core navigator and helmsman.” Since being installed CCP general secretary in 2012 and as the country's president in 2013, Xi has consolidated his grip over the key levers of state power and removed the nominal two-term limit on his term of office. Far from being a sign of political strength, however, Xi is presiding over a crisis-ridden regime and owes his position to the party's need for a bonapartist figure to mediate internal factional brawling in the face of growing geo-political threats and mounting social tensions.



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