

China's National People's Congress starts amid rising geo-political tensions

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The annual week-long meeting of China's National People's Congress (NPC) began yesterday, overshadowed by a continuing rise of tensions with the US. Just weeks after his inauguration on January 20, President Joe Biden has already set out to escalate the confrontation with China that had its origins in the Obama administration's "pivot to Asia," of which Biden was a part, and was intensified under Trump.

The discussion at the NPC is shaped by fears in Beijing that Biden will continue Trump's aggressive trade war measures, naval provocations in the South China Sea and Taiwan Strait, close to the Chinese mainland, and a broader military build-up in the Indo-Pacific in preparation for war.

On the opening day of the Congress, Premier Li Keqiang delivered the government work report, focused on the economy in the context of the 14th five-year plan, which was also published on Friday. He foreshadowed an economic growth target of "above 6 percent," indicating a substantial recovery from last year when the economy contracted by 6.8 percent in the first quarter before rebounding to grow at 2.3 percent for 2020 as a whole.

The target appears to be an underestimate, according to outside observers. In January, the International Monetary Fund forecast that China's economy would grow by 8.1 percent in 2021.

The growth figures underscore the deep concern in Washington that China will eclipse the US—a situation that is intolerable for the American ruling elite, which will use all methods, including war, to prevent its global dominance being undermined. In his first foreign policy speech, Biden declared that he foresaw "extreme competition" with China.

The COVID-19 pandemic has accentuated the rivalry. Despite the weaknesses and bureaucratic character of

its response to the coronavirus, the Chinese Communist Party (CCP) regime did in large measure contain its spread and enable a revival of economic activity. The 2020 figure of 2.3 percent growth was the fastest of any major economy. By contrast, COVID-19 was allowed to run rampant in the US, resulting in more than half a million deaths and an economy that contracted.

Brookings Institution senior fellow Homi Kharas last year indicated that China would reach parity with the US economy by 2028 in absolute terms—two years earlier than he previously estimated. Analysts at the Japanese investment bank Nomura suggested that China would overtake the US as the world's largest economy even earlier, by 2026.

Li boasted that China had recovered from an "extraordinary" year, saying: "Facing the adverse and severe impact of a sudden coronavirus epidemic and a deep global economic recession, we the Chinese people... responded with tremendous tenacity."

However, the CCP leadership is acutely aware that it faces both the external threat posed by the US, and internal dangers, above all from the working class as a result of the acute social tensions fuelled by deepening social inequality, rising unemployment and underemployment, and hostility to its oppressive police-state methods of rule.

In a speech to party officials last week, as reported in the *New York Times*, President Xi Jinping declared that China was entering a period of opportunity as "the East is rising and the West is declining." But he warned that "the biggest source of chaos in the present-day world is the United States," which was also "the biggest threat to our country's development and security."

The Beijing regime has no progressive answer to the US war drive. With the prospect of a compromise and eased tensions with Washington increasingly unlikely,

the CCP is continuing to boost its military spending in a reckless arms race with the US that can only end in disaster. Li announced that military spending would increase by 6.8 percent for 2021, to 1.36 trillion Renminbi (\$US210 billion), up from a rise of 6.6 percent last year, although still less than the 7.5 percent increase in 2019.

Xi in particular, and more generally the CCP, is heavily dependent on the Chinese military or People's Liberation Army to prop up their rule. Generals and military officials, together with top representatives of the paramilitary People's Army Police used for internal repression, make up around 400 of the more than 5,000 NPC delegates—one of the largest contingents at the congress.

Just as significant is the heavy emphasis being placed on research and development. Premier Li said the five-year plan aimed to increase R&D spending by at least 7 percent each year in an effort to establish “technological self-reliance” as a “strategic support for national development.” Key areas of research include next-generation artificial intelligence, semiconductors and quantum computing, as well as electric cars and green technology.

President Trump effectively forced China to boost its investment in research by imposing crippling sanctions on key Chinese corporations, including the hi-tech giant Huawei. More than 60 Chinese companies, notably leading computer chipmaker Semiconductor Manufacturing International Corporation, were blacklisted during the final weeks of the Trump administration. The sanctions were aimed at cutting off access to high-tech components and technology, including much-needed advanced computing chips.

The Chinese government is making large investments in the military and research spending despite concerns over the impact of very high levels of debt for the stability of the financial system. Last year, the ratio of government debt to gross domestic product hit 270 percent, up from 246.5 percent in 2019, after Beijing boosted spending in a bid to maintain economic growth during the pandemic.

Last week the *South China Morning Post* noted that 15 of the NPC delegates owned or managed real estate companies with combined debt of 2.44 trillion yuan (\$US375.5 billion). The wealthiest, Hui Ka-yan, is chairman of the Evergrande Group and China's 14th

richest person, with a fortune valued at \$US28.5 billion. Their presence at the NPC makes clear whose interests the CCP represents—those of the ultra-wealthy oligarchs that have benefited from the four decades of capitalist restoration in China.

While the super-rich have grown even wealthier during the pandemic, the vast majority of the Chinese population has faced unemployment, financial stress and uncertainty. Xi last week again boasted that China had eradicated absolute poverty, describing it as “another miracle in the annals of history.” He will undoubtedly make much of the claim in the coming week, as he declares that China has met his target of becoming a “moderately prosperous country”—timed to coincide with this July's 100th anniversary of the founding of the CCP.

The staggering growth of the Chinese economy over the past 40 years has undoubtedly lifted overall living standards—a fact that the CCP regime has relied on to limit opposition and dissent. But the elimination of absolute poverty—even if true—is based on an extremely low benchmark of just \$620 a year. The continuing existence of serious financial hardship was indicated in May 2019 when Premier Li pointed out that 600 million people in China had to survive on a monthly income below 1,000 RMB [\$US155], or about \$5 a day.

Li's comment points to the nervousness in Beijing about the acute social tensions, which have only been exacerbated by the COVID-19 pandemic. In his work report, Li set a target of creating over 11 million new urban jobs this year, compared to a target of 9 million last year, and achieving an urban unemployment rate of 5.5 percent, compared to about 6 percent last year. These figures, which exclude the social problems confronting the rural population, are highly suspect.

For all of Xi's boasting about creating a moderately prosperous country, the CCP regime is sitting on top of a social time bomb that its enormous police-state apparatus is incapable of containing.



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