China’s growth rate falls as population declines

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Two sets of data came out of China this week with major implications both for the social and economic relations in that country and the world economy as a whole. They point to a significant slowing of growth and make clear, as the threat of world recession grows, that China is not going to provide an economic buffer as it has in the past either in the short- or long-term.

Economic data revealed that Chinese growth last year had dropped to its lowest level in decades as the population fell by 850,000 in 2022—the first such decline since the so-called Great Leap Forward in the late 1950s and early 1960s.

The National Bureau of Statistics announced that growth in 2022 was 3 percent, a very marked slowdown from the 8.1 percent growth in 2021. It was also well off the government’s target of 5.5 percent, already the lowest since the beginning of the 1990s.

Apart from 2020, when the economy expanded by only 2.2 percent due to the onset of COVID, it was the lowest growth figure since 1976.

The main reason for the lower growth was the public health measures introduced in the battle against COVID. This was reflected in retail sales, which increased by only 0.2 percent as compared to a rise of 12.5 percent in 2021, and the fall of industrial production growth to 3.6 percent, compared to 9.6 percent the previous year.

The COVID restrictions, despite the clamour in certain upper middle-class layers, accompanied by a fanfare of publicity in Western media, were broadly supported in the population which considered the government was taking the necessary action to protect public health.

However, in December, under intense pressure from the imperialist powers and from companies which threatened to move their operations out of the country, the government scrapped virtually all protective measures, leading to a surge in infections and deaths.

Having dropped protective measures, the Xi Jinping regime is making a desperate attempt to convince the major capitalist powers that China is back in business.

Speaking at the World Economic Forum gathering in Davos on Tuesday, China’s retiring vice-premier Liu He, who has functioned as the chief economic adviser to Xi, claimed the country had passed the peak of its COVID-19 infections and was returning to normal faster than had been expected.

“The majority of society has recovered to a normal state of affairs,” he said. “The speed of reaching the peak and speed of recovering normality were relatively fast, in a way exceeding our expectations.”

Following the policies of governments around the world, China has not only abandoned safety measures but has virtually shut down data on deaths and infections, amid concerns there could be surge because of widespread travel during lunar New Year celebrations.

With the economy already on a path to lower growth even before the pandemic struck, Liu made an appeal to the financial oligarchs and investors at Davos, assuring them China was committed to a market economy.

“Some people say that China is pursuing a planned economy, but this is fundamentally impossible: Chinese people will not walk this path,” he said.

The Xi regime has cracked down on some technology giants in the name of a “common prosperity” program. Reflecting the balancing act of the regime, acting in the interests of the Chinese oligarchy which dominates the Chinese Communist Party, Liu said this was to prevent economic polarisation and was aimed at trying to keep inequality in check.

“We are absolutely not about egalitarianism and welfarism,” he reassured his Davos audience.

He also addressed some of the major issues confronting China arising from the high interest rate regime initiated by the US Federal Reserve and other central banks as they seek to suppress the global upsurge of the working class in response to the highest inflation in 40 years.

Liu said Chinese growth would most likely return to its normal trend and the risks in the property sector had been stabilised by what he called a “blood transfusion”—the injection of liquidity into the market.

But, he added, any Chinese recovery would be "export challenged" and trade would "not be as strong a driver for China's own domestic growth performance as perhaps some Chinese economic planners would want."

Liu then made an indirect reference to the policies of global central banks, which are not being followed in China, saying "some countries have chosen the policy that will result in a hike-recession-recovery loop."

He called for "more attention to the negative spillover effect of major countries rate hikes on the emerging markets and developing countries, so as not to add more debt or financial risks."

Liu noted that inflation was being boosted by a more complex set of factors than simply demand, which central banks were attempting to dampen with interest rate rises. Supply-side measures were needed to repair supply chains, which would require global coordination. He warned against adopting a "Cold War mentality," referring to the increased economic and military pressure being exerted against China, spearheaded by the US.

As the Chinese government tries to navigate the present, increasingly complex international economic environment, there are also long-term factors at work. These militate against any return to the high growth levels of the past, which have played a central role in the maintenance of global expansion over the past three decades.

These factors were highlighted by the news that the population of the country had declined last year for the first time in six decades.

In comments reported by the *Financial Times*, Wang Feng, an expert on Chinese demography at the University of California, said: "This is a truly historic turning point, an onset of a long-term and irreversible population decline."

COVID is being blamed for a decline in birth rates last year, but the origins of the population decline go back to the one-child policy imposed by the regime in the 1980s, with major economic implications.

The period of high Chinese growth—sometimes reaching levels approaching 10 percent per annum—was based on the continued inflow of workers from the countryside into the cities. The regime itself recognised more than a decade ago this policy could not continue and has sought to increasingly base Chinese growth on the development of more advanced technologies to increase productivity.

However, this strategy has now hit a major obstacle in the form of the US drive to cripple Chinese technological advance with a series of widening restrictions, because it fears China's advance will further undermine its own global economic position.

The Chinese regime rests on the capitalist oligarchy which started to emerge as "market economy" was increasingly installed in the 1980s. It then developed in leaps and bounds as China was increasingly integrated in the global economy following the crushing of the working class during and after the Tiananmen Square massacre of June 1989.

But it must now contend with a massive social force—the population of 1.4 billion people and a vastly expanded and urbanised working class.

It seeks to maintain itself by invoking the legacy 1949 revolution, while claiming it is possible to provide a prosperous future by integrating the country into the framework of world capitalism under the fraudulent banner of "socialism with Chinese characteristics."

This perspective has increasingly run up against "capitalism with imperialistic characteristics" in the form of the US drive to reduce China to a semi-colonial status, if necessary through war.

The regime has long ago abandoned any notion of social equality, as Lui's remarks at Davos again made clear. Insofar as it retains political support among the population and in the working class, it is because it was seen as engineering the economic growth that lifted living standards.

The measures against COVID were instituted because of the widespread expectation in the population that action should be taken by the government in defence of public health.

These pillars of support may not have yet entirely collapsed but they are in an advanced state of disintegration. While it is impossible to predict the exact course of events, rising social tensions point to the development of class struggle against the regime whose central strategy is increasingly exposed.

Zero-COVID in China ultimately collapsed because it was a national policy trying to deal with a global problem. The perspective of a national economic rise of China is equally constrained by global forces.

The rapidity with which the regime has abandoned zero-Covid, leading to an untold number of deaths virtually overnight, is an indication of its real class nature and the way it will react to opposition from the working class. With the previous growth model running out of steam, such opposition could assume explosive forms.