

Chinese leadership meeting points to social tensions amid economic problems

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The Chinese Communist Party (CCP) leadership is becoming increasingly concerned that significant economic problems, reflected in much lower growth rates compared to previous years, will lead to increased social tensions and political opposition.

This is evidenced by the issues raised in the communiqué from the Third Plenum of the central committee, comprising some 199 members and 165 alternates along with a number of policy experts, held in Beijing this week.

The meeting was convened to chart a course for future economic development and to confront significant problems. The official growth target is around 5 percent—the lowest in around three decades—and the problems were underscored by the fall in the growth rate for the second quarter to 4.7 percent, down from the 5.3 percent recorded in the first.

Amid the vague calls in the initial statement—more specific plans may be released in coming weeks—there was a reference to the problems caused by the ending of the previous growth model based on real estate and infrastructure development which had been responsible for up to 30 percent of GDP.

The collapse of this orientation, due to mounting debt and the threat to financial stability this poses, has led Chinese President Xi Jinping, who is also CCP general secretary, to implement the development of “high quality productive” forces based on new technologies.

That orientation will continue. There was no reference at all to the need to expand consumption, as advocated by numerous Western economists as well as some in China, in order to raise the economic growth rate. But the plenum statement did acknowledge the problems arising from the end of the old growth model.

It said the leadership would “implement various measures for preventing and defusing risks in real

estate, local government debt, small and medium financial institutions and other key areas.”

The problems are not small. It has been estimated that the total debt of local government funding vehicles (LGFVs) is anywhere between \$7 trillion and \$10 trillion. The LGFVs raised debt to finance infrastructure projects by selling land for housing development. But with the downturn in the real estate sector, evidenced by the collapse of major firms such as Evergrande along with many others, this form of financing is increasingly unviable.

It was significant that the same paragraph that pointed to the debt problems raised the need for tighter social and political controls by the state.

“We will strengthen the network for preventing and controlling public security risks so as to safeguard social stability. We will improve public opinion guidance and effectively deal with risks in the ideological domain.”

The significance of these statements is that they express the great fear of the CCP leadership that as growth slows and economic and social tensions rise, the regime, having long ago abandoned any real commitment to social equality, loses any remaining political legitimacy and faces an oppositional movement from below.

The long delay in convening the meeting—it is 17 months since the previous plenum in February 2023, one of the longest intervals since the days of Mao—also points to possible conflicts within the central leadership.

Besides the fear of opposition in the working class, it also fears the emergence of cracks within the leadership of Xi’s Bonapartist regime, lest this provides an opening through which broader opposition could start to flow.

This concern was expressed in a lengthy paragraph which “stressed that the Party’s leadership is the fundamental guarantee for further reform.”

“We must acquire a deep understanding of the decisive significance of establishing Comrade Xi Jinping’s core position on the Party Central Committee and in the Party as a whole and establishing the guiding role of Xi Jinping Thought on Socialism with Chinese characteristics for a New Era...”

The regime of Xi Jinping is in no way socialist. In early 2018, Xi and the Chinese leadership scrapped the 30-year practice that presidents serve for two terms and established him as the leader for life in an endeavour to defend the interests of the capitalist ruling class.

His Bonapartist regime has sought to balance between the competing interests of the Chinese oligarchs—China’s levels of social inequality are among the highest in the world—the pressure exerted by the imperialist powers, led by the US, while seeking to defend the interests of the capitalist class as a whole against the working class, now numbering more than 400 million.

Socially it has rested on a growing but narrow stratum of the Chinese upper middle class which was able to advance itself in conditions of consistently high levels of economic growth. But this base is under threat.

In the past six years the pressures on the regime have intensified. Growth has fallen below the 8 percent level, which the CCP regime once declared was necessary to maintain social stability, never to return.

The hopes of the regime that it would be able to peacefully integrate itself into the global economy have been shattered. Starting under the Trump administration and deepened under Biden, US imperialism has launched an economic war against China aimed at crushing its economic development through ever-expanding sanctions and export bans on vital high-tech components.

This has now been coupled with tariffs against Chinese exports, particularly in the area of high-tech green technology such as electric vehicles.

The economic offensive has been increasingly joined by the European powers while the preparations for military conflict develop apace.

Without going into any detail, the introduction to the plenum statement noted that the regime faced a “grave

and complex international environment and the arduous tasks of advancing reform and development and ensuring stability at home.”

The response in the Western media to the plenum is that it has done little or nothing to solve the mounting problems of the Chinese economy.

This conclusion was summed up in comments by China expert Eswar Prasad of Cornell University to the *Financial Times*.

“The plenum has re-articulated the government’s economic objectives and acknowledged some key risks but inspires little confidence that the government has a strategy for effectively managing the economy’s cyclical and structural problems,” he said.

If this assessment is correct, and the references by the plenum to the need for tighter social and ideological controls point in that direction, the indications are that the period of relative social peace the regime has enjoyed since the suppression of the working class at the time of the Tiananmen Massacre of 1989 is coming to an end.



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