

# Global Economic Crisis Drives China's Pro-market Reforms

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The Chinese Communist Party (CCP) led by President Xi Jinping and Premier Li Keqiang have announced a third wave of pro-market reforms, aiming to open up state-run sectors of the economy to global capital. Li sent out the clearest message before his trip to Europe last month, pledging in a Swiss newspaper to “make an all-around effort to deepen market-oriented reform.” The National Reform and Development Commission has also outlined proposals including faster approval for investment projects, liberalisation of interest and exchange rates, and above all, private investment in state-run sectors such as finance, energy and telecoms. The policy is to be presented to the CCP Central Committee this autumn.

The driving forces behind the reform are intensifying economic and geo-political tensions unleashed by the global economic crisis. China's export markets have collapsed as savage austerity, wage cuts, and mass joblessness hit workers' purchasing power in the United States and Europe, slashing global demand for cheap consumer goods produced with super-exploited Chinese labour.

China's “export-led” growth strategy has failed, its economy only kept afloat by the massive expansion of debt after Beijing passed a \$650 billion stimulus package in 2008. The subsequent explosion of bank lending has driven total spending to trillions of dollars—mirroring local governments over \$2 trillion in debt, cutting into profit rates, and inflating a housing bubble that could engulf China's banking system.

Despite the flood of cheap credit, growth continues to slow: it is expected to hit 7 percent this year, well below the 8 percent minimum the CCP believes necessary to keep unemployment from rising.

The Xi-Li leadership also faces pressure from Washington, which is aggressively stepping up operations to militarily contain China with the Obama administration's “pivot to Asia.” It aims to encircle China with hostile military alliances and bases, before China's economic and technological growth would allow it to challenge Washington's influence in the Western Pacific.

Free-market attacks on the working class are one area, however, on which US imperialism and the CCP bureaucracy can agree: CCP officials and transnational corporations in China want to drive up productivity and boost profits. There is also rising dissatisfaction in ruling circles with the pay raises the CCP was forced to grant after waves of strike struggles initiated by Honda auto workers in 2010, which have led international business to shift production towards India or Vietnam.

A major US demand is to dismantle China's 120 largest "state monopolies"—a goal laid out in a report, *China 2030*, which Li worked on together with the World Bank last year. With state firms in strategic sectors such as energy, telecommunications and railways holding trillions of dollars of assets, their privatisation would be a major bonanza for top CCP bureaucrats—as well as for their business partners in Wall Street investment banks.

Many current and former CCP leaders' children, active as private equity or investment banking executives in speculating on state-owned assets and resources, could take over huge assets in the new privatisations.

Xi and Li, who are implementing this policy, are fitting representatives of the parasitic "red aristocracy" which emerged inside the CCP since the restoration of capitalism under Deng Xiaoping in the 1980s. Xi represents one of the most hated social types in China: a "princeling," a child of the previous generation of top bureaucrats who have amassed power and wealth since capitalist restoration.

A pupil of leading free-market economist Li Yining, Li Keqiang helped articulate the official doctrine in the 1990s that justified the last wave of privatisation that destroyed tens of millions of jobs.

China's business elite, closely intertwined with CCP officialdom, is trying to break free of the remaining state structures inside which they accumulated their wealth. Free-market policies would not only permit intensified exploitation of workers and higher profit rates, but also give a firmer juridical foundation for the private wealth they have built up in China.

By adopting such a policy, the CCP is setting itself on a collision course with the working class. Pressures for higher output, wage cuts and high unemployment already lead to frequent clashes between strikers and police. So-called "mass incidents" doubled from 90,000 in 2006 to 180,000 in 2010, according to the latest figures.

Writing in the Western press, the CCP makes clear the dangers it foresees. Deng Yuwen, a former deputy head of the CCP Central Party School wrote in the *Financial Times* that if the government made any major policy mistake, "no one can guarantee that a revolution will not break out. Besides, even if a nationwide upheaval can be avoided, fierce social turbulence might still arise locally. If the ruling party fails to cope with these outbursts, they could snowball into a revolution."

Intimations of coming revolutionary struggles of the working class testify to the historic bankruptcy of the CCP's Stalinist perspective of "building socialism in a single country" after the 1949 revolution. In the final analysis, the CCP bureaucracy re-established capitalism, amid the social conflicts and working-class struggles of the 1970s, because—as the great Marxist Leon Trotsky had pointed out—it was impossible to find the resources within any individual country to build a socialist society.

Three decades later, the society created in China based on accessing the world economy through ties to Western capital has also been undermined by its own contradictions. The CCP looks abroad and sees rising risks of war with the United States and its allies, and at home sees the rising threat of working-class discontent and revolution.

The critical task is the development of a united, politically independent struggle by the international working class against the bankrupt capitalist order.

Chinese workers cannot trust various pseudo-left or “conservative” factions of the CCP who criticise the pro-market “reform” or warn about the takeover of China by “neo-imperialism.” They base themselves not on the standpoint of socialism, but on reactionary economic nationalism. They hope to transform the largest state enterprises into “national champions” like Samsung and Hyundai in South Korea, in which CCP leaders’ families would be the main owners.

Chinese workers must intervene independently, fighting together with their class brothers in America, throughout Asia-Pacific and the world, to put an end to the root of sweatshop exploitation, depression and war: capitalism and the nation-state system.

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