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Description:

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Chinese stock trader

More generally, there was speculation on the socio-economic evolution of the world's most populous country and more particularly on the possible consequences of Peking's entry into the World Trade Organisation (WTO). Without going back over the whole analysis developed in this magazine in recent years, [\[1\]](#) we will try to focus on the developments of the last year and grasp the tendencies which are emerging following the economic transformations underway and the effects which they are having on the social tissue.

On the eve of WTO entry

Recall first that, as might have been expected, growth rates are now in single figures: 7% in 1999 and around 8% in 2000. 2001 marks the beginning of the tenth five-year plan: as Li Peng reminds us, an average growth rate of 7% is predicted. To counteract the danger of a slowing up this year, the government envisages having recourse once again to stimulants of the "Keynesian type" (which, according to the Financial Times, could reach 18 billion dollars).

From now on a major effort is projected to ensure the development of the backward western provinces. In the more long term a doubling of the gross national product (GNP) is envisaged by 2010. Even taking into account the reservations of certain specialists according to which the official figures are usually overvalued by 2-3%, the validity of these predictions is questionable to the extent that the Chinese economy is and will be still more conditioned by the vicissitudes of the world capitalist economy, which, needless to say, does not have to respect the parameters of what remains of Peking's central planning.

It is enough to recall on this subject that the US has become the first importer of Chinese produce. The question is posed, then, of to what extent the slowing up of the US economy - or, worse still, an eventual recession - could affect the Chinese economy and notably its balance of payments. What is more, if China is admitted to the WTO, it would have to, in the five coming years, reduce significantly the different measures of protection (tariffs or taxes) currently existing. [\[2\]](#) What will be the fallout in the national economic sectors which are now more or less in equilibrium and what will be the consequences of the restructurings that will prove necessary?

To take some examples, according to experts in the matter, among the 126 enterprises in the car sector - whose production remains, moreover, very modest - only 40 will be in shape to survive. In the food sector, according to one of the officials in Peking, Li Shijing, only half of the 10,000 existing companies would survive. The difficulties could be

still more serious for agriculture, where, remember, a clear majority of the active population still works. Bearing in mind that each person active in this sector in China earns 0.1 ha, against 0.5 ha in Europe and 1.4 in the US, and that a great part of agriculture remains managed under the form of the familial economy, we can understand the affirmation of the Chinese researcher Hawn Xu: "China could not compete with the companies of the US, Canada and Australia: the decline of the agricultural sector is only a question of time". The lowering of agricultural productivity is moreover, at the origin of the apparently paradoxical phenomenon of the abandonment of land at a time when there is a shortage of cultivable surfaces. [3]

It is then probable that there will be some particularly heartrending transformations in the rural areas where, moreover, there has been for quite a while the phenomena of a vast "surplus" population, in part itinerant, or an active under-employed population. Finally, it is difficult to envisage what the contribution to GNP of foreign companies will be and to what extent these latter will weigh on the choices of the government itself.

Growing penetration of foreign capital

This question is all the more pertinent in that the presence of foreign capital in the country continues to deepen under a number of forms. The year 2000 had already marked an upturn in relation to a certain slowing up in the preceding period. There has been, among other things, a flow of capital from certain South East Asian countries to China which now receives more than 60% of investment destined for the underdeveloped countries of the region.

Last year, powerful oil companies like Exxon Mobil, BP Amoco and Royal Dutch Shell, which have bought shares in China Petrochemical Corporation (Sinopec) to the tune of \$1.8 billion, also showed an increasing interest in China. On the other hand, Sinopec floated shares worth a total of 3.8 billion dollars (3.4 according to other sources) on the international markets. Shares have also been floated on the international markets for the telecommunications company China Unicom, whereas China Mobile, the most important mobile phones operator, who had planned a share issue of 6 billion dollars (a record figure for a company in the state sector), finally recorded a profit of three times that amount (50% coming from the USA, 30% Asia, 20% Europe). Globally, 9 billion dollars worth of shares were floated on the international markets during the first six months of 2000. Let's add, moreover, that henceforth it is hoped to involve foreign capital in arduous restructuring operations in loss making state companies. The problem of these companies remains, even if, according to the official sources, some progress has been made. [4]

Numerous foreign banks have been operating in China for a long time, although with a whole raft of limitations. This presence is now quite significant in the metropolis of Shanghai, where these banks are authorised to grant loans, receive deposits and participate in the exchange markets in the name of joint ventures of foreign companies and state sector companies. They have taken on 50% of the financing of the commercial sector. Another important sector has been opened to foreign companies, that of insurance. For example, at the end of October, after a visit from the European commissioner Pascal Lamy, Ma Yongwei, president of the Commission for the regulation of the insurance, said that, even before joining the WTO, China was disposed to admit seven companies from the European Union into this market. Some foreign groups could be involved even in the setting up of pension funds: no need to stress the quasi-symbolic value of this. Zhu Li, president of Galaxi Securities, the leading company in this sector, wants to see a foreign participation of up to 33%.

It should be added that Chinese private banks are also starting to operate. The first of these banks, Musheng, has drawn the attention of investors to the extent that it has been able to amass 495.4 million dollars, more than hundred times its initial offer - the company's shares have increased their value by 57%. Another example, in another area: the ministry of Construction has drawn up measures seeking to "encourage non public companies to enter the sector of urban public transport" in the city of Peking. [5]

Some novelties have also been announced in the area of the stock exchanges. The two which exist, that of Shanghai and that of Shenzhen, have until now had the same areas of activity although their operations are on a very different scale. It is envisaged henceforth that the distinction between share A, aimed at Chinese investors, and share B, destined for foreigners, will be eliminated. The Shanghai stock exchange is to carry out all kinds of operations whereas that of Shenzhen is to concern itself with shares of the type listed on Nasdaq on Wall Street. According to Craig Smith of the New York Times, 50 million Chinese are interested in the share market, thus more than in any other country apart from the United States. If one also takes into account the fact that personal bank deposits amount to 800 million dollars, one can conclude, says Smith, that "the Chinese markets have the potential to finance a private sector boom". According to The Economist (December 23) the Chinese stock market was the best performing last year. [6]

It is not easy to draw up an overall tableau of the respective weight of the big economic sectors. Recent figures like those we have looked at confirm that the presence of foreign capital is not at all marginal and that China is increasingly integrated in the world capitalist market. If one believes the figures advanced by different sources - such as a report of the International Finance Corporation - in 1998 the private sector represented 33% of GNP and the state sector 37%. As to the non-state collective sector, it is far from being homogeneous, including in fact a significant percentage of private enterprises. It is completely plausible that the evolution since 1998 has strengthened more the role of the private sector. Whatever the truth, this sector is the most dynamic, with a rate of growth of around 25% a year, which allows it to absorb a part of the workforce laid off from the public sector.

As we have stressed in other articles, the importance of the changes which have taken place is confirmed by the fact that the Chinese economy is henceforth marked by phenomena more characteristic of a capitalist economy than of a bureaucratised transitional society (overproduction, of course in relation to effective demand, upwards and downwards evolution of prices, property crises, and so on). In the recent period one has also witnessed a delirious stock market euphoria recalling, obviously with a sense of proportion maintained, phenomena on other stock exchanges around the globe, with the usual bitter disappointments which follow. [7]

A Bank of China notable is undoubtedly exaggerating when he says: "The transformation underway is one the most complex ever attempted in human history". But nobody would question that the transformation taking place is very profound, whatever judgement one has from a revolutionary point of view. [8]

Upheavals and recompositions in society

The changes which have taken place since the end of the 1970s, which have deepened in the last decade, could not fail to have major social effects.

We will not recapitulate on what has happened and is happening in the countryside where the standard of living continues to be palpably inferior to that of the towns (at the end of 1998, the annual per capita income was 2,162 yuans in the countryside and 5,425 in the cities). [9] Nonetheless, until now the restructurings carried out on a vast scale have affected the urban layers most directly. It is precisely urban unemployment which has reached unprecedented heights: from 15 to 20% (Le Monde, September 19). To give some examples, according to Zhang Yubin, of the Economic Institute of the City, in Harbin, a city of 2.4 million inhabitants, 350,000 people are unemployed (half that figure according to official estimates). In Shanghai the number of textile workers has fallen from 500,000 at the beginning of the 1980s to 160,000 now. The predictions are far from optimistic: according to Hu Angang, a very well known Chinese economist, in the five coming years the state enterprises will dismiss around 20% of their labour force. As to the measures taken or envisaged to counteract these tendencies, this is what Beijing Review has recently had to say (number 50, 2000): "In China as a whole some 12 million workers and laid off employees have in the past three years received a professional training allowing 7.8 million of them to refind work...

10 million other unemployed people should receive training in the framework of the second three year programme, from 2001 to 2003".

The official sources have claimed several times that poverty has significantly decreased. In its last number for the year 2000 Beijing Review claims that estimates that "the number of those who are unable to meet basic needs fell from 250 million in 1970 to 34 million at the end of 1999".

The notion of "basic needs" obviously leaves margins of interpretation. In fact, non-official sources estimate the number of poor at around 90 millions. [10] What is more, a favourable evolution does not seem to be necessarily ensured for the future if a government text sets the objective not only of "reducing the number of poor people in the rural regions" but also of "preventing the impoverishment of the urban population". [11]

However, the most spectacular change continues at another level of the social scale as a consequence of the emergence of wealthy layers, indeed the formation of a veritable bourgeois layer. The analysis of banking deposits seems in itself to confirm such an evolution: 80% of deposits belong to 20% of depositors. More precisely, it is the Chinese press itself - not only the international press - which refers to capitalists who operate in different economic sectors. Last November, the magazine Forbes even published a list of the richest people: first place belongs to the "red capitalist" Ron Yiren, an old acquaintance, whose fortune reaches 1.9 billion dollars, followed by the younger Liu Yomgxing with one billion. The same magazine has also mentioned the case of Ren Zhengfei, former army officer turned entrepreneur in the telecommunications sector and the former chicken farmer, Liu Yonghao, who has also become a capitalist. For his part, a former peasant, Wang Shuzian, became a textile entrepreneur who is also involved on the stock markets.

Some empirical figures of this nature allow us, moreover, to grasp more concretely how the process of formation of a bourgeois layer is developing at a triple level: reappearance of the old capitalists or their "heirs"; people who have been able to accumulate fortunes launching themselves into ventures, initially modest, through their previous activity; transformation into capitalists of notables from the dominant bureaucratic layer. Obviously we do not have statistical evaluations on the respective weight of these three components. But it is obvious that the former bureaucrats are favoured, at least in an initial phase, given that they dispose of higher incomes and can exploit their positions of control in the state structures at various levels.

However, there is another aspect that should not be forgotten and which justly preoccupies those partisans of the new course who claim to be keeping their hands clean: criminality, more or less organised, is very much present in the capitalist accumulation underway. The international press has recently described the case of Chang An-lo, who leads a life of Croesus in Shenzhen, having spent six years in prison in the USA after being found guilty of heroin trafficking and who is wanted by the police in Taiwan as head of a criminal gang of 15,000 members. This character threw an extravagant feast at which a well known party ideologue and a former doyen of the party school were guests. [12] The former criminal organisations, the Triads, have also reappeared. Presumed links with the Triads led to the resignation the mayor of the big city of Shenyang, Mu Suixin, towards the end of last year. More generally, the spread of corrupt practices at all levels continues to be denounced, in a more or less routine fashion, in official texts and discourses. To stick to some recent episodes, the official press announced the resignation of the deputy mayor of Hangzhou and a 15-year jail sentence for general Ji Shengdé. In the same period, 14 notables from the province of Fujian were condemned to death for corruption and smuggling.

Finally, the growth of the economy and more particularly its modern sectors in the private sphere has determined the emergence of what might be called "an urban middle class", a phenomenon which has understandably attracted the attention of sociologists. Li Qiang, doyen of the sociology faculty of the University of Qinghua, who has observed transformations of middle classes on a world scale, has correctly stressed that in China also "the traditional middle class is on the decline, while a new generation is in the process of appearing". The new middle class "comprises

people who have a higher level of education, are employed in foreign capital enterprises or new commercial areas and are displaying a veritable bulimia in consumption". Two categories of employee are designated: "The first work in the state or collective property enterprises and form the majority of urban employees. The others are those who have been discarded from the existing structures of the planned economy and are involved in market competition, like the liberal professions, the different kinds of entrepreneurs, the heads of small and medium enterprises, the managers and the employees of the recently founded enterprises and the employees of foreign capital enterprises". These latter enjoy "significantly higher" incomes. [13] It is above all the employees of the foreign capital enterprises and the newer companies who now constitute "the bulk of the new urban middle classes". A survey by the National Bureau of Statistics fundamentally bears this out. For his part, Zhu Ling, of the Economic Institute of the Academy of Sciences, thinks that this phenomenon has not yet stabilised whereas the journalist Xie Liangjun believes that in any case the emergence of such layers is a factor of social stability. Let's say that it implies differentiations which could, under certain conditions, acquire a dynamic whose effect would be the opposite of stabilisation.

Zhu Ling does not hesitate to draw a conclusion that it is a little surprising for a well known official publication: "In China, the majority of the population does not receive the biggest share of income. On the contrary, a mere handful of people share among themselves the lion's share of the society's wealth". [14] Here are the marvels of a "socialist market society"!

What project and what dynamic?

In his report to the central committee in October last year the prime minister, Zhu Rongji, summed up the problems to be resolved in the course of the Tenth Five Year plan: "the irrational structure of the industries, uneven development of the economy between the different regions, backwardness of science and technique, growing pressure on employment and the deterioration of ecological conditions in some regions, growing disparity in incomes, corruption and waste." [15] Fundamentally, these are objectives which have been formulated a number of times in the past few years. Their recapitulation is, in fact, an implicit admission that, despite persistent growth, the major problems remain to be dealt with. [16] As we have mentioned, at least in some ways, they could worsen if the specific weight of foreign capital and the private sector grows and depending on the extent of China's integration into the WTO.

Chinese leaders are not unaware that the dynamic that they have unleashed is provoking and will provoke more tensions, conflicts, indeed explosions at the social level. Some incidents in the course of the last year have undoubtedly confirmed their fears. In February, in Yangizhang, in the Liaoning, 20,000 sacked miners went into the streets for several days to fight the police. In the rural regions, workers dismissed without compensation have been involved in some harsh conflicts. In November a thousand workers at a textile enterprise in the department of Funing, in Jiangsu, organised a campaign against the corruption of the leaders and the passivity of the trade unions.

More generally, according to statistics from the ministry of Labour, between 1992 and 1999 labour conflicts increased by a magnitude of 14, reaching the figure of 120,000. What is more, we see once again attempts to set up autonomous trade unions. The most significant recent case is that of the textile enterprise in Funing mentioned above, where an initiative was taken by an electrician called Cao Maobin who had worked for the company for 17 years. Cao said that the most important thing was that trade unionists were elected by the workers themselves. According to him, moreover, it is his movement that pushed the employees of another enterprise in the region to struggle to obtain subsidies which were rightfully theirs (these workers encircled the seat of local government). [17]

In such a context what is the strategic project of the current leading group in China? To judge it on the basis of what they have long claimed, the essential precondition of the development and the modernisation of the country is an increasingly radical economic reform going hand in hand with a growing integration in the world capitalist market. In this sense, whatever the differences, they share the same terrain as the Gorbachevian reformists although they are

pushing the changes much further. But the basic difference resides, according to them, in the fact that, whereas in the Soviet Union the goal was a progressive erosion of the existing political-institutional framework, China has maintained and will maintain this framework, for the essential, safeguarding absolutely the hegemony of the party and the identification of party and state.

In the final analysis, if one grasps the underlying logic of certain formulations and takes note of the distant horizon sketched for the transcendence of the backward conditions of the country, it is not arbitrary to draw the conclusion that the current leading group is convinced that for a whole period a development of the capitalist type will be necessary before embarking on the construction of socialism. It amounts to an ideological approach in the strict sense, that is, at best, a mystification which is at the same time a self-mystification. One could even add, a little paradoxically, that the Chinese propose, a century later, a rehashing sui generis of a Russian Menshevik theory which both Trotsky and Lenin struggled against.

The question is posed of whether such a project, whatever the characterisations and value judgements, could effectively be realised.

We have already invoked a major difficulty from the economic point of view: The increasingly organic integration of China into the world economy - and this will be still more the case after formal entry into the WTO - will increasingly condition development at the national level, by relativising the choices made in the framework of the Plan and the impact of the decisions of the government itself and by sharpening, among other things, cyclical vicissitudes. The emergence of a more consistent and articulated bourgeois layer, capable of making its own international links, will not be without effects either.

Secondly, the idea that an effective counterweight would be represented by the remaining political-institutional framework, even if remoulded to meet new needs and pressures, [18] could be shown to be completely illusory. Indeed, already today the people who make up the state, party and army apparatuses have very little in common not only with the protagonists of the revolutionary process of the 1930s and 1940s, but also with the leaders, cadres and militants of the 1950s and 1960s. What is more, they and their successors cannot avoid being conditioned and remodelled by an overall evolution of society which will sharpen in the years to come, not to mention the decades. The new context, moreover, is and will be still more marked by a cultural crisis, a veritable crisis of values, of which there are already tangible signs. [19] It is probable that, as certain commentators claim, the narrow ruling nucleus itself is currently experiencing differentiations in the face of problems like entry into the WTO, the methods with which to approach the wave of social malaise, the eventual softening of the authoritarian regime. [20] With even more reason, it can be supposed that the social cleavages which are emerging will have a growing impact at different levels on the political structures bequeathed from the past and the people integrated into them.

It is difficult to give exhaustive replies to such questions. Nonetheless, if the "neo-Menshevik" project seems to us perfectly illusory, the hypothesis that a capitalist restoration carried out in a framework which, despite all, maintains the traits of a bureaucratised post-capitalist transitional society, is also highly implausible. [21] In other words, there are socio-economic and political-cultural contradictions which will finally lead to upheavals and explosions. China, like other countries in the world, will not experience a very peaceful evolution in the first decades of the millennium that has just begun.

[1] See the articles by Roland Lew (Inprecor n° 413), Lau Yu Fan (IV 317-8, Dec 1999-Jan 2000), Zhang Kai (IV 319, February 2000) and Livio Maitan (Inprecor n° 419, 423, 436).

[2] According to the agreements, custom duty on industrial products should fall from 50% to 24.6% and for agricultural products from 31.8% to 14.5%. More particularly, the most significant reductions concern wine - from 65% to 12% - and cars - from 80% to 25% (the tariffs on some cars

will fall in five years from 63.5% to 25%). Moreover, foreign companies can no longer utilise in part local materials or components for their manufacturing production in China; some 100% foreign companies will no longer be obliged to export at least half of their production; foreign companies will be able to buy up to 25% of the mobile telephone networks from the entry of China into the WTO and up to 49% three years later.

[3] The abandonment of the land and the rural exodus are also stimulated by excessive local taxes, which are sometime completely arbitrary.

[4] See, for example, Beijing Review, no. 44, 2000.

[5] See Beijing Review, no. 49, 2000.

[6] On the stock exchange vicissitudes in China see, among others, International Herald Tribune of 22 and 29 December, 2000 and January 2, 2001. Since autumn 2000 the establishment of a second market, independent of those in Shenzhen and Shanghai, has been envisaged more concretely (Beijing Information n° 42, 2000).

[7] According to the Financial Times (December 28) the stock market value of China Mobile alone at one point surpassed the values of the markets of Malaysia, Thailand and the Philippines taken together. As for the disappointments, Le Monde (29 December) mentions, among others, the case of four Chinese Internet companies quoted in New York, which have fallen by more than 80% in the space of six months.

[8] During the international conference organised by Espace Marx, Attac and other institutes and organisations (Paris, November 30 - December 3, 2000) the author of this article participated in a debate with a Chinese representative referring to a series of data and elements of analysis taken up here. As might be expected, our interlocutor did not share our appreciations on the dynamic of the situation and our judgements, but he explicitly admitted that the analytical figures were absolutely incontestable.

[9] According to the World Bank "the growth of incomes of rural families has experienced a dramatic slowing up and the growth of spending on consumption has been virtually zero in the course of three years".

[10] 90 million Chinese earn less than a dollar a day (Financial Times, January 3, 2001). According to The Economist (December 23), there are 80 million poor.

[11] See Beijing Review, no. 52, 2000.

[12] See International Herald Tribune, January 2, 2001.

[13] Competition from the private sector is increasingly affecting the press sector, as Beijing Review itself indicates in number 51, 2000: "Many journalists and columnists [at China Daily] have opted for foreign companies or mouth-watering private salaries". Le Monde (November 28, 2000) cites the example of an editor in chief of the Chengdu Commercial, who accepted an offer from the private competition and saw his income increase six times over.

[14] See Beijing Review, no. 51, 2000. The preceding issue of the same magazine published a long article on the medical system where it emerges that sick people needing care in some hospitals have to pay sums beyond the means of ordinary citizens.

[15] See Beijing Review, no. 44, 2000.

[16] For example, an eloquent figure relating to regional disequilibria: income in the western regions with 300 million inhabitants is ten times inferior to that of Shanghai.

[17] Some information on this subject was published in mid-December by the New York Times and Washington Post.

[18] In his October report Zhu Rongji spoke of the necessity of promoting a reform of the political system, by the introduction of a grass roots democracy allowing "the population to directly exercise its democratic rights, in respect for the law". In other words, advancing in the area of the rectifications already introduced in the last decade, without any qualitative change in the authoritarian régime of the bureaucratised transitional society. Some problems are posed for the leaders following the diffusion of the Internet and restrictive measures have already been adopted. The concerns are justified if it is true that, as reported by Le Monde (December 29), messages like the following circulate: "The principle contradiction that exists in China today is between the people and the government... It is necessary that the people once again has the power in its hands... Overthrow the bourgeois class and the feudal regime, whether inside or outside the party".

[19] The spreading on a fairly large scale of the Falun Gong sect, which has undergone several waves of repression without being destroyed, is undoubtedly one of the signs of this value crisis. Such a crisis cannot be counteracted by the application of stereotyped precepts such as those contained in the December governmental text already quoted, which recommends, among other things, to "valuing social and familial virtues characterised by respect for the law and discipline, marital understanding, love for the elderly" and also envisages "rapid enrichment".

[20] As we write, Foreign Affairs has published the record of conversations between Chinese leaders during the Tiananmen crisis, which in our view reveal nothing fundamentally new (see *Le Monde*, January 10, 2001). According to some commentators, this leak reflects currently existing divergences.

[21] Such a hypothesis corresponds to the wishes of both the sectors of the bureaucracy most integrated in the growth of private capital and those more linked to foreign capital, of significant economic sectors of the capitalist countries and of the leading political groups. Former Fiat boss Cesare Romiti returned from China full of enthusiasm, saying: "China is becoming the America of the future".