



Tibetans pose for a photo behind a portrait of their beloved Mao Tse Tung. Former slaves and serfs and their descendants were ecstatic after the parliament of the Tibetan Autonomous Region of the PRC announced that March 28 would be celebrated as Serfs Emancipation Day. The day marks the 50th anniversary of the day when Tibetan communists and the Mao-led Chinese state began to abolish the slavery and serfdom of the former Dalai Lama-ruled Tibet.

SOME LEFTISTS ARE SHARING THE HOPES OF CONSERVATIVES. WHY ARE THEY WILLING CHINA'S ECONOMY TO ALSO COLLAPSE?



8 August 2008: Beijing during Olympics opening ceremony.

March 7 - Factories closing, recession, financial institutions collapsing. These realities which are engulfing capitalist countries (realities which hurt working class people the most) are making propagandists for the “free market” system rather uneasy. In fact, more than uneasy. The whole situation is likely to give advocates of capitalism a case of the runs that is even worse than that which afflicts their stock markets. After all, the main argument that they have been throwing at the masses for decades is that, despite everything, “capitalism develops the economy.” How are they going to bailout pro-capitalist ideology now!

If that were not bad enough, the capitalist rulers know that everyone is talking about “Communist China’s” economic successes. They would know that people would’ve watched the Beijing Olympic Games and would have noted the efficiency with which the Peoples Republic of China (PRC) organised the events. They know that Olympic viewers could not but be impressed by the marvelous stadiums that the PRC built and would have been wowed by the beauty of the Olympics opening ceremony that the People’s China conducted. And those who thought more deeply about it all may be struck by how this was all happening in a country that in its pre-1949 capitalist times was hopelessly subjugated by Western colonial powers.

For a long time, pro-capitalist intellectuals said to working class people: although socialism seems a lot fairer to you, it is economically “impractical.” But for many years now, socialistic China has been pulling hundreds of millions of its people out of the terrible poverty that they had inherited from the old capitalist days. Today, the PRC’s state-owned banking system remains solid while capitalist financial systems collapse around them.

So how are the capitalist rulers trying to deal with this nasty, this imploding

headache of an issue, the issue of the PRC economic juggernaut? Well, they have set their propaganda machines to be able to run in two completely opposite directions when the China button is pushed. In one option, they make all sorts of slanders about the alleged effects of China's "communist rule" on "human rights" and other issues. In Option 2, however, when having to mention China's economic successes they claim that her development is due not to socialism but to a supposed growing "embrace of capitalism."

Nevertheless, attempts to hide the socialistic bedrock of China's development are belied by the nature of China's core economic sectors. These sectors remain controlled by public enterprises. The enterprises involved include the giants – like Boasteel, Chinalco and CNOOC - that have been holding up the Australian economy through their imports of Australian iron ore, aluminium and gas. **Every single one of the PRC's biggest 22 firms remain majority state-owned** (*The Australian*, 18 August 2008.) And of China's top 500 tax-paying companies, 89.8% of the taxes are paid by state-owned enterprises (2007 figures.)

To be sure, since 1978 the Beijing government has embarked on a "reform" and "opening" policy that has allowed the market to play a greater role in the economy and enabled capitalists to penetrate chunks of the economy. This led to much greater inequality and allowed capitalists to gain ownership or part-ownership of big parts of China's light manufacturing *for export* industries. Alongside these economic concessions to the right came a dangerous rightward ideological drift in Beijing's politics. The PRC government still proclaimed that it was building socialism but this was mixed with ambiguities about its commitment to oppose capitalism.

Nevertheless, the PRC remains a socialistic state, a workers state. This state has serious bureaucratic deformations and lots of problems. Yet it remains the state that was created by the overthrow of capitalist rule in 1949, it remains the state that was created by the Chinese Revolution, by the heroic victory in struggle of hundreds of millions of poor people, tenants and workers. It is this character of the PRC that has enabled China to ensure that its core economic sectors – steel, oil/gas, banking, communications, shipping, automotive, shipbuilding, rail manufacturing, power etc – are owned collectively by all the people. And it is this pro-socialist character of the PRC state that is the barrier to capitalist restoration in China.

It is now more difficult for anti-communist mouthpieces to simply say that China has "gone capitalist" because under President Hu Jintao PRC politics have shifted somewhat to the left in recent years. This movement to the left is rather tenuous and contradictory and the program of the Communist Party of China (CPC) leadership still falls way short of the approach that a revolutionary

communist party would take. Nevertheless, the shift to the left is evidenced in both Hu's moves to redistribute income to the poor and in the Beijing leadership's more emphatic statements about the need to maintain a socialist path. Faced with this reality, Western media and politicians are resorting more and more to old-fashioned anti-communist propaganda against China – propaganda of the type that they used in their earlier Cold War against the Soviet Union. This includes the well-worn refrain that "socialism does not work."

Now, how do people, that claim that "socialism does not work," try to sound credible when everyone can see that it is capitalism that is in the midst of an economic crisis? Well, what they are prone to shouting is that China too is having an economic meltdown. And that is what many media accounts in Australia and the U.S. have been blaring out in the last few months: that China's economy is "dramatically" slowing and is having a "huge downturn." These reports are indeed connected to reality but are also deliberately exaggerated. The truth is that last year China's economy grew overall by over 9% which is not only a long way from a recession but also over twice the growth rate that most capitalist economies have achieved at the best of times in the last few years. This did not stop *The Sydney Morning Herald* (23 January 2009) from triumphantly headlining "The great stall of China" after it was announced that China's economic growth rate had slowed to 6.8% in the fourth quarter of 2008.

To be sure, the crisis of the capitalist economies has already affected China with her export industries especially hit hard. But the centrality of the public sector in her economy gives the PRC the potential to ride through the global storm and ensure that the global crisis does not lead to massive poverty. Will this potential be realised? Well, the answer to that question will be decided by who wins the intense political struggles that are happening within the PRC between the right and left wings. On the right stand those who represent the interests of China's tenuous layer of capitalists. They cry poor over the demise of many private sector enterprises and demand more support for the private sector. On the left of the debate stand those who understand that the PRC must boost its public sector even more. In a country that is dominated (in however a deformed way) by socially-owned industry this latter tactic has been proven to work. It is through a massive program of state-funded infrastructure construction that the PRC was able to sail through the late 1990s Asian economic storm while neighbouring capitalist economies plunged well below the surface.

China has, however, changed since the late 1990s (although not decisively.) Public ownership is still dominant but the public sector has been weakened somewhat by the privatizations of small enterprises that occurred in the late 1990s and early 2000s. Today, right-wing political forces miss no opportunity to push for further weakening of state control of the economy. If their economic

prescriptions are administered it would be disastrous for the Chinese masses. Making China more subject to market forces means making China more vulnerable to the very forces that are wreaking havoc in the rest of the world.

The battle between right and left over China's policy response to the global recession is part of a bigger ongoing struggle between, on the one hand, those pushing for capitalist counterrevolution and, on the other, those forces striving to defend the PRC's socialistic foundations. Oscillating between these two ends is the bureaucratic/government layer which bases itself on the socialistic economy but at the same time makes many harmful accommodations to capitalist elements both within and outside of China. Within this administrative stratum there is itself a wide range of political shadings.

The biggest factor in the whole Chinese equation is the working class whose interests lie with the victory of the pro-communist forces. Already militant workplace struggles against ill treatment and corruption have constrained pro-capitalist advances and deterred further privatisation. Will the Chinese working class and pro-communist intellectuals be able to find the consistent direction needed to ensure that the PRC builds on the 1949 victory and renews its march to socialism? The answer to this question is being fought out every day within China. And it is being fought out most intensely right now over the issue of how to respond to the world economic crisis.

THE PRC'S STRUGGLE AGAINST SWEATSHOPS

Where the global crisis has affected China most is by precipitating the downfall of tens of thousands of factories in her light processing sector. These plants had been among the ones making clothes, shoes and toys for export. Millions of workers have lost their jobs. In the country's main toy manufacturing base in southern Guangdong, 922 of the province's 3,089 toy exporters closed last year.

Unlike the PRC's basic economic sectors, the light-manufacturing sector has significant private ownership. In many cases the factory owners are foreign investors from Hong Kong, Taiwan, Western countries or South Korea. The foreign capitalists do not always fully own plants - sometimes they are in joint ventures with Chinese state enterprises or local governments. In other cases factories are owned by mainland Chinese capitalists. China's light manufacturing sector is concentrated in the Southeastern corner of the country. But working in them are tens of millions of "migrant workers" – people from rural areas who have moved to the Eastern and Southern cities to work in manufacturing and construction. It is important to note that workers in privately owned enterprises generally have to put up with much longer hours, less stable employment, less pay and worse conditions than those employed in the PRC state sector. There have been many examples where "migrant workers" in particular working in

the private sector (both foreign-invested and local capitalist-owned) have faced bad exploitation.

Fortunately, some of the lost jobs in the private manufacturing sector are being soaked up by other employers. Importantly, many of the new jobs are going into the public sector. Although the demise of many private firms has in turn chipped away at the business and profits of state-owned industrial firms in sectors like steel and aluminum, the big socialistic, state enterprises are retaining their workers and in some cases hiring anew. Meanwhile, millions of workers are being employed in state infrastructure projects and in expanded employment in public sector social services like health, education and land conservation. **The PRC must ensure that this expansion of the public sector occurs much more quickly. Every worker laid off by a private business must have a guaranteed job in the state sector and every already unemployed person should also be able to gain employment in public enterprises.** This is an urgent struggle!

The connection between the closure of privately owned exporters and the global crisis is obvious. With Western customers having less money and confidence to buy consumer goods, the Chinese export manufacturers are losing business. But there are also other reasons why the private manufacturers in China are going bust. The main one is that the worst exploiters of labour are being increasingly forced by a combination of official action and workers' struggles to improve employees' pay and conditions. Wages of Chinese workers have risen at an average rate of 15-20% per year over the last three years. State forces have managed to bring to order many private bosses who owed workers large amounts of back pay. And crackdowns on employer abuses have even targeted big name multinationals operating in China like McDonalds, KFC and Wal-Mart. Most notably on 1 January 2008, the PRC brought into force a Labour Law that significantly improves employee rights. Under the new Labour Law casualisation of the workforce is restricted. Provisions require employers to hire workers on a permanent basis if workers are to remain employed after having served two fixed-term contracts. And any labour hire company now has to pay workers even for days they are not placed in jobs. These pro-worker measures are all good things. But for sweatshop private bosses whose profits were based on heavily exploiting workers, the changes have meant that their business may no longer be viable. Even before the global financial crisis hit full scale over 67,000 factories had closed in China in the first half of the year.

An important aspect of the new pro-worker regulations is that they have the effect of protecting the state enterprises from being unfairly undercut by private firms that have substandard working conditions for their employees. The regulations are shifting the balance between state and capitalist enterprises back towards the state firms.

This shift away from the private sector processing industry is, to some extent, actually a conscious policy of the PRC government. Defiantly communist elements within the left wing of the Communist Party of China (CPC) have for many years argued that the often foreign-invested, low wage manufacturers have not brought real benefits to Chinese workers but simply lots of profits for their owners. Although such points have been far from fully accepted by the CPC leadership, they have to a degree been incorporated into Beijing policy. On 7 November 2007 the Chinese government issued a new policy that would restrict overseas capitalist investment into China. These regulations restrict foreign capitalist firms from exploiting "important and non-renewable" mineral resources and ban them from entering industries strategic to "national economic security." Given that the PRC's industries considered strategic to "economic security" are dominated by state-owned enterprises, the new restrictions are welcome. This foreign investment guide does continue with the policy of encouraging overseas companies to invest in high-tech industries (something that if strictly controlled can be a useful, if fraught, policy for a former neocolony that still needs to borrow technology from the rich imperialist powers.) Importantly, however, the guide restricts overseas capital input into traditional manufacturing industries.

In response to the global crisis, the PRC has taken economic measures that have the effect of continuing the partial shift away from the low-wage, private enterprises and back towards the public sector. Billions are being poured to upgrade the big state-owned enterprises that dominate China's steel, power, shipbuilding and machinery industries. Big government projects are being implemented in sewage, ports and land conservation and to improve drinking water supplies in rural areas. And there is massive state construction of railways – both long distance and urban (notably ticket prices for any trip in Beijing have been reduced to just 2 yuan - the equivalent of 45 Australian cents.)

This recent tendency to fall back on the public sector is not simply a question of ideological choice on the part of the CPC. Mainly it is pure necessity. Looking to the private sector to avert a recession will not work because capitalist-owned enterprises are driven solely by the profit motive and when they cannot get high prices during a downturn, business owners will not boost production. In contrast, in a place where socialist power rules the state sector can simply be commanded to maintain production and employment for the greater good of the people.

It is true that in the capitalist world too governments of all stripes – whether military dictatorship, conservative, small-l liberal or social democrat – are somewhat attempting to use public spending to save their economies. But the potential for doing so in these countries is greatly restricted in comparison to a country like the PRC. For in the capitalist countries the public sector does not dominate the key sectors – like steel, banking and aluminium refining - and

therefore lacks the muscle to turn around the whole economy. Furthermore, in these countries the state overseeing the public sector is itself tied at every level to the interests of the big capitalists – to the interests of people who see the public enterprises as only accessories to their pursuit of a quick killing in private corporations. This is rather different to the PRC where the major state companies are constrained (albeit often tenuously) to meet overall social goals. While in the capitalist countries the public companies are often headed by former or even serving private sector executives, in the PRC the heads of state enterprises are typically Communist Party members selected by party committees for their perceived ability to ensure that public goals are achieved.

THE VIRULENT RIGHT WING

Beijing's response to the global crisis is not without serious flaws. One government scheme is to encourage laid off migrant workers from the rural areas to start up their own self-employed enterprises. Banks have been told to increase lending for these start-up businesses. The measure is being taken to try and relieve unemployment. But promoted on a mass scale such a plan is only going to lead to shattered dreams for many. When lots of people start small businesses only a few will flourish. Rivalry between struggling small producers will fuel disputes and produce an unfriendly society. Tensions could spill over into ethnic hostilities and these can easily be manipulated by overseas capitalist governments and Chinese anti-communists.

Furthermore, small-scale producers are typically inefficient in using resources. To encourage them to spawn goes against Beijing's stated goals of reducing energy consumption, protecting the environment and improving workplace safety. In the end, in any case, the nature of economy means that small-scale producers will get gobbled together by one means or another into larger, more efficient ones. But that just means a new private sector, the same type whose crisis caused the millions of "migrant" workers to be unemployed in the first place.

Any plan to prop up the ailing private sector does not make economic sense. But there is strong lobbying for Beijing to do just this. The source of such lobbying is that layer of capitalists that have emerged in China since 1978. These capitalists utilise officially tolerated pressure groups – in particular the All China Federation of Industry and Commerce (ACFIC) which groups together private sector bosses. The economic influence of the private entrepreneurs has inevitably also nurtured the rise of a layer of academics and economists who speak, consciously or unconsciously, to the interests of these capitalists.

It has long been a demand of China's right wing that credit restrictions be eased for private sector enterprises. Since the global crisis began they have



Putting up a bit of a fight: *Head of China's parliament and number two man in the Communist Party, Wu Bangguo addresses March parliamentary meeting. In his Work Report, Wu stated that China's legal system is a socialist one and insisted that China would never copy the political system of Western capitalist countries. Wu's comments were aimed at forces within and outside the Communist Party that have been calling for embracing aspects of Western-style, that is bourgeois "democracy."*

unfortunately made some headway on this demand. Although Beijing has focused its response to the global crisis on financing the state sector, it has also decreed easier credit for the struggling small and medium size enterprises (such businesses unlike China's large enterprises are often privately owned and the term "small and medium size enterprises" is often used in China as a code word for capitalist-owned firms.) Today, China's private bosses win such concessions by crying poor. But they and those intellectuals that back them know that if the world market picks up in a few years, the precedent of easier credit will put the capitalist sector in a better position to compete with the socialistic sector than it otherwise would be in.

In their strategies, the Chinese right is brains trusted by Western capitalists. All the pronouncements of Chinese "pro business" forces (like the demand for less credit restrictions on private enterprises) can be heard in even louder form from "free market" Harvard/MIT economists, Western China "experts," Murdoch media scribes and journals like *The Economist*. In 2005-2007 U.S. and European business umbrella groups (that represent the likes of Microsoft, Wal-Mart and Intel) ran an intensive campaign to try and get the PRC to weaken its, then impending, pro-union Labour Law.

Those promoting capitalistic economic policies in China, however, have a big problem: they do not hold state power. Political power is still held by a Communist Party, however deformed from authentic Leninism that that party has become. That is why even more energetically than they demand "free market" policies in China, the Western and overseas Chinese capitalists demand greater "human rights" and "freedoms" for political forces hostile to communism. Without being able to destroy the pro-socialist state, not only will the extension of the private sector be stunted but even the existing capitalist enterprises will sometimes have their "freedom" to operate according to the profit motive curtailed.

The tendencies that most openly aim for the destruction of the PRC working class peoples' state are various U.S.-backed "pro-democracy" *dissidents*. But these are not the only forces working in that direction. There are also those at the most extreme right of the CPC. These elements too are being promoted by the overseas imperialists. They often sing the same tune as the *dissidents* but in a more officially acceptable way. Also, in between the liberal right-wing of the CPC and the CPC mainstream are those that do not necessarily seek an anti-communist counterrevolution along the lines of that which occurred in Eastern Europe and Russia in 1989-92 but think, quite wrongly, that it is possible to march just half way in that direction.

There is also a range of officially accepted rightist elements in China that exist outside the CPC. There is the ACFIC mentioned above. Then there are certain small non-CPC parties that are part of the Communist-led governing coalition. While all these eight non-CPC parties claim to support socialism and accept the leadership of the Communist Party, some of them are based on the private enterprise bosses and promote their interests. If counterrevolutionary forces in China were to make a future bid to seize power, such parties would become organising nests for the capitalist restorationists. This is what happened in Eastern Europe in the late 1980s-early 1990s. For example, in the former East Germany the Christian Democrat party had been part of the socialist-led governing coalition but as capitalist West Germany made its bid to overrun the workers state in the East, the East German Christian Democrats quickly became a base for the anti-socialist forces.

The call for more power for non-communist forces in China has thus been a major demand of the right. This call is made under the guise of promoting "democracy" and "pluralism." Just what this deftly put "greater voice for non-communists" would mean was seen in the demands of private entrepreneur representatives at the annual 2008 session of China's peak advisory body, the People's Political Consultative Conference. There capitalist tycoon Zhang Yin called for the weakening of the new Labour Law's provision that guaranteed job stability for long-term employees. Banging the same agenda, Song Beishan, deputy chairman of the ACFIC, *slimily* argued that "small and mid-sized businesses" should not be "deterred from hiring people." Meanwhile, Zhang Yin additionally demanded tax cuts for the rich.

Fortunately, Zhang Yin's proposals were denounced in the PRC as "pro-rich." A month later, her company Nine Dragons Paper was the subject of an official investigation by the pro-CPC trade union federation for violations of workers' rights. This is exactly what the right wing does not want. They want Chinese capitalists to both be able to "freely" exploit labour and to be able to "freely" "advocate" the predatory interests of their class without "fear" of consequence.

The political threat from the Chinese capitalists should not be underestimated. True, they are widely disliked by the PRC public. True, they are small in number. But in the real world, "one person, one voice" exists only in myth until a completely egalitarian society has been accomplished. The relative wealth of the private bosses and the massive support they get from overseas capitalists allows them the resources to potentially sway public opinion in China in a way that is greatly disproportionate to their numbers. They know this and this is why they and their backers demand the "right" to an "equal" voice.

LEFT...RIGHT...LEFT

The struggle between the pro-capitalist and pro-communist forces within China is a seesawing struggle. In 2005 the mood swung to the left as anger mounted over inequality and workplace deaths. After a series of ***fatal accidents in private, often illegal coal mines*** the PRC government in August 2005 started to literally have dozens of privately-owned mines dynamited (to stop the private bosses from reopening them in connivance with corrupt officials!) At the same time Beijing increased funding for the *larger and safer state-owned mines*. These measures taken together amounted to a move towards the partial renationalization of the coal mining industry. Later in October 2005 when it was announced that state-owned machinery manufacturer Xugong would be sold off to the notorious private equity group Carlyle there was a storm of opposition from staunch communists who protested at the loss of socialist property. As a result the Carlyle bid was stalled as heated debate went on in regulatory

authorities about how to handle the proposed takeover. Then in March 2006 at the annual meeting of China's parliament, the NPC, a plethora of speakers denounced capitalist incursions and exposed ill treatment of migrant workers by private bosses.

However, after March 2006 the right clawed its way back. Elements within an anti-egalitarian party grouping, inexactly dubbed the "Shanghai Faction," started to undermine the more left-leaning Hu Jintao regime. They complained that Hu's measures to ensure the building of more low-cost housing for the poor was anti-market and objected to moves to redistribute resources from the richer Eastern provinces to the poorer inland ones.

However, in September 2006 the "Shanghai Faction" was dealt a serious blow when their de facto political leader, Chen Liangyu was arrested in a corruption scandal and sacked as Shanghai party chief. Simultaneously, armed Chinese police were posted at Shanghai airports to stop government officials wanted for questioning in the scandal from fleeing. The defeat of Chen and his allies was soon followed by one of the most left-leaning CPC meetings in years. The October 2006 CPC Central Committee plenum focused heavily on boosting public health care and education, slashing executive salaries and redistributing wealth from the rich to the poor. The slogan was to build a "harmonious socialist society."

But six months later the left-wing push started to meet greater opposition. It was a time when minority stakes in several large state-owned enterprises were sold off and when private investors were getting rich in a stock market boom. The government promise to help the poor remained and many major practical measures were indeed implemented but the language no longer strongly emphasised redistribution from the rich. Similarly, the call to build a "harmonious socialist society" which implies a clearly pro-socialist direction was used much less and instead the main slogan became the more vague "scientific concept of development." While Hu used the "scientific concept of development" to stress moves to improve the lot of migrant workers and the rural poor, the slogan was deliberately meant to, and did, give comfort to all sides. Such was the tone of the October 2007 CPC Congress, a five-yearly meeting that sets major policy direction. The meeting did codify a greater emphasis on social welfare and public services than the previous congress. However, the pro-poor tone was not as emphatic as would have been expected a year earlier. There was something in the congress resolutions to please all factions. The right was encouraged at signals that non-communists would be granted greater representation in government.

Thus, the right wing expected 2008 to be a year where they made major strides.

After all, it was to be the 30th anniversary of the “Reform and Opening Up” policies. Like their brains trusts abroad, the Chinese right hoped that pressure to seek acceptance from the world’s capitalist powers for the sake of a successful Beijing Olympics would force the PRC to make greater accommodations to counterrevolutionary forces. But things turned out differently. When anti-communist demonstrators tried to sabotage Olympic torch relays in Western cities under the guise of support for the former Dalai Lama-led feudal rulers of Tibet, pro-PRC Chinese students spectacularly responded. They organized mass demonstrations in China and in overseas cities. In Canberra on April 24 last year, tens of thousands of Chinese students, many carrying the communist PRC red flag, rallied. Defying a hostile anti-communist media, they swamped the much smaller numbers of anti-PRC demonstrators that were seeking to score points during the Australian leg of the torch relay. The determination of the pro-PRC students both abroad and in China, swung the mood within the PRC. Western anti-communist China watchers were stunned as pro-Western forces within China were angrily denounced. The left was now on the front foot. In an article published in the weekly news magazine of Xinhua official media, Jiang Yong, a unit director at the China Institute of Contemporary Relations stated that “multinational companies have long ignored the lawful rights of Chinese labourers” and singled out children and relatives of some top officials for becoming lobbyists for these corporations (*South China Morning Post*, 8 May 2008.) The academic also criticized the overseas stockmarket listings of stakes in some majority state-owned giants saying that this had led to losses of public resources and control. Then in July the Carlyle profiteers were finally put out of their misery on their Xugong bid when it was announced that they would get absolutely no stake in the state-owned manufacturer.

Another important factor shaping PRC politics last year was the horrific earthquake in Sichuan province. In order to save those affected and begin reconstruction, the PRC state had to ensure that finance, transportation and construction resources were mobilised under public control in a planned way. Pure necessity in the midst of this crisis demanded that private profiteering be impinged upon and instead the “advantages of the socialist system be brought into play.”

As 2008 progressed, the political mood swung back and forth as it had in the previous few years. But by August the PRC was hosting a supremely successful Olympics while the financial system in the capitalist world was in the process of imploding. The capitalist crisis has had many economic effects on the PRC (some of which are discussed earlier in this article.) Among these are the effects of the crisis on the PRC’s banking system. Due to the credit crunch in their base countries, those Western banks that had earlier been allowed in as



April 24, 2008: Canberra leg of the Olympic torch relay.

minority stakeholders in Chinese state-owned banks became desperately short of cash. To make matters worse for them, the majority state owners of the Chinese banks they had invested in started to outrageously "violate" "business principles" by insisting on massively increased lending during the midst of an economic downturn. Thus by the end of last year Western capitalist banks like Bank of America and UBS had had enough. They decided to sell off their stakes in Chinese majority state-owned banks. Meanwhile, the PRC government was buying up stock. The minority stakes in PRC banks that capitalist financial institutions had acquired just a few years earlier started to effectively be re-nationalised.

Perhaps most importantly, however, has been the ideological impact of the capitalist economic disaster. After all, it is getting rather difficult for PRC officials to keep a straight face when listening to an American politician lecture them about the "advantages" of the "free market" system. Just two years ago then U.S. Treasury Secretary Henrik Paulson delivered a speech in Shanghai where he lectured that China should privatise its state-owned banks. He claimed that China's banks would "lose trillions" if they did not "open up" (*The Australian*, 9 March 2007.) "An open, competitive and liberalised financial market can effectively allocate scarce resources in a manner that promotes stability and prosperity far better than government intervention," Paulson insisted. *Oh really!* Whose banks are "losing trillions" now!

So, it might not seem to be the best time in China to be an advocate of capitalism. Unfortunately, the danger from the right has far from diminished. In the swirl of the economic crisis, the Chinese capitalists and those local-level government officials under their sway have been using the threat of factory closures as an excuse to undercut the new Labour Law. Meanwhile, Chinese hardline anti-communists and their Western backers are rabidly praying for an opportunity. They hope (secretly or openly) that unemployment in the PRC caused by the global crisis can be turned into anti-communist revolts. That is why they are willing China's economy to also collapse.

SOFT LEFTS: PLEASE DON'T ASK ME TO STAND UP FOR COMMUNIST CHINA IN FRONT OF MY MIDDLE CLASS FRIENDS

Of course, one expects anti-communists to hope for an economic collapse in the PRC. But you would not expect socialists to wish the same. Right? Wrong! In the Western world there are, unfortunately, many left groups who feel that their political platform depends on the spread of the *Great Recession* to China. For example, in an article titled "China and the Global Economic Crisis," the Australian Democratic Socialist Perspective (DSP) trumpets with enthusiasm the economic difficulties in China (*Green Left Weekly*, 15 November 2008.) Singing a similar tune is an article from the Solidarity group in their October 2008 journal (*Solidarity Magazine*.) The majority of the Australian left groups are indeed hostile to the PRC state – not only the DSP and Solidarity but also Socialist Alternative and the Revolutionary Socialist Party (a recent split from the DSP which avowedly stands on the past program of the DSP.) There are notable exceptions. Trotskyist Platform and the Communist Party of Australia, while having quite different perspectives, both solidarise with the Chinese workers state. But let us for the moment examine the hatred of the PRC of other socialist groups in the West.

Those left groups who are against the PRC state are shaped by a wish to avoid conspicuously standing up to dislike for China within progressive middle class circles. These circles are shaped by anti-communist, anti-PRC propaganda from the mainstream media. Furthermore, young middle class individuals are sometimes already prejudiced against communism. No matter how "left-wing" they may consider themselves, if these individuals harbour options of later becoming an upper class high flier, they are not really going to be loyal to a social order that promises to firmly hold down the upper class. Thus a common view within the left-liberal middle class is that: "I support socialism but not communism." What they mean by this is that they would like to have a socialist society but are not prepared to see capitalist forces (that would inevitably resist the construction of such a society) being resolutely halted by a workers state. This is like one saying that one supports workers' rights but opposes firm union

action against capitalist bosses and scabs. Now, most dedicated members of socialist groups do not themselves buy such dreamy notions - neither about the struggle for workers' rights nor about the struggle for socialism. But the problem arises when these socialists adapt to others within their group's base (less consolidated members, non-member sympathizers and those that they are trying to recruit) that are affected by liberal illusions.

For leftists living in Western countries the pressure to *not* defend the PRC is greater than the pressure to not defend Cuba. As far as the Western capitalist ruling classes are concerned it is China that is the big bogeyman. And that is because China as compared to Cuba is quite literally ... big! Furthermore, for Australian anti-communists the PRC is a bogeyman right here in Asia rather than in the far off Americas. Thus it is the PRC rather than Cuba that is the object of most anti-communist hostility in Australia. Reflecting this reality, some left groups (like the DSP and RSP) that are admirably able to stand strong in the face of the anti-communist stream against Cuba, get swept away when hit by the anti-communist torrent against the PRC.

Now, how do those left groups who bow to anti-PRC anti-communism still remain nominally Leninists and Marxists? Well, the way they have squared this circle is by claiming that China is simply just another capitalist country. That is the convenient analysis that justifies their opposition to the PRC. Yet today the differing responses to the economic crisis between the PRC and the real capitalist countries illustrate just how much the social system in the PRC is different to capitalism. While the U.S. government hands out hundreds of billions of "bailout" dollars to the rich owners of private banks, the PRC stimulus package has as its priority the building of low-rent public housing. Over 2 million low-rent units will be built as well 4 million low-cost homes. Additionally, between 2009 and 2011 the PRC plans to reconstruct houses for over 2.2 million people living in poor quality housing in forest, farming and mining areas. This is in sharp and shocking contrast to the swathes of houses in the U.S. that are being left empty and derelict by the eviction of thousands of householders who are unable to keep up their mortgage payments to the leaching American banks (a phenomenon that did, indeed, spark the start of the Global Financial Crisis itself!)

One of the problems with analyses that claim that the PRC is "capitalist" is that such a view accepts a rather prettified perspective of the economic potential of capitalism. A principal reason that Marxists have always had for wanting to overthrow capitalism is precisely because this irrational system **cannot** consistently develop economic growth. Yet, no one in their right mind today denies that the PRC economy has expanded spectacularly. No **large** country under capitalism could have achieved the same rate of development in an era

of capitalist decline. And especially not a country that is climbing out from the hideous days of poverty under colonialism. Those few former colonies that had developed relatively quickly under capitalist rule are all small countries that were massively propped up by U.S. imperialism – like Taiwan and South Korea – to be front states in the Cold War against communism. But while imperialism was prepared to prop up some countries with quite small populations it was never going to do the same with populous giants.

A comparison between the two most populous countries in the world - China and India - provides a striking illustration of why the PRC, for all its problems, is not the same as a capitalist society. China and India were both countries subjugated by colonialism and in the late 1940s both suffered the same terrible levels of poverty. Yet in the sixty years since the Chinese Revolution a huge difference has emerged between the PRC and capitalist India. A UNICEF survey found that in India 47% of children are malnourished, a figure about six times higher than the rate in the PRC (*The Hindu*, 4 May 2006.) And as a 2007 study by the Washington-based International Food Policy Research Institute noted:

“In China, almost all children receive professional health care and are fully vaccinated. In India, less than half receive qualified health care and 30 percent are not vaccinated.”

- *Child Malnutrition in India and China*, October 2007

By 2002 China had achieved the poverty reduction “Millennium Development Goals” - thirteen years ahead of target. And even in comparison with many rich imperialist countries (that is countries whose rulers have benefitted from exploiting poor, ex-colonial countries), China measures up in certain areas. Take the following comparison between resource poor China and fabulously resource rich, “First World” Australia. In capitalist Australia, due to the extreme racism that they are subjected to, Aboriginal people only have a life expectancy of 59 years. But in China, the life expectancy for every ethnic minority people is between 9 to 15 years higher than this figure.

“MAKING CONCESSIONS” AND LOVING IT

Today, the divergence between PRC poverty-reduction and the horrors that the Indian masses endure continues to increase. In recent years, the PRC government has devoted increasing resources to social welfare, public education and public health care. It has, for instance, significantly increased unemployment benefits as well as old-age pensions. But most notable is the recent change in direction of China’s health care system. Public health had been one of the areas where the post-1978 market reforms had caused the greatest problems. Earlier, in the first three decades after the Chinese Revolution, the PRC had achieved a miracle in health care – average life expectancy in the world’s most populous country

had been increased from less than 35 years to 67 years. But after 1978 this improvement slowed. As part of market reforms, public health facilities were supposed to pay their way and thus started aggressively selling medicines to patients at high prices. Health care had drifted towards a user pays system. But in the last few years this has started to turn around. Significantly, the Beijing government, in motivating this new direction, has openly criticized the post-1978 reforms for taking the health system away from a needs-based approach. In the new medical reform plan passed by China's Cabinet on January 21, universal medical care for all is emphasised as is the responsibility of the state to play the dominant role in providing medical services. The plan announced a massive boost in spending for public hospitals and community health clinics.

China's improvements in social welfare provisions and labour conditions over the last few years presents a dilemma for many of the particular left groups that are anti-PRC. For this evidence on the ground doesn't fit with the theory that the "Chinese Communist Party is completing the restoration of capitalism in China." After all, when capitalist rule was restored in the former Soviet Union that was hardly associated with improvements in social services, living standards and working conditions (quite the opposite!) Some anti-PRC leftists have thus tried to deny or downplay the significance of the PRC's recent gains in building public health care and education. For example, an article by Martin Hart-Landsberg in the *Links International Journal of Socialist Renewal* (Issue 730, June 2008) falsely proclaims that "social services are disappearing" in China. But other anti-PRC leftists, more in tune with facts about China, have had to acknowledge the improvements in public services and other policies to redistribute income to the poor. This latter type of leftist, however, seeks to "explain away" these developments as being the result of the Chinese "capitalist ruling class" making "concessions" in the face of mass struggles by workers. Now, real capitalist ruling classes indeed do make concessions to the masses when faced with strong resistance. And the Chinese working class has waged a large number of strikes and powerful struggles. But if the toiling classes seem to be able to win "concessions" year after year and the "ruling class" seems to be able to delve out such "concessions" without sufficient anguish as to cause a change of government, then one must ask: are not the toilers in this case actually the ruling class (in however a deformed way)?

In a real capitalist country, repeated "concessions" to the working class leads to a rapid fall in investment. The capitalist system depends on exploiting labour and if the rate of labour exploitation is under threat the capitalists who run the economy quickly "lose confidence" and downsize. But take a look at what has happened in the PRC. If we take the last three years of significant "concessions" to workers, we find that the rate of investment in fixed assets (buildings,

machinery etc) has grown spectacularly at around 25% a year. Whoever is controlling the decisive sectors of the Chinese economy does not seem to be too put off by making repeated "concessions"! Compare that with how Holden, Ford, Toyota, OneSteel or Boeing would behave if they had to sharply improve their pay and conditions for workers in the capitalist countries. In the last three years, minimum wages in China have been rapidly increased and average workers' wages (starting from a low base for China is still a poor country) have not only risen much faster than the rate of inflation but at about twice the overall rate of growth of the economy. Yet, at the same time the building of car plants has motored along, the shipbuilding industry has surged forward, high speed train factories are being built at an express rate and the construction of aircraft assembly facilities is taking off.

A CAPITALIST "RULING CLASS" THAT DOES NOT RULE

There are of course realities in the PRC that do cause genuine confusion to Western leftists. One of these is the post-1978 emergence of a layer of capitalist exploiters. But the existence of some capitalists is quite different to the actual political **rule** of a capitalist class. The truth is that China's big capitalists *skate on thin ice*. Many do not retain their tycoon status for that long. Thus few mainland Chinese tycoons are actually well known internationally. Just try and think of the name of one. There are no real PRC equivalents of the Murdochs, Packers and Lowys, the Rockerfellers and Fords. There is no PRC version of India's Tata or Ambani family. The ultra-wealthy within the PRC that are globally famous are mostly the ones that made their money in its tiny capitalist enclaves: like Hong Kong port tycoon Li Ka-Shing and his sons and Macao casino boss Stanley Ho.

To be sure, there are some big capitalists in China that have been heralded by the Western media as examples of China's supposed "transition to capitalism." The most prominent of these is Huang Guangyu who was named in the October 2008 *Hurun Report* as China's richest person. Guangyu was then the owner of white goods retailer, Gome. A 2004 report about him on ABC radio trumpeted his fortune as an example of how, supposedly, "capitalists are doing well, thank you very much" in China (ABC Radio AM program, 13 October 2004.) Huang has also been a focus of anti-PRC Western leftists who are themselves eager to prove that China has "gone capitalist." He is used as a key example in an article titled "The Chinese Road, Cities in the Transition to Capitalism" that was published in the *New Left Review* (July-August 2007.) Huang is also featured in an article titled "China's super-rich now even richer!" (October 2007) carried by the website of the Melbourne-based Socialist Party (part of the nominally Trotskyist CWI - Committee for a Workers International.) So what is this prime example of a Chinese "capitalist ruler" up to today? He is in jail! Yes,



Subway train in Beijing. Train trips anywhere within China's capital have been reduced to just 2 yuan (equivalent to 45 Australian cents.)

no kidding! Last November, just weeks after the release of the *Hurun Report* that had listed him as China's richest person, Huang Guangyu was arrested for economic crimes and as we go to press is still detained. He has been replaced as head of Gome. His wife Du Juan, who is notorious in China for having bought a \$10 million apartment in Hong Kong, is under investigation too.

The fate of Huang and his wife is hardly a new one for capitalist exploiters in China. The month before Huang was arrested, another tycoon Zhang Wenzhong, head of the Wumart supermarket chain, was sentenced to 18 years jail. Last April, property tycoon Zhang Rongkun was jailed for 19 years for bribery and corruption. In a country where public enterprises still dominate core economic sectors, those who have gotten filthy rich have only been able to do so by getting a boost up from the hands of corruption. Now it is true that even in a real capitalist country some tycoons occasionally do get fried for corruption. But only a token few and rarely the biggest fish. But in the PRC, lots of the fattest fish are being rightly fried. What is more, the push on the PRC governments to crack down on extreme rich capitalists often comes from the masses. One of things that accompanies and, indeed, helps to preserve, the workers state is precisely the fierce egalitarianism of the PRC masses. Some anti-PRC Western leftists may have prematurely declared that the capitalists have triumphed in China. But for those big-time (or rather we should say *former* big-time) Chinese capitalist exploiters now viewing four walls pressing around them and hearing that their wealth has been confiscated and made public property, it does not exactly feel to them like they are the ruling class!

“STATE CAPITALISM”?

Those Western leftists that have written off the PRC as “capitalist” have been faced with the thorny issue of the continued state ownership of the PRC's key

industries. When many smaller enterprises were privatized in the late 1990s-early 2000s, anti-PRC groups predicted that China's core industries would soon be sold off as well. But this has not happened. So now anti-PRC leftists attempt to "deal" with this contradiction by exaggerating the level of private control of the Chinese economy. In doing so they sometimes tie themselves up in knots. For example in the 2007 article referred to above, the CWI group makes much of the existence of a private Chinese bank, Minsheng Banking Corp. "China's first privately owned bank," the article notes, "Minsheng is now the seventh largest bank on the mainland" But that description begs the question: what about China's first, second, third, fourth, fifth and sixth largest banks? The answer: they are all state-owned! Indeed in the PRC, the share of revenues going to state-owned firms is 94% in banking and 97% in insurance (*The Australian*, 11 August 2008.)

Now, as it becomes more apparent that China's key industries remain in state, and not private, hands, some anti-PRC leftists are adjusting their analysis. Groups like the CWI and the DSP now speak more and more in their articles of "state capitalists" in China. In this they drift towards the theories about "State Capitalism" (which they formally do not agree with) advocated by the Socialist Alternative and Solidarity groups. According to this "State Capitalism" theory, the whole PRC administrative layer has been since 1949 simply another capitalist exploiting class but one that gains its profits through collectively exploiting those workers who are employed in state industry.

The Socialist Alternative and Solidarity groups adopt their "State Capitalist" analysis of the PRC from the theories of British left-wing leader Tony Cliff. Cliff had at one time been an activist in the Trotskyist Fourth International. But when the Cold War hit in the late 1940s, Cliff buckled and adapted his theory to accommodate the anti-Soviet stampede. He came up with the theory that the Soviet Union had turned from a workers state to a "state capitalist" country in the late 1920s (except he had not noticed this counterrevolution until 20 years later!) Furthermore, he went on to brand anti-capitalist revolutions in China, Cuba, Vietnam etc as simply transitions from one form of capitalism to another. Cliff's whole theory conveniently armed him and his supporters with the rationale they needed to avoid having to defend the USSR, PRC etc during the Cold War. During the 1950-53 Korean War, the Cliff group publicly refused to defend the Chinese and North Korean deformed workers states against U.S./British/Australian imperialism and their South Korean capitalist puppets. The Cliff group was rightly expelled from the Trotskyist Fourth International for this stance.

The claim that the PRC, Cuba, Vietnam etc have never been anything but capitalist is not only promoted by the Cliff-line of left groups but also by many

anarchist groups. But the problems with the Left's orientation to the socialistic states goes beyond this analysis. When the USSR was being besieged during the Cold War, most of the Western socialist groups capitulated to anti-Soviet "human rights" propaganda and ended up supporting the U.S.-backed anti-communist forces. Today, all the various left tendencies that lined up against the former USSR are now aligned against the PRC. The only difference is that two decades ago, some of those left groups that opposed the then most powerful socialistic state did so while formally recognizing that it was still a workers state. Today, nearly all the left tendencies that oppose today's most powerful workers state, the PRC, claim that the PRC is actually just another capitalist state. This common false analysis, unfortunately, makes it even easier for these tendencies to support *anti-PRC* anti-communists today than it was to fall in behind *anti-Soviet* anti-communists two decades ago.

Now, the various anti-PRC left groups do differ in their historical analysis of the PRC. Organisations like the DSP and RSP (unlike the Cliff-origin groups) do rightly recognise that the 1949 Revolution created a working peoples' state in China. But in so doing these particular groups are presented with a rather serious theoretical dilemma. For by claiming that the PRC has now gone capitalist they are accepting that a capitalist counterrevolution has taken place without the PRC even experiencing a change in governing party (or even at least a name change of that party!) To argue in this way that the 1949 Revolution can be destroyed through a series of gradual reforms over a number of years implies that the 1949 Revolution must have been a rather shallow, lifeless event. But it was far from this! It was the biggest revolution in history. A revolution that actively involved tens of millions of poor peasants and workers. Those toilers made incredible sacrifices with their blood and sweat to defeat a murderous U.S.-backed enemy class. Such a deep-going mass revolution cannot be liquidated without a series of decisive events - events that would involve a change in political regime, like the convulsive events that saw the overthrow of Communist Party rule in the USSR.

Whatever their different analyses of 1949, those left groups that are today anti-PRC are more or less congregating around an analysis that today's China is ruled by "state capitalists" in combination with private capitalists. Such a theory is deeply flawed for many reasons. For one, in the real world a "state capitalist" system could not last in any country for more than a short space of time. Why? Because if those administering state power are the very same individuals that are systematically extracting the biggest fortunes then it becomes too obvious to the masses that the state only exists for the benefit of a few. That is why in real capitalist societies the system is set up so that there is some pretence of separation between the capitalist bosses and the state. The state bureaucratic/

military/ legal organs are the ones that enforce capitalist exploitation. But still they maintain a pretence of governing "for all." Of course Leninists understand that the state in a *capitalist* society is indeed completely a capitalist state. The controlling sections of the state machinery are hooked up by a thousand wires to the actual capitalists - through corporate representation in state bodies, shared privilege, family ties, private school old boy networks, bribery etc. But the capitalist rulers are not stupid enough to have the very richest tycoons being exactly the same people as the heads of state. What is more, the wealthiest capitalists derive their fortunes not from government salaries but from private sector exploitation of labour (which is, of course, enforced by the state.) If, in contrast, you can imagine a situation where it turns out that James Packer, Dick Pratt, the Lowys, Andrew Forest and so on got their obscene riches from government, rather than private, corporations then the government would be facing a revolt from the masses within weeks.

Even if it was somehow possible to have a stable "state capitalist" ruling class, such a class is not what the governing bureaucratic layer in the PRC actually is. It does not have the features of a capitalist exploiting class. To be sure, those in administration do have certain privileges. But these privileges are not of the type that the bourgeoisie in the capitalist world get from systematic exploitation of labour. That there are bureaucratic privileges at all in the PRC, of course, shows how much work is yet to be done before the victory of socialist construction is complete. The still as yet unresolved tensions between different layers of PRC society allows for a big role for officials as arbitrators of the conflicting demands of society. And these dividers of the social cake ensure that some of the best bits are set aside for themselves. Administrative privilege in the PRC often does not come through big salaries – indeed PRC officials are not, nominally, that highly paid. Rather, perks come in the form of access to government cars and relatively plush office work environments or in semi-legal ways – like study trips and government-funded feasts. But there is no guarantee that a bureaucrat can pass on such privilege to his or her offspring – nepotism notwithstanding. Indeed, for a high-ranking politician/bureaucrat, a slight change in political winds can see him lose his position and end up with just a modest civil servant's salary. So can exposure of ones privileges to the PRC's powerfully egalitarian-minded masses. For example, in a high-profile case last December, Jiangsu Province real estate official, Zhou Jiugeneg, was sacked on suspicion of using public funds to pursue a luxurious personal lifestyle after pictures were posted on the internet showing him driving a Cadillac to work and wearing an ultra high-priced watch.

Where Chinese state/CPC officials have become obscenely wealthy it is not through the normal workings of the public sector but rather when certain bureaucrats have corruptly used their positions to get a leg up in private

business. Corruption and bribery is indeed a huge problem in China. In the late 1990s-early 2000s, many public sector managers and officials granted themselves the plum stakes in management "buyouts" and other privatizations of small/medium size state enterprises. If this process were to continue and a layer of people were to secure the "right" to loot China's core enterprises as well then this would indeed be capitalist restoration. But fortunately this has not yet taken place and it is far from certain that it ever will. The Chinese working class and committed pro-communist intellectuals have intervened. The late 1990s saw the beginning of big workers struggles against those managers who took over ownership of state enterprise factories and buildings. Workers at these different sites understood that in the Peoples Republic this property was meant to *belong collectively to them, the workers*. By 2005 opposition to privatization, including within sections of the PRC government, had reached fever pitch. That year the Hu Jintao government banned management buyouts of state-owned enterprises. Then last April, former Shanghai party chief and **CPC Politburo** member Chen Liangyu was sentenced to 18 years jail, in part because he facilitated the illegal purchase of shares in state-owned enterprises by private companies. Since then PRC authorities have jailed for corruption a series of mayors, state company executives and other high-ranking officials. On February 6, businesswoman Zhang Haiyang, a former chairperson of a major railway authority who had used this position to transfer state assets to herself, was given a suspended death sentence.

PROFITS PLUMMETING? OK, LET US EXPAND PRODUCTION!

If "state capitalist" is an incorrect description of the PRC bureaucracy then it is an equally false portrayal of the PRC's state-owned enterprises. Although in the post-1978 period the state corporations have been pushed to run according to "market principles," at critical times especially, they are constrained to operate according to social needs. Following the devastating Sichuan earthquake last May, publicly owned enterprises mobilized *big time* for the relief effort and put people's needs ahead of profit. For example, the PRC's largest insurance firm, state-owned China Life, organized to financially support every single child orphaned by the disaster until he or she reached 18 years of age. This contrasts with the scrimping attitude to Victorian bushfire victims that Australia's capitalist-owned insurers have become notorious for.

Today, the response of the PRC's state firms to the global economic crisis has highlighted the socialistic aspects of these enterprises. For example, the state firms have worked to protect their employees' jobs, despite falling profits. In December, state-owned container production giant, China International Marine Containers (Group) Co. organized to put 22,000 employees on paid training for two months after orders for part of its product range dried up. No workers were

laid off. This is hardly the attitude that capitalist corporations like BHP, Telstra, Qantas, Lend Lease and Pacific Brands are taking.

It is apparent that the PRC state-owned firms while swayed by market moods are not ultimately beholden to the cruel logic of capitalists. For example, everyone knows that when capitalists start seeing their profits dwindle by falling demand they cut back production and slash investment in new plants. That is, after all, what a recession is all about. But in the PRC over the last year, the state firms have been doing just the opposite. The effects of the global crisis meant that their profits fell by a whopping 30%. Yet they rapidly *stepped up* production in this very same period— this is indicated by the fact that the total sales revenue of PRC state enterprises (as opposed to profit) grew by 20 %.

The PRC's state banks have also been behaving rather differently to their capitalist counterparts abroad. One of the causes and effects of the global financial collapse is that the capitalist banks have greatly curbed their lending. In the U.S. the banks have shown little inclination to loosen their tight grip on credit even after Washington organized last October for \$700 billion to be thrown into them. But in the PRC, the state-owned banks have been rapidly lending money. China's largest bank, state-owned Industrial and Commercial Bank of China, spectacularly lent out last month over a fifth of the total amount it lent in the whole of last year. Fifty nine percent of the loans granted were to finance infrastructure projects. Such behaviour by this bank in the midst of a downturn would make no sense to profit-driven capitalists! But such a policy is good for the interests of the Chinese masses as it helps to protect the overall economy during a downturn.

All this does not mean that the PRC's state enterprises are anywhere near perfect. There is, indeed, a tendency among some state enterprise executives to want to take their companies out of the control of the workers state so that they can act like their greedy private sector counterparts. The struggle to constrain the state enterprises to act in people's interests is an important challenge for socialist construction in China.

PRC – A DEFORMED WORKERS STATE

PRC state officials behave in some ways like the conservative officials that head most of our trade unions here. The more conservative Australian union officials as we know are reluctant to wage struggle against the capitalists. They would rather cut a deal over a nice lunch with the bosses or pursue the purely legal means of the Industrial Relations courts. When rank and file union militants and shop-floor delegates argue for industrial action, conservative officials often respond by bureaucratically stopping the workers' proposals from being heard at union meetings. In certain cases, if they feel politically threatened by radical



People gather at a square under the statue of Mao Zedong at Shaoshan, the hometown of Mao in central China's Hunan Province on Dec. 26, 2008, to mark the 115th birthday of the former PRC leader.

workers they have been known to organise for the militants to be physically intimidated and threatened. The bureaucrats hysterically argue that the militants are, by "provoking" the bosses, actually harming the workers' interests.

In an analogous way, the PRC official seeks not to organise the defeat of world capitalism but hopes to strike a compromise with it and with capitalistic forces within China. When more staunchly pro-working class forces push for a harder line against capitalists they risk repression – in some cases in a violent way. Like the Western trade union official who argues that "senseless" industrial action will make the union vulnerable to attack, the PRC government/CPC bureaucrat often contends that mass workers' action against capitalists will cause disorder that would endanger the workers state. Some of the bureaucrats actually themselves believe this claim while others are self-seekers looking for a platform from which to leap into the capitalist class when the masses are not looking. The way that some PRC officials have tried to become capitalists has similarities to the way that former ACTU head Bill Kelty became a director of Lindsay Fox's trucking empire and the way that John Robertson, having sold out the struggle against electricity privatisation, is now a minister in the capitalist NSW government (even currently being responsible for the partial privatisation of the state's prison system!)

However, there is another side to the PRC bureaucracy just as there is another side to our union officialdom. We know that sometimes even conservative union leaders organise workers' action against the capitalists. Even sellouts like Greg Combet and Bill Kelty, albeit very partially, did so when the Maritime Union of Australia (MUA) was attacked in 1998. After all, to the extent that these officials were thinking about their union positions and not their future careers their jobs depended on the continuing existence of unions. Similarly, the PRC official's position is based on the ongoing existence of a workers organisation, in this case not merely a workers' union but a whole actual workers' state. Thus, the PRC bureaucracy does sometimes take action to defend the workers' interests – like when they crack down on capitalist exploiters or when they stop the looting of collectivised property by corrupt individuals. Just as we defend conservative Australian union bureaucrats when they actually organise struggle to defend our unions, we defend the PRC bureaucracy when it takes action to defend the PRC workers state. Our critique of the ACTU union bureaucracy is that it is not consistent in mobilising workers' action and that its conservative program hinders the required class struggle needed to build our unions. Similarly, the Trotskyist critique of the current PRC officialdom is that it is not consistent enough in stopping the capitalists from burrowing into the PRC and that it does not politically advocate class struggle against capitalism outside of China.

The contradictory nature of the PRC bureaucracy is seen in its response to private sector workers' strikes over the last few years. Sometimes Chinese governments, especially at the lower levels of local administration, crack down on these struggles. But this is not a uniform response. Local governments and local police who come down on workers' actions are in many cases criticised by higher level governments. The central PRC government sometimes tacitly encourages local workers' struggles in order to bring to heel despotic regional government heads. At other times striking workers are even more openly supported by the state or at least by a section of the government officials. In certain cases, workers' picket lines and occupations have finished up with the private bosses and not the employees getting fined.

Encouraged by the nod and the wink that they occasionally get from central authorities, Chinese workers have organised an ever rising number of industrial struggles. Even according to figures published by the DSP's *Green Left Weekly* (5 September 2007) in the 19 years to 2005 labour disputes in China grew at an average of 27.3% per year. In 2006 there were reportedly 447,000 labour disputes in the country. The last several months has seen a series of workers actions in response to layoffs by privately owned manufacturers in Southern provinces. Last year the number of labour disputes was 95% higher than the previous year. One of the most militant recent struggles was waged by workers

at the large Kader toy factory in Zhongtang Township in Dongguan City. After the Hong Kong-based capitalist owners laid off hundreds of employees and scrimped on redundancy payouts, 500 workers picketed at the company's gate. Angry workers trashed the factory offices and that night the factory managers fled. When local police were called in to stop the picket, workers were infuriated and overturned a police vehicle and smashed at least four police motorbikes. But notably, PRC central state media responded not by whipping up a campaign against the militant workers but by tacitly backing the Kader employees and by voicing their concerns. The official Chinese media quoted the Zhongtang township head, Li Zhihui who ended up blaming the company for the protest saying that the employer had violated the new Labour Law. Li concluded that "We [i.e. the township government] will strictly abide by the labour contract law and prevent further problems arising" (*Xinhua*, 26 November 2008.) Partly as a result of this government pressure, the company ended up agreeing to take back some of the laid off employees and to increase redundancy payouts for others.

Alongside the increase in workplace claims against employers has come a rapid development in the level of workplace organization of Chinese workers. PRC trade unions have spectacularly increased their membership from 123 million in 2003 to 209 million by June last year. Until a few years ago, China's state sector



In charge! Workers at the capitalist-owned Kader toy factory in Dongguan City take over the factory office in November 2008 after the company announced redundancies. Workers trashed the offices and sent the managers fleeing. After government sympathy for the strikers, the company reversed some of the job cuts.

was heavily unionized but in the private sector there was scarce union presence. But this is changing. By last October 82% of companies run by major foreign interests in China had been unionized.

This union recruitment drive has been encouraged by the CPC government. Union strength is promoted by the 2008 Labour Law. The new law states that if a labour union objects to a revision of workplace conditions in matters such as wages, leave, training etc the new regulation "shall be improved" by the employer. Meanwhile, the latest wave of union organizing in corporate giants such as Wal-Mart, IKEA, TNT, Kodak and Canon came after President Hu Jintao called in March 2006 for unions to do a better job of building organizations in foreign-invested firms.

Now, anti-PRC leftists dismiss this state-sponsored union recruitment campaign as simply a case of Beijing trying to head off militancy by corralling workers into the pro-CPC All China Federation of Trade Unions (ACFTU.) They say that the union building campaign, like the Labour Law, is simply another "concession" to workers struggle. There is some truth to this claim. But it is not the whole story. Even if one was to argue that the ACFTU is a completely placid, monolithic, pro-regime beast the assembly of previously unorganised workers into its collective organisations necessarily increases the class pride and solidarity amongst workers. Thus, building up organizations like the ACFTU is not a smart way of dousing the flames of labour demands. If China's "rulers" were indeed "capitalists" they must really be the most stupid ones around. When real capitalists are forced into concessions they seek to *divide* workers by tactically buying off some - they don't actively try and *unite* workers!

The PRC's union-building campaign has automatically spurred self-activity by workers. Most notably, a grassroots campaign by the ACFTU saw Wal-Mart workers at the Jinjiang Store in Quanzhou City, Fujian province become on 29 July 2006 the first workers in the world to set up a trade union committee at a Walmart store. The U.S. owned Wal-Mart is the largest corporation in the world by revenue and is notorious for its anti-union stance. A report by Australian labour law researcher Chris White (*The Chinese Unionise Walmart*, 2006) details how the set up of the first Wal-Mart union branch was prepared:

"In front of Wal-Mart exits, [ACFTU] organisers were active handing out flyers and leaflets urging joining. Union pamphlets showed the benefits of joining with special offers for services. Local cadres met workers in restaurants and in their dormitories and homes at night. Reports came in that young women were too scared to join, as management would sack or discriminate against them. Trade union cadres complained to management pointing out the law allowing workers to join. Management said their workers did not want to join. The union locally discussed how to go forward. Wal-

Mart's rude and arrogant attitude was put in the newspapers. Journalists reported the contest, leading to public outcry."

An important factor in the efforts to build unions and crack down on hardline bosses has been the support of PRC state media. This was the case with Wal-Mart. But other corporate giants like Microsoft, 3M and PwC have also been brought to task by PRC state media for resisting unionisation. As an article in the finance pages of *The Australian* (11 April 2008) lamented when quoting a Western lawyer who advises capitalist companies in China: "Patti Walsh tells her clients in China that if a union comes knocking, they should accept that they are dealing with the government"! At the recent ACFTU congress, union chairman Wang Zhaoguo, who is also a member of the CPC Politburo, called for "giving more play to the role of the working class as the main force" in society (ACFTU website, 31 October 2008.)

With this message that they are the "main force in society" repeatedly emphasised, it is little surprise that toilers' social protests in the PRC often quickly head towards a workers' "takeover" of whole areas. In China, striking workers often occupy factories, block public highways and take over the streets. A most famous example of such a struggle occurred in Nanchong in Sichuan province in 1997. There the state-run Jianlihua silk factory (as part of rightist reforms that forced many public enterprises to operate more according to market discipline) had laid off employees and cut workers' pay. Workers were outraged and especially furious at extravagance from the management in these hard times (*Living With Reform*, Timothy Cheek). So as the general manager prepared for a dubious official 'inspection tour' of Thailand with his wife, the workers took him hostage:

"They loaded Huang [the manager] into the back of a flatbed truck and forced him into the painful and demeaning 'airplane position' – bent at the waist, arms straight out at the sides. Then they ... paraded him through the streets [of Nanchong] just like the Cultural revolution ... Workers from other factories joined the spontaneous demonstration ... 20,000 people took part."

-*Living With Reform*, Timothy Cheek, 2006

The demonstration ended peacefully after 30 hours with the government ordering that back pay be given to the workers through loans from the state-run bank.

Many Chinese workers understand that for all the problems in the PRC it is still their society and they will ultimately decide things. True, there are major forces, both internal and external within the administration and outside it that are trying to subvert workers' rule in China. The danger is very, very serious. But the Chinese working class has not had its final say.

STRENGTHEN THE WORKERS STATE!

The issue of whether the PRC is a capitalist state or a workers state is the key question that determines what program socialists in China should struggle for. The understanding that the PRC is a workers state, albeit one with serious deformations, means that pro-working class forces should not seek to undermine the PRC police, army, courts and civic bodies but rather should seek to perfect these organs. The PRC's state institutions should be seen like a wayward friend – they are in need of serious correction but we still support them. We should help strengthen these bodies by purging them of corruption and privilege and improving them so that they will consistently serve the masses. Russian revolutionary leader, V.I. Lenin explained the point precisely in a 1921 article addressing the role of trade unions in the then young Soviet workers state:

“... it is obvious that under capitalism the ultimate object of the strike struggle is to break up the state machine and to overthrow the given class state power. Under the transitional type of proletarian state, as ours is, however, the ultimate object of every action taken by the working class can be only to fortify the proletarian state and the proletarian class state power by combating the bureaucratic distortions, mistakes and flaws in this state, and by curbing the class appetites of the capitalists who try to evade its control, etc.”

- *Role and Functions of Trade Unions Under NEP*, V.I. Lenin *Collected Works*

The fact that the PRC remains a workers state also determines the attitude that should be taken to those forces that call for “democracy” in China. In capitalist countries, communists support demands for greater political freedoms as such liberties make it much easier for the masses to organize resistance to the exploiting class. But in a workers state the stance required is more complex. In workers states, Trotskyists call for honest and free discussion among pro-workers state forces because such workers democracy is a key tool for building socialism. However, we do not support giving greater political “rights” to pro-capitalist forces. In a world where most of the biggest powers remain under capitalist rule, “freely” operating pro-capitalist groups in countries like Cuba and China would be able to ride a wave of political and financial resources from overseas backers. Furthermore, if the state institutions in these countries were turned from explicitly pro-communist, pro-working class ones to politically “neutral” institutions, then the “neutral” institutions would soon come under the sway of capitalists and would-be capitalists since it is they who have the greatest wealth and most powerful overseas connections. Understanding all this, Russian, Polish, Czech etc anti-communists and their Western backers made the call for “democracy” (and the associated demand for “separating state institutions” from communist organizations) their main slogan in their 1980s-early 1990s drive to destroy the Soviet and East European workers states. Today, those who

push counterrevolution in China sing the same tune.

Recently, the Western media got all excited when Chinese anti-communist academics, lawyers and retired officials signed a "Charter 08," program for counterrevolution in China. The Charter is modeled on the Charter 77 formed by pro-NATO Czech politician Vaclav Havel, the man who went on to lead the counterrevolution that destroyed the Czechoslovakian workers state. As is typical, Charter 08 is couched in calls for "democracy" and "human rights." Democracy has, of course, from its inception in Ancient Athens been contingent on the type of state wherein it is instituted: Athens was controlled by a ruling class of slave-owners and true to form only male, slave-owning landholders were given the right to vote there. Indeed, the end result of the type of "democracy" that is envisaged by the counterrevolutionaries of Charter 08 is given away in a section in the charter titled, "Protection of Private Property." The section calls for privatizing China's state-owned industrial and banking enterprises and for privatizing the PRC's collectively-owned land:

"We should establish and protect the right to private property and promote an economic system of free and fair markets. We should do away with government monopolies in commerce and industry and guarantee the freedom to start new enterprises. We should establish a Committee on State-Owned Property, reporting to the national legislature, that will monitor the transfer of state-owned enterprises to private ownership in a fair, competitive, and orderly manner. We should institute a land reform that promotes private ownership of land, guarantees the right to buy and sell land, and allows the true value of private property to be adequately reflected in the market."

- China's Charter 08, *The New York Review of Books* Vol. 56, No. 1

Chinese leftists should organize protest demonstrations outside the offices of prominent Charter 08 signatories. By condemning these open counterrevolutionaries, such mass protests would also push the more mainstream rightists on to the back foot while putting the centrists on notice that their accommodations to the right are not appreciated. Simultaneously, there need to be campaigns to directly curb the political influence of the mainstream right. Capitalist entrepreneurs who are seated in China's parliaments are getting too cheeky. That is why communists should call for all private bosses – that is, all exploiters of labour – to be banned from seats in the PRC's national and local parliaments.

To curb capitalist political incursions, the economic power of the capitalists must also be curtailed. No watering down of the pro-worker provisions of the Labour Law should be permitted. Workers and unemployed workers should form action committees to investigate private employers so as to ensure the strict implementation of the Labour Law and to expose any government officials

that corruptly collaborate with private bosses. Such workers committees would welcome into their ranks those members of the Chinese police forces, army and labour authorities who want to be involved. To ensure that such grassroots organisations do not get hijacked by counterrevolutionaries seeking to simply disrupt the socialistic order, the committees would make clear from the outset that their goal is to **strengthen** the workers state.

The way to put more teeth into pro-worker laws is to call for all private bosses that violate the Labour Law to be severely punished by having their enterprises nationalised without compensation. Workers should be organised to occupy the factories of offending enterprises in order to spur on such nationalisations. Nationalisation of parts of the private sector is a key way of ensuring stable employment for workers in this time of uncertainty. PRC state-owned enterprises, unlike private ones, can be more easily controlled to meet social needs like the urgent goal of full employment. Chinese workers should agitate for some of the private firms that close down during the crisis to have their plants taken over by the state, consolidated together and then reopened as state-owned enterprises. Simultaneously, existing state-owned workplaces must take on more staff, including through shortening the workweek of existing employees. All these measures will, of course, require the expenditure of state financial resources. That is why the pressure to make further tax concessions for ailing private firms should be strongly resisted. Instead, taxation of the rich should be increased including through the introduction of a steep capital gains tax on real estate and share market trading.

To mobilize toward all these goals will require a working class with a high degree of class consciousness. The Chinese working class is deeply egalitarian. However, its understanding of the need to organize completely separately from the capitalists has been sapped by decades of the CPC pushing the idea that some "good capitalists" can be allies in the fight for socialism. The way the CPC has posed the issue muddles things up. Exploitation and capitalism are not simply a matter of evil, selfish motives. Rather, they are physical facts based on a structure of production where private individuals own the means of production and make profit from other people: their employees, labour. A private boss may personally be either a nice person or a dirt bag (although the nature of what they do heavily leans them towards becoming the latter.) Regardless, the private employer's interest in extracting profit from workers' labour is **counterposed** to the interests of the working class which is to retain the fruits of its own work.

In the early years of this century, previous Chinese leader Jiang Zemin formally allowed capitalists to become members of the CPC. This was as part of his theory of the "Three Represents." Jiang said that some capitalists were also contributing to China's socialist construction. Now, certainly a workers state

may need to use individual capitalists for economic reasons during the period of transition to socialism. But **the nature of how capitalists derive their income** means that even these capitalists necessarily have an interest in the perpetuation of production for private profit. Thus, regardless of whether we may have to temporarily cooperate with them in economic work, **all** private bosses cannot but be political opponents in the long-term fight for socialism. They have no place in a party that is meant to politically lead the struggle for socialism.

It is good that even after the emergence of the "Three Represents" policy, only a tiny minority of the CPC are indeed capitalists. But the embrace of even a small number of capitalists muddies the class struggle consciousness of working class CPC members. After all, the Communist Party is meant to help guide the working class on its long march away from the degradations of capitalism through socialism and ever onwards towards the great goal of a classless, stateless communist society. So how, then, is a working person meant to view the presence of even one capitalist in the echelons of the Party where that capitalist can conspire to stray the people away from this path for the sake of his filthy profits or, even worse, capitalist restoration itself. That is why all private bosses should be removed from membership of the CPC. On the other hand, professionals and the self-employed should continue to be welcomed into the CPC, provided that they decisively junk any ambitions they may have had of becoming future capitalists and on condition that they commit themselves to fighting for a wholly working-class oriented program. The Chinese toilers need a party that is based on the uncompromising class struggle principles and glorious internationalism of the CPC when it was first founded in 1921.

THE MOST IMPORTANT POLITICAL ISSUE IN THE WORLD

Of course, it is all well and good for Marxists living in the West to advocate what they think the Chinese masses should do but what really counts is what stance we take with respect to PRC related matters in our own countries. And our stance here actually matters a lot. The main pressure for capitalist counterrevolution that bears upon the PRC comes from the outside. It comes from Western officials demanding that China privatize its key industries, from international anti-communist condemnations about "human rights," from things like the attempts to sabotage the Beijing Olympic torch relay and from the anti-China military build up of the U.S and her allies. It is the duty of socialists in the West to relieve this counterrevolutionary pressure.

Unfortunately, at the moment, most Western far-left groups are actually adding their weight behind the anti-PRC forces. Last April, the DSP actively mobilised for the anti-PRC so-called "Free Tibet" protests that accompanied the Beijing Olympics torch relay in Canberra. In doing so, they were indistinguishable from



*Tibetan villagers dance to celebrate the announcement of the annual Serfs Emancipation Day and little wonder! In the days of the old order under the Dalai Lama, the majority of the rural population were serfs, little better than slaves & without schooling or medical care. In those days, Drepung monastery was one of the world's biggest landowners with its 185 manors, 25,000 serfs, 300 great pastures & 16,000 herdsmen. The Dalai Lama himself lived richly in his 1000-room, 14-story Potala Palace. Tashi-Tsering, a victim of repeated rape beginning at age nine, reports that it was common for peasant children to be sexually mistreated in the monasteries. (Goldstein, Siebenschuh & Tashi-Tsering, *The Struggle for Modern Tibet: The Autobiography of Tashi-Tsering*, 1997.) In 1959, the year Tibetan serfs were finally liberated, an exhibition was held to demonstrate the torture equipment that had been used by the Tibetan overlords: handcuffs of all sizes including small ones for children, instruments for cutting off noses & ears, gouging out eyes, breaking off hands & hamstringing legs, hot brands, whips & special implements for disemboweling. (A.L. Strong, *Tibetan Interviews*, 1959.)*

anti-communist liberals that naively want to bestow upon the Tibetan people the overthrown Dalai Lama-led slave/serf owning nobility. Worse still, the DSP ended up standing in the anti-PRC rallies on the same side as large numbers of die-hard Vietnamese anti-communists. The latter were bearing flags of the defeated U.S.-puppet regime in South Vietnam as a symbol of their hatred for pro-communist rule in both China and Vietnam. Also there as part of the anti-PRC bloc was the right-wing Falun Gong group who made a point of burning the communist hammer and sickle red flag.

The RSP which for completely different reasons split from the DSP soon after the torch relay has not, in any of the voluminous documents arising from the split, distanced itself in the slightest from the DSP's prominent anti-PRC stance.

Through this silence the RSP has essentially consented to the anti-communist campaign that their former group was part of. RSP and DSP members ought to consider the incisive comments on the question of the anti-PRC torch relay protests that were made by their mutual idol, Cuban Revolution leader Fidel Castro. In a 31 March 2008 statement titled "The Chinese Victory," Castro wrote:

"Until the Second World War, the United States considered it [Tibet] a part of China and even brought pressures to bear on England in this connection. Following the war, however, they saw it as a religious stronghold that could be used against communism.

"When the People's Republic of China implemented the agrarian reform on Tibetan soil, the elite saw its properties and interests undermined and opposed the measures. This led to an armed uprising in 1959. Tibet's armed rebellion —as opposed to those in Guatemala, Cuba and other nations, where fighting took place under truly harsh conditions— was prepared for years by US secret services....

"The Dalai Lama, bestowed with the US Congress' Gold Medal, praised George W. Bush for his efforts in defense of freedom, democracy and human rights....

"Why is imperialism so intent on forcing China, directly or indirectly, to lose its international significance?...

"The campaign orchestrated against China is like a bugle call aimed at unleashing an attack on the country's well-earned success and against its people, who will host the next Olympic Games.

"The Cuban government issued a declaration categorically expressing its support of China in connection with the campaign undertaken against it on the issue of Tibet. This was the right stance to assume."

"I respect the Dalai Lama's right to believe, but I am not obliged to believe in the Dalai Lama.

"I do have many reasons to believe in China's victory."

Leftists in the West need to go through a painful reorientation of their stance on the PRC. Trotskyist Platform (TP) is willing and ready to be a part of this clarification process. In late 2006 we organized a demonstration outside the Sydney headquarters of the Carlyle Group in solidarity with the (ultimately successful) campaign by Chinese leftists to stop the Carlyle-led privatisation of state-owned Xugong Construction Machinery. Then last year, TP actively stood against the anti-PRC mobilizations that preceded the Beijing Olympics. Today, TP



Powering Ahead: *New generation of equipment made by Chinese state-owned firm Xugong Construction Machinery. Communist campaign successfully beat off attempt to privatize Xugong.*

calls for the building of united front campaigns to oppose Western demands for China to liberalise its economy, to expose anti-communist, anti-PRC propaganda and to support particular pro-working class measures taken by the PRC like its new Labour Law. Such a united-front, pro-Red China movement should seek to include the CPA, Trotskyist Platform and pro-communist immigrant groups but must then actively broaden out to win a section of the Cuba solidarity movement as well as Marxist activists within the union movement.

The question of the PRC is the globe's biggest political issue. In part this is because China has 20% of the planet's people as well as the world's fastest growing economy. But most importantly, no matter how skewed and uncertain its construction of socialism, the development of the pro-communist PRC brings to the fore the issue of communism versus capitalism. Those in the West that call themselves communist must take the communist side on the question of the PRC. The outcome of events in the PRC will heavily weigh, on one side or another, the balance of forces between exploiters and exploited in every country. Here, it will shape the struggle for workers rights, the fight to oppose Western imperialism in the Middle East and the struggle for Aboriginal rights. That is part of the reason why it is so urgent that Marxists here in Australia stand for the defence of the PRC against capitalist counterrevolutionary forces and imperialist military pressure. •