



# China: The Communist Party's Nineteenth Congress

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The 19th Congress of the Chinese Communist Party will open in Beijing tomorrow, October 18, and is scheduled to last for a week. The business of Congress, which is held every five years, is to review the work of the Party since it last met, to chart its political strategy for the next five years and to elect the leadership that will be responsible for implementing it. Of these, it is the third, the composition of the new leadership, that will be most closely examined for clues to China's future direction. While the formal leadership body is the Central Committee, it is the Politburo of 22 and, above all, its Standing Committee of seven, that actually determines policy.

There is not the slightest doubt that Xi Jinping, elected General Secretary at the 18th Congress, will remain in his post. For more than a year, Chinese media have been singing his praises with adulatory articles and a TV series about his life. His book, *The Governance of China*, published earlier this year, has been hailed as a work of genius and possibly good reason to enshrine his political ideas within the Constitution itself, alongside *Mao Zedong Thought*. Some have even suggested resurrecting the title of Chairman in his honour, although that will probably be seen as tempting fate a little too far.

Similarly, after disappointing statistics last year, there has been some relaxation of credit that has allowed an improvement in growth rates, up to 6.5 percent in the first half of the year and projected to reach 6.9 or 7.0 percent by year's end. Conveniently, the most recent figures, the Producer Price Index, which measures factory gate prices, showed the first increase in 54 months, pointing to increased demand and, therefore, a buoyant market.

This is a very different scenario from that in which the last Congress took place. Coming at the end of a fierce internal faction fight, not only was the opening of that Congress postponed, even its last session, at which the new leadership was to be presented, was delayed while agreement on its composition was reached, out of sight of the delegates, of course. In the light of that, many commentators have seen this year's event as a *Congress of the Victors*.

Xi will no doubt have all this in mind when he opens Congress with his report on the work of the party since he took office. In 2012, his faction represented those in the Party who had drawn radical conclusions from China's experience in the aftermath of the crisis of 2008 when the collapse of world trade had a very severe impact on an economy geared precisely to that trade. Through a combination of redirecting production towards the internal market and a huge investment subsidy to develop, in particular, the country's infrastructure, China had not only stabilised itself but had been able to drag many other countries out of recession through its demand for energy and raw materials.

Xi and his faction realised that, having achieved the de facto status of a world power, China could not afford to rest content. It was now necessary to step up a gear in order to ensure not only access to increased supplies but also new markets for the output of her growing industries. That, in turn, meant competing with the already established powers who dominated the world economy and, crucially, the world's financial system. That had huge implications for an economy whose industrial core was still dominated by state owned enterprises reliant on cheap credit from state banks.

## One Belt, One Road

The evidence of the implementation of Xi's strategy can be seen all around the world and, indeed, outside it, with the development of the Chinese space industry. It was given an over-arching coherence with the unveiling of the One Belt, One Road programme for infrastructural development that will link China with South East Asia, the Middle East, Europe and Africa. Like the Marxists who first analysed imperialism a century ago, Xi realised that such international

expansion was not just one policy option among many but an economic imperative.

One sector above all can serve to illustrate this. In the last two decades, China has built thousands of kilometres of high speed railways, more than the rest of the world put together. The rail industry is on course to complete a network of 30,000 kilometres, of which some 25,000 will be high speed, within the next few years. That is a huge achievement but it poses a question ? what then happens to the capital investment behind such rapid expansion? What then for the steelworks that turn out the rails and the bridges, the engineering plants that produce not only the engines and rolling stock but the earth moving equipment, the tunnelling machines and all the other civil engineering equipment, the electronics industry that provides the signalling and, of course, the hundreds of thousands of skilled technicians and workers who actually build railways? Clearly, continuing to build railways outside China is the answer.

The factional differences, however, were less about policy at that level and more about the role of the party within the economy. According to a report from the State-owned Assets Supervision and Administration Commission, within the state owned sector there are 10 million party members and 800,00 party committees. Given the ?leading role of the party? in all aspects of life, the practical consequences of this are that state owned enterprises are inter-connected both to state owned banks and to the various levels of government through the Party. This ensures them both contracts and cheaper credit on very relaxed terms, as compared to the ever-growing private sector. Xi and his supporters, many of whom, like him, had a background in provincial government, rather than in the Party's own apparatus, wanted to ?reform? this system to better reflect capitalist economic realities. In that sense, although they were, and are, staunch party loyalists, they expressed the class interests of the developing capitalist class.

As the 2012 Congress showed, Xi did not enjoy overwhelming support and the faction fight has inevitably continued ever since. Apart from new policy initiatives, such as the partial opening of the financial sector to foreign banks in order to introduce competition that could oblige the state banks to reform themselves, the most visible expression of this has been Xi's purging of the party through his campaign against ?corruption?. It is widely believed that party membership has been the route to personal and, perhaps more importantly, family, enrichment, on all sides. As a result, being charged with corruption or, as they put it in China, ?severe violation of party discipline?, is indicative of political opposition.

As well as emphasising China's economic and diplomatic achievements, it is likely, therefore, that Xi will also refer to this campaign as a sign to the public that his regime has clean hands. It will also serve as a reminder to all remaining opponents that they could join the 1,340,000 who have been purged, among them some very senior figures such as Bo Xilai, the party boss in Chongqing who promoted himself as a champion of Maoism or Jiang Jiemin, head of the China National Petroleum Corporation, who was recently jailed for 16 years. Even the head of security himself, Zhou Yongkang, was jailed. In all, 18 full Central Committee members and another 17 alternate members have been removed since President Xi Jinping came to power and, just to complete the picture of a party leadership that has left nothing to chance for this Congress, 12 CC members were expelled just last week.

Whether Xi will dwell on them or not, Congress will also have to take note of the storm clouds gathering on many fronts. At home, there is the ever present danger of a financial crisis as a result of the huge loans extended to state enterprises; corporate debts totalled US\$18.3 trillion at the end of last year, that is 166.3 per cent of GDP, much higher than the 72.3 per cent in the United States and 53.1 per cent in Germany, according to the Bank for International Settlements. Taking into account private debts, such as mortgages, China's total debt is now reckoned at some 260 percent of GDP, as compared to 150 percent before the crisis of 2008.

Internationally, although many might like to see it as a fantasy of Donald Trump's fevered imagination, a US policy of containment of China, if necessary militarily, has been in place for years, with Barack Obama's ?pivot to the Pacific? a key step in its development.

The One Belt, One Road policy is China's answer ? continue to expand but avoid direct confrontation with the US for as long as possible by concentrating on the Eurasian landmass. The rapid modernisation of the Chinese Army, the building of a second aircraft carrier, unveiling of new stealth fighters and bombers, the development of an anti-satellite

capacity, however, all show that Beijing, under Xi, knows that 'as long as possible' is not the same as 'forever'.

The composition of the Politburo and, crucially, its Standing Committee, will give a first indication of the current balance of forces in China. Part of the compromise established at the last Congress was that some senior figures from the previous leadership remained on the Standing Committee on the understanding that, because of their age, they would stand down at this year's Congress. If the Committee remains at seven seats, that should mean five retiring, providing good scope for Xi to promote his supporters to guarantee a majority on this key body. One of the five, however, is Wang Qishan, currently the head of the Central Commission for Discipline Inspection. Although he has headed Xi's anti-corruption campaign, Wang's background is in finance, he was head of the Construction Bank at one time.

There has been much speculation that Xi may break with convention and retain Wang, despite his age, perhaps indicating a renewed offensive on the state financial sector in the next five years. Such a break would also leave open the possibility that Xi himself may be planning to stay in office beyond his constitutionally limited second term. In a one-party dictatorship, that is, of course, entirely possible but, together with the very obvious promotion of a personality cult around Xi, it raises an obvious question; why should the fate of the most populous nation on earth, almost a quarter of the entire human race, rest on the shoulders of just one man?

The answer lies in the nature of the regime itself. The party needs to have a single source of authority because it cannot tolerate an open clash of competing ideas and strategies. Despite its enormous power, the party essentially represents only the apparatus of government, it is the party of the bureaucrats.

With the restoration of capitalism since 1992, China's fundamental social forces, the working class and the capitalists, have both grown enormously but, inevitably, they have counterposed interests. Any open discussion about the future direction of society, about the policies to be followed by government, would, equally inevitably, come to express those conflicting interests, even if it took place within the framework of a single party. An open discussion would destroy the party, and all the factions within it sense that and, therefore, they submit to whatever force is dominant within the party.

That, however, does not make the fundamentally opposed interests of workers and capitalists go away. As the dynamics of capitalism unfold, they drive forward its contradictions and its conflicts. In response, the party clamps down harder and harder on any dissenting voices, as it already has on democracy campaigners in Hong Kong, legal rights activists on the mainland and religious and national minorities in Tibet and Xinjiang. This is why the working class movement in China must take up the issues of democratic rights as a central part of its own struggle for political independence and, ultimately, leadership of society in the overthrow of both the capitalists and the bureaucrats.

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