China: speculation, corruption and excessive intervention

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In the aftermath of February’s dramatic collapse of the Shanghai stock market, the authorities in Beijing have issued a brochure warning investors of the possible dangers involved in investment, especially in unit trusts. These managed funds have proved to be particularly popular with less experienced investors attracted by the reported combined income of 124.8 billion yuan (some £9 billion) that the funds made in the last year. According to the Asia Times, over 300,000 new accounts were opened on just one day, March 6, and this sector now accounts for very nearly 20% of total stock market values.

Government concerns spring largely from the fear of further volatility on the stock exchanges but also from recognition that these funds are playing a role in financing the overheated property market and overinvestment in industrial capacity. Although Beijing identified restricting economic growth rates as a major priority in each of the last three years, GDP growth rates actually rose, to 10.7%, in the last year.

On another front in the same war, Beijing has announced that, in a further attempt to enforce its crackdown on property speculation and development, it is sending its own investigators into the provinces. Their main target will be the widespread collusion between provincial government and party officials and property developers. The task forces will focus on current construction projects to see whether they comply with regulations covering planning, contracts, accounting, taxation, acquisition of land and treatment of former owners or tenants.

All of these issues have been the sources of conflicts across China and probably account for the majority of the 87,000 incidents of public discontent recorded in 2006. The implicit recognition that officials at provincial and city level cannot be trusted underlines the extent to which capitalist restoration has created new social forces outside of Beijing’s control. With property prices rising by more than 5% per month in many cities and by more than 10% in some, it is not difficult to see why many local governments have been keen to work with the property speculators to stimulate local growth rates, not to mention personal incomes.

There is also a link between the real estate boom and speculation on the stock markets. Although China has one of the highest household saving rates in the world, many of the newly prosperous middle-class have turned their backs on low interest rates and are looking for quick and easy gains. By re-mortgaging their homes, whose market values are rapidly rising, they find the money to invest in the stock markets, thereby giving a further boost to the speculative frenzy.

China’s top political leaders, president Hu Jintao and premier Wen Jiabao, have recognised the social strains that the current capitalist boom is creating. They have announced a package of policies to bring about a “harmonious society”, including new rights for immigrant workers in the cities, a higher level of investment in the interior and the extension of some benefits such as education and social security to the
rural population. However, a report from Global Labour Strategies, a web site run by Global Movement Strategies as an information service for the international Labour movement, reveals that central government, too, can be manipulated and browbeaten by the major capitalist corporations.

"In March 2006 the Chinese government, with considerable popular backing, proposed a new labour law with limited but significant increases in workers' rights. But the American Chamber of Commerce in Shanghai (AmCham), the United States-China Business Council and US-based global corporations lobbied to cut the proposed law. They have even threatened to leave China for countries like Pakistan and Thailand if the law is passed.

Their aggressive tactics appear to have had an effect. In December 2006, the Chinese government released the revised draft of the labour contract law with significant changes in contract, collective bargaining, severance and other rights guaranteed for Chinese workers that would favour corporate interests.

The official All-China Federation of Trade Unions has taken up the campaign against this weakening of the proposed law, one representative, Xie Liangmin, vice-director of the law department, complained to the South China Morning Post, ?It is excessive to intervene in a country's lawmaking process by threatening to withdraw investment.? The issue has also been taken up internationally and this has led the European Chamber of Commerce in China to drop its initial hostility to the original wording of the law.

In the months leading up to the 17th Communist Party congress in the autumn there will be no shortage of official speeches against corruption and speculation and declarations in favour of overcoming the huge and widening gap between the newly created capitalist class, and its hangers on, and the overwhelming majority of China's workers and farmers. Yet it was the Communist Party itself which restored capitalism to China and, just two months ago, took a law through China's parliament guaranteeing the rights of private property and, thereby, the wealth of those who plundered the state sector and now exploit tens of millions of workers.

In the campaign to establish workers' rights, just as in the campaigns against property speculation, the enforced evacuation of workers and farmers and official corruption, working-class activists must emphasise the need for independent and democratic working-class organisation and collective action to achieve their goals. But, above and beyond specific campaigns, the working class of China needs its own political party, committed to the revolutionary overthrow of both the one-party state and the capitalists and the creation of a workers' state based on workers' councils such as those established in Guangzhou and Shanghai before the defeat of the second revolution in 1927.

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