

China: The Gathering Storm

The disastrous collapse of Stalinism in the Soviet bloc should not obscure the fact that the world's most populous nation and third largest economy—the People's Republic of China—remains a deformed workers' state. Yet the fate of the Chinese Revolution was always closely bound up with the USSR—from the formation of the Chinese Communist Party (CCP) in 1921, until the early 1960s, when the rival bureaucrats in Moscow and Beijing had their celebrated falling out. So long as imperialism regarded the USSR as its main international rival, the Chinese bureaucracy had considerable room for maneuver between the “superpowers.” In 1972 the ruling Communist Party, under the leadership of its “Great Helmsman,” Mao Zedong, cemented an anti-Soviet alliance with Washington.

But times have changed. Now that imperialism no longer needs to play the China card against the USSR, the foreign ministries, boardrooms and think-tanks of Western capitals are abuzz with debate over how best to reconquer this Asian colossus, lost to imperialism with the triumph of Mao's armies over Chiang Kai-shek in 1949. Chinese collusion with U.S. imperialism—from supporting Jonas Savimbi's UNITA cutthroats in Angola, to the 1979 invasion of Vietnam, to aiding the Afghan mujahedeen in the 1980s—contributed to the USSR's undoing. Today the bureaucrats in Beijing are reaping, in the form of mounting economic and political pressure from the West, the bitter fruits of their own shameless opportunism.

But taking back China will not be easy. Its rulers seem determined not to go the way of their Soviet counterparts. Clinton's Secretary of State, Warren Christopher, was sharply reminded of this fact during an official visit to Beijing in March. When he repeated American threats to impose trade sanctions unless China showed greater progress on “human rights,” the country's leaders told the White House to mind its own business. During Christopher's visit, leading liberal dissidents were imprisoned or placed under house arrest to underline the point. Prime Minister Li Peng told Christopher that “China will never accept the U.S. human rights concept” (*New York Times*, 13 March).

Asia Watch estimates that there are approximately 1700 political prisoners in China (*Le Monde*, 24 February). The Chinese dissidents who receive most attention in the Western media—like Wei Jingsheng and the exiled Fang Lizhi—oppose the regime in the name of “democracy” and “free speech,” and also, not coincidentally, have little aversion to “free enterprise.” But the regime does not hesitate to persecute pro-socialist opponents, and has been particularly harsh on working-class militants. Trotskyists do not shrink from defending the Stalinists when they suppress active counterrevolutionaries or those colluding with imperialist agencies, but in general we oppose the Stalinist practice of repressing political opponents by police-state methods.

Yet Western “human rights” rhetoric is at bottom an

ideological weapon used by the imperialists to bully recalcitrant “third world” regimes, and in particular the surviving workers' states. Sidney Shapiro, a Chinese government employee, hit the mark in a letter that appeared in the 20 March *New York Times* concerning the Christopher flap:

“the Chinese are well aware of America's military incursions into little countries abroad and its miserable civil rights record at home. They witnessed the beating of Rodney King on their television news. They read in their newspapers about American jails overflowing with prisoners—mostly black. Their daily press gives wide coverage to United States crime, drugs, poverty, homelessness, graft and corruption. Such a country, the Chinese maintain, is not fit to talk about violations of citizen rights in other lands.”

China may succeed in calling Washington's bluff. At a time when the U.S. is feeling growing pressure from other capitalist competitors, profitable investment opportunities and access to China's huge domestic market are far more important to the American ruling class than “human rights.” Clinton is already backing away from his campaign promise to make China's “most-favored-nation” trading status contingent upon its willingness to take orders from the White House. James Lilley, ambassador to Beijing under George Bush, probably spoke for the majority of the U.S. ruling class when he gave the following answer to Congressional Democrats who would restrict Chinese trade in the name of “democracy”:

“Through encouraging broadened American involvement in China's economy, the United States fosters democratic forces and enhances human rights. Rapid economic growth and joint ventures have done more to improve the human rights situation in South China than innumerable threats, dmarches, and unilaterally imposed conditions.”
—*Foreign Policy*, Spring 1994

If we bear in mind that “democracy” and “human rights” are code-words for capitalist exploitation, Lilley's strategy—political reconquest through economic penetration—has much to recommend it to the imperialists. Ever since the late 1970s, when Deng Xiaoping came to power in a country brought to the verge of economic collapse by the Cultural Revolution, the ruling regime, with some zigzags and retreats, has moved far to the right in the economic field. In 1978 the government launched a series of “market reforms” not unlike those undertaken by Gorbachev half a dozen years later. Central controls on industry were loosened, and land belonging to collective farms was broken up into small “noodle-strip” plots and leased to peasant families on a long-term basis. Small decentralized manufacturing units, termed rural enterprises, mushroomed throughout the countryside.

Deng Xiaoping went further than Gorbachev. Part of his reform program consisted in the creation of special economic zones (SEZs), in which private ownership of the means of production is not only tolerated but encouraged, and where foreign capital has a virtually free hand.

In response to the 1989 Tiananmen massacre, Beijing's rulers attempted to allay mass discontent by giving the SEZs even more latitude.

The largest and most successful of these zones are in the southern province of Guangdong. The Pearl River Delta, with a population of 20 million, is now enjoying an unprecedented economic boom fueled by foreign investment, much of it from Taiwan and Hong Kong. Guangdong now leads the country in industrial production and retail sales, and has the world's highest annual growth rate of 20 percent. This expansion, driven by cheap-labor export industries, has made the province a magnet for millions of unemployed peasant youth from the rest of the country, and spilled over into other regions. As blue jeans, Big Macs and brothels proliferate in Canton and Shanghai, the Western media celebrate the "South China Miracle" as capitalism's latest third-world rags-to-riches story, and proclaim the region Asia's "fifth dragon," along with Hong Kong, Taiwan, South Korea and Singapore.

The gerontocrats who run the country from Beijing's thickly walled Zhongnanhai compound in the Forbidden City are no doubt more ambivalent. The official government slogan, "Two Systems, One Country," expresses their intention to harness the "dragon" of free enterprise to contribute, alongside the state sector, to making China a wealthy and powerful society. And there are, for the moment, certain benefits for the regime. Tax revenues from southern capitalists help reduce government debt and subsidize the faltering state economy; Guangdong also serves to soak up a portion of China's multi-millioned rural unemployed. It was for the sake of these short-term advantages that the regime permitted the special economic zones in the first place, and continues to let them thrive despite misgivings.

But Guangdong is a Pandora's Box for the rulers of the Chinese deformed workers' state. Neither Deng Xiaoping nor his superannuated cronies can be entirely oblivious to the fact that Guangdong's bureaucrats, growing fat on bribes, extortion and kickbacks from the capitalist enterprises, are increasingly asserting their independence from Beijing in the best tradition of regional warlords. Or that Guangdong now bears a much closer resemblance to Taiwan and Hong Kong (to which it has recently become connected by a six-lane superhighway) than to the impoverished Chinese interior. Deng and company have also been forced to pay some attention to the peasant revolts that swept across the hinterland during the spring and summer of 1993.

The state-owned and private sectors of the Chinese economy are, in short, on a collision course. In anticipation of the gathering storm, the regime is tightening the screws of political repression. Communist Party leaders now speak admiringly of the governments of Singapore and South Korea, which have supposedly succeeded in combining capitalism with authoritarian rule. Can the state created by the triumph of the People's Liberation Army survive the coming collision? Can it transform itself from a deformed workers' state into a capitalist state? Does Guangdong province show the rest of China the image of its future, as bourgeois ideologues contend? These are the urgent questions posed by the recent evo-

lution of the People's Republic of China.

Some 'Incorrect Ideas'

The growth of the capitalist market in China has given rise to several fundamental misconceptions. First, there is the notion that the market can somehow be made to serve "socialism," i.e., used to enrich the state-owned sector on a long-term basis. This was the guiding conception of the Communist Party leadership when the reforms were introduced. In 1984, Deng Xiaoping wrote an article for a Thai newspaper that explained:

"We should like to expand the role of the market economy, as we develop further. This had led some to question whether China is moving in the direction of capitalism. We are not. It is not correct to assume that a market economy can only exist under capitalism. Under the socialist system, a market economy can exist side by side with a planned production economy—and they can be coordinated...."

"Under socialism, the market economy operates in the context of a two-sector system. Some means of production are owned by the nation as a whole, others are owned by collectives. Relations between the two sectors can be regulated by the market—but the common basis is still socialist ownership. By its nature a socialist society is designed to enrich the whole population. In a socialist society an exploiting class will never arise.

"Of course, if an enterprise in China is established with foreign capital, a new element is injected. Naturally, the owners will be capitalists. But in other sectors of the economy, public ownership will predominate."

—*The People's Republic of China 1979-84*, Vol. 2

There has been no indication that the ruling faction of the Chinese Communist Party has reevaluated its notions about "market socialism" in light of the experiences in Eastern Europe and the USSR. Before the collapse of the Soviet Union, the Chinese government line was dutifully echoed by various leftist China scholars. Occasionally some scribbler in the bourgeois press, or the odd disoriented leftist, will still favorably contrast the "successful" Chinese model of market reform to the failure of perestroika in the ex-Soviet Union, or claim that Deng's reforms represent a "third way" between capitalism and collectivized property. In an article published just after the failure of the 1991 Moscow coup, Robin Blackburn, the British New Left *enfant terrible* turned social democrat, suggested:

"If the economies of Russia and other former Soviet republics are to be revived it is far more likely to be done by encouraging autonomous municipal and republican collective enterprise, on the Chinese model, than by the ruinous dogmas of Chicago economics."

—"Russia Should Be Looking East, Not West," *New Left Review*, September-October, 1991

Another misconception—shared by old-time Maoists and some bourgeois ideologues—is that the ruling bureaucracy can successfully lead a seamless transition from a system of collectivized property to capitalism, without losing its grip on power. William Hinton, author of *Fanshen*, the famous chronicle of collectivization in Long Bow Village, and diehard Maoist to this day, accuses Deng et al. of having shown themselves to be the "capitalist roaders" Mao branded them during the Cultural Revolution. Hinton's latest book, *The Great Rever-*

sal, argues that:

“[The leaders in Beijing] are newly constituted bureaucratic capitalists, busy carving the economy into gigantic family fiefs, ready, in true comprador style, to sell China out to the highest bidder.”

This is wholly consistent with the Maoist belief in the omnipotence of leaders. Just as the transition from capitalism to socialism depends upon the will and determination of a Great Helmsman and his faithful disciples, so the entire social and economic character of a nation can be transformed by the ideological impurities of a handful of bad bureaucrats. Thus the Soviet Union, which was touted by Mao as a model socialist society under Stalin, is said to have turned capitalist in 1956 as a result of Khrushchev’s secret speech denouncing his former boss.

An article entitled “The Chinese Road to Capitalism” (*New Left Review*, May-June 1993) by Richard Smith, effectively demolishes most of the above misconceptions (although the article is marred by a spurious Shachtmanite framework in which the Chinese bureaucracy is seen as a “ruling class.”) Smith distinguishes between two things that are frequently lumped together: on the one hand, the Deng regime’s attempt to employ perestroika-type market mechanisms within the state-owned sector of the economy, and, on the other, the creation of a growing private sector virtually free from state control. The failure of the former experiment has led the regime to rely more heavily upon the dynamic private sector of China’s southern littoral. Yet the burgeoning private sector must inevitably exercise a disintegrative effect on the state-owned economy, from which the power of the central bureaucracy is ultimately derived.

Chinese Perestroika Unravels

Deng’s experiment with perestroika has run aground for the same reasons that Gorbachev’s did. As we wrote five years ago:

“The market is not a neutral instrument that can be harnessed in the service of a collectivized economy. While the market mechanism can be used in a planned economy for the rational allocation of consumer goods, its logic is ultimately antagonistic to a society where production is planned on the basis of human need. Where a collectivized economy governed by the producers fosters in individuals a sense of mutual social responsibility, the market engenders a narrow-minded materialistic egotism, the war of all against all. It is indeed possible, either in the transition period from capitalism to socialism or in the initial stages of capitalist restoration, for market and plan to coexist within the same society, just as it is possible for healthy and cancerous cells to exist for a time within the living organism. This coexistence, however, can never be a peaceful one. In the end, one or the other must prevail.”

—1917 No. 6, Summer 1989

Deng initially attempted to turn to the market to increase production and boost exports in order to earn the hard currency necessary to purchase foreign technology for modernization. Although the reforms initially increased output in industry and agriculture, efforts in both spheres ultimately foundered because market and plan, far from complementing one another, tended to

prevent each other from operating consistently.

Beginning in 1978, the collective farm system, through which the state had run agriculture directly, was abandoned. But while collectives were supplanted by private plots, and peasants granted greater liberty to decide what and how much to produce, peasant families entered into contracts obliging them to sell the lion’s share of their crops to the state. In theory these contracts were voluntary, but peasants were often pressured by local officials. The state also indirectly controlled agriculture through the pricing of key inputs (fertilizers, machinery, etc.).

The new system dramatically increased agricultural production from 1979-84, but not because of the inherent superiority of private plots over collective farms, as the Western media constantly alleged. The initial success was rather due to the fact that the state was matching free-market prices, and the contracts guaranteed the peasants a buyer. This policy resulted in a massive transfer of wealth to the peasantry.

As soon as state procurement prices fell behind inflation, however, the peasants immediately cut back on their sowing, and concentrated their energies on more profitable meat and poultry. Many hundreds of thousands of peasants also left the fields for the cities or took jobs in rural industries. In 1985 agricultural output dropped faster than at any point since the disastrous “Great Leap Forward” of the 1950s. Although output has climbed since, 1979-84 levels have never been regained.

The contradictions of China’s perestroika are even starker in industry. The regime sought to increase productivity by allowing managers more control over production, and permitting firms to retain a greater portion of their profits. This was intended as an incentive to produce more efficiently. Yet the market cannot act as a spur to productivity unless its competitive logic is consistently applied. There must not only be rewards for success, but also penalties for failure. Workers who fall behind must be fired, and relatively inefficient firms allowed to fail. The existence of a mass of unemployed workers presents no problem for a capitalist; they are not his responsibility. In fact their very presence helps hold down the price of labor.

But because China remains a workers’ state, where the major means of production have historically been publicly owned and centrally controlled, the Chinese Stalinists have always hesitated to carry market competition to its logical conclusion. If the state is responsible for maintaining the livelihood of unemployed workers as well as employed, far better to have workers employed even if their productivity is low, than to have them unemployed, as a totally unproductive drain upon state resources. Moreover, attacks on the Chinese workers’ famous “iron rice bowl” could have unpredictable political results. It is therefore not hard to see why the regime, despite much talk, and even legislation that theoretically allowed managers to hire and fire as they saw fit, was reluctant to permit mass layoffs or factory closings. Contrary to the imperatives of the market, the state continues to subsidize unprofitable firms, although by 1989, half of them were not self-sustaining. Only recently have there been major layoffs in the state sector.

In the absence of a genuine market, factory managers inevitably sought to attain their goal of maximizing output in the easiest way: by expanding the quantity of raw materials, machinery and labor at their disposal. Deng's "reforms" increased industrial output by over 12 percent annually between 1979 and 1988. But, the total cost of inputs rose even faster. According to Richard Smith:

"investments in fixed assets in new and expanded state-owned units grew by an average of 15.2 per cent per year during the same period.... In 1991, industrial output [grew] by 10 per cent. But this growth in output required a commensurate increase of capital inputs of 21.7 per cent—more than double the rate of growth in output."

Many of these inputs consisted of imported machinery, purchased with foreign loans. In most years since 1978 China has run a trade deficit. Thus, instead of boosting exports and allowing China to purchase the technology required for modernization, the market reforms have left China deeply indebted to imperialist banks and lending agencies. Government borrowing in turn fueled inflation. Partially to offset these effects, the regime has gradually increased its reliance on export revenues generated by the SEZs.

The Working Class and Tiananmen Square

By 1988, with inflation running at 30 percent, the southern capitalist sector ballooning out of control, and official corruption at unprecedented levels, China was headed toward a crisis. Many of the technocratic elite began calling for the wholesale privatization of the economy. The regime began to feel threatened, and took a series of measures aimed at curbing inflation and reasserting central economic control. Loans and subsidies to enterprises were cut back, imports were reduced and price controls reintroduced.

The result was an acute economic contraction, which formed the backdrop to the events of Tiananmen Square in June 1989. The Western media tended to treat the Chinese "democracy movement" as a simple replica of the popular upsurges that swept the Stalinists from power in Eastern Europe. Its goal was said to be a "Western-style" democracy and a "free" economy, i.e., capitalist restoration. The reality was more complex. Many of the students camped in front of the Great Hall of the People were indeed the sons and daughters of a rising technocratic elite that longs to be part of a new Chinese capitalist class. Many leading dissident intellectuals, with their naive worship of all things Western, articulated the aspirations of these emerging elites. These layers are loosely aligned with the most right-wing, pro-capitalist elements of the CCP bureaucracy.

But behind the student protests, far away from the Western TV crews, stood another, mightier force—the Chinese working class. It was their strikes and protests in the previous months that set the scene for Tiananmen. It was their anger—not only at the reassertion of the prerogatives of the corrupt party bureaucrats, but also with daily lives made poorer and more precarious by "market reforms"—that made the regime tremble with fear.

"On May 17 and 18, when over a million people marched in Beijing...workers began to make up the majority of the

crowds....workers from the largest state-run factories in the city such as the Capital Steel Corporation and the Yanshan Petrochemical Corporation were most conspicuous. They came into the city on an armada of trucks, buses and all sorts of vehicles, banging drums, gongs and cymbals, and waving red flags."

—“Analyzing the Role of Chinese Workers in the Protest Movement of 1989,” Shaoguang Wang, in *China: The Crisis of 1989*, Vol. 2

Under the pressure of its base, the bureaucrats of the National Council of Trade Unions donated money to the demonstrators:

"And more remarkably, according to a very reliable source, the National Council of Trade Unions agreed to call out a national general strike on May 20. It was probably because of this threat that Li Peng ordered martial law on the night of May 19.

"But martial law did not intimidate the students or the workers. While official trade unions hung back, workers began to organize autonomous trade unions. In Beijing, a preparation committee for a 'workers' self-governing federation' (*gongren zizhi lianhehui*) came into being on May 25. Workers in the provinces quickly followed the example."

—*Ibid.*

This is why the troops of June 1989 concentrated their fiercest attacks on the working-class neighborhoods surrounding Tiananmen Square rather than on the square itself, and why the harshest repressive measures in the post-Tiananmen mop-up were reserved for workers, not students or intellectuals. The Chinese working class, which was always regarded with contempt by the Maoist bureaucracy, will make its voice heard again—and not in favor of capitalist restoration.

The 'Southern Miracle' of Naked Exploitation

For a couple years after the Tiananmen massacre the course of the Chinese regime was uncertain, as "hardliners" who favored curbing the capitalist sector seemed at times to gain the upper hand over so-called reformers. However, by the Fourteenth Party Congress in 1992, Deng had essentially outlined the course he has pursued ever since: using economic growth derived from the expansion of the southern capitalist sector to buy popular acceptance, while maintaining the Communist Party's absolute monopoly of political power. In a rare foray beyond the walls of his Beijing compound, Deng prepared for the congress by visiting Shenzhen, the most prosperous of Guangdong's special economic zones, where he extolled the contribution of private production to the power and prestige of China. The congress saw the eclipse of Chen Yun, who had been denounced as a "rightist" during the Cultural Revolution for favoring the Soviet model of economic development, but was now labelled a "leftist" for being overly critical of the capitalist sector. While attempting to maintain his position as an arbiter among party factions, Deng successfully maneuvered to strengthen the hand of market enthusiasts. The result was full speed ahead for the special economic zones.

Not far from Hong Kong, Guangdong's four SEZs have become the motor force of China's emerging capitalist sector. When first created in 1980, they mainly

attracted investments in tourism and real estate. By the mid-1980s, however, foreign investment was shifting toward labor-intensive, export-oriented light manufacturing industries—textiles, toys and clothing. But there has also been growth in other, more sophisticated sectors:

“While China’s success owes much to cheap labour costs—textiles and footwear accounted for one third of 1992’s \$85 billion in exports—exports of machinery, electronic products and transport equipment [are] the fastest growing areas. High foreign investment in capital intensive areas spawned an increase of about 86 per cent in exports of machinery and transport equipment in the first nine months of 1992, compared with 1991. Trade in these items accounted for 16 per cent of exports last year, compared with just 6 per cent in 1988.”

—*Financial Times* (London), 16 February 1993

In recent years China has become a very hot market for foreign investors. Between 1979 and 1991, some \$20 billion was pumped into China. In 1992 alone \$11 billion more flooded in to reap superprofits from China’s principal economic resource—a cheap and abundant labor supply. About a quarter of this investment comes from the U.S., Japan and Western Europe, with most of the rest from the other East Asian “dragons.”

The SEZs originally restricted the extent of foreign ownership, hiring and firing of workers, and the repatriation of profits. However, in the mid-1980s several major investors threatened to pull out altogether unless the government relaxed the rules. The Deng regime, already on the defensive due to the effects of its failed market reforms, repeatedly gave ground, until Guangdong began to bear an uncomfortable resemblance to the notorious foreign concessions of pre-revolutionary times. Today Guangdong provides the “dragons” with a cheap-labor and low-tax haven of the sort that the maquiladora zones of northern Mexico supply to U.S. capitalists. Hong Kong firms employ three million manufacturing workers in Guangdong, but only 680,000 in Hong Kong itself. The 5 August 1991 issue of *Forbes* magazine gushed that Guangdong is a “marriage made in heaven,” which “combines the business acumen, technology and capital of Hong Kong industry with the bottomless pool of cheap Chinese labor.”

But the capitalist’s heaven is the worker’s hell. Armed with the right to hire and fire at will, foreign capitalists operating in Guangdong have resurrected all the conditions of the most hideous pre-revolutionary sweatshops. “We’re not an iron rice-bowl here,” boasted one electronics factory manager. “If a worker doesn’t satisfy me, he’s out the door.” According to Richard Smith:

“No less an authority than *Business Week* reports that the 12,000 workers of a Shekou assembly operation of Kader Enterprises Ltd, Hong Kong’s largest toy maker, typically work 14-hour days—often seven days a week—for wages of around US \$21 a month. Most of these employees are women from 17 to 25 years of age, but many are just children, some as young as twelve years old. They sleep six to a room in company dormitories. Says a Kader executive: ‘We can work these girls all day and all night, while in Hong Kong it would be impossible. We couldn’t get this kind of labour, even if we were willing to meet Hong Kong wage levels.’”

Noam Chomsky quotes a report by Sheila Tefft in the *Christian Science Monitor* of a fire in November 1993 that:

“killed 81 women trapped ‘behind barred windows and blocked doorways,’ and another a few weeks later that killed 60 workers in a Taiwanese-owned textile mill. More than 11,000 Chinese workers were killed in industrial accidents in the first eight months of 1993, double the 1992 rate, the Labor Ministry reported. ‘Chinese officials and analysts say the accidents stem from abysmal working conditions, which, combined with long hours, inadequate pay, and even physical beatings, are stirring unprecedented labor unrest among China’s booming foreign joint ventures.’ ‘The tensions reveal the great gap between competitive foreign capitalists lured by cheap Chinese labor and workers weaned on socialist job security and the safety net of cradle-to-grave benefits.’”

— *Lies Of Our Times*, March 1994

In a recent *New York Times* piece, Zhao Haiching and Fang Lizhi (the famous dissident astrophysicist now teaching at the University of Arizona), called for the Clinton administration to pressure the regime on “human rights” while maintaining trade relations: “Mr. Clinton should revoke most-favored-nation status for products made or sold by Government-controlled enterprises, thereby pressing the regime for change. But he should not cancel them for the private sector, which needs incentives to grow” (*New York Times*, 7 April). Apparently the right not to be worked to death or immolated in a factory does not rank high among the “human rights” championed by the Chinese dissidents embraced by the U.S. Department of State.

Rural Industries: Between Plan and Market

China’s “rural industries” (or collectives), were created by the government as part of its reform package in the late 1970s, and occupy an intermediate position between private and state economies. They began as mostly small-scale workshops making use of second-hand machinery from the state sector, and geared toward production for the home market—building materials and consumer items—as well as exports. These industries, which now exist in many urban areas, operate outside the centrally planned state economy, and, while most are owned and operated by local governments, a substantial percentage are in private hands. Even among those held by municipalities, some are leased to private producers and others have sold shares to foreign capitalists in various joint ventures.

The municipally owned collectives are much more dependent on the market than state firms. They are generally compelled to rely on the open market to sell their products and to purchase machinery and raw materials, which must be financed from profits. Workers in these firms mostly earn piece rates. Unlike state enterprises, rural industries seldom provide housing or social services to their workers. But the collectives are not entirely subject to the logic of the market. Local governments often force these firms to retain more workers than they need as a way of alleviating the rural unemployment which has assumed crisis proportions since decollectivization. Profits are also commonly diverted to support local agriculture, while enterprises in danger of going under are frequently subsidized.

Some social democrats, like Robin Blackburn, have depicted the rural industries as some kind of “third way”

between private and public ownership. But in fact they face growing competition from the private sector. Rural enterprises boomed until the mid-1980s, but, as Richard Smith explains, have since been losing ground:

“private capitalist firms, though generally far smaller, operating with more primitive technology, and often harassed and arbitrarily taxed by local governments, nevertheless increasingly out-compete community enterprises...because they have lower labour costs, they rely on cheaper female labour, they exploit cheaper migrant labour, they offer few or no benefits, and they can close down and lay off workers when demand falls off and resume when it is profitable.... They can also more easily conceal income, evade taxation and so retain more of their profits....

“In sum, given the steady and seemingly inexorable growth of rural marketization, especially in coastal China, it is difficult to see how collectively owned firms with their extra-economic burdens can compete and survive over the long run against lower-cost private producers. Almost certainly, these collectively owned industries will undergo a metamorphosis from minestate enterprises to minestate-capitalist enterprises, or be privatized outright.”

Recent tax reforms passed by the National People's Congress have made it much more difficult for public entities to subsidize the collectives. This can only accelerate the tendency for them to go private if they are to survive.

A Dual Economy

Recent Chinese economic evolution, when carefully examined, shows that the country is not heading in the direction of “market socialism.” Nor is the bureaucracy consciously embarked on an attempt to turn China into a capitalist country, with the 20 million-odd members of the CCP as a new capitalist class. Those elements of the ruling oligarchy, particularly in the SEZs, who have managed to amass personal fortunes, clearly favor wholesale capitalist restoration. Such sentiments extend into the officer corps of the People's Liberation Army, which has also been deeply involved in the private sector. But the highest echelons of the ruling party remain tied to state property.

China is still governed by a single political authority, but one which is being pulled apart by centrifugal forces. The CCP presides over an economy which is deeply divided between two fundamentally incompatible elements: a state sector on the one hand, and a private sector on the other. Ultimately all attempts to reinvigorate a collectivized economy through market reform must fail because, to operate properly, the market requires private ownership of the means of production. The bureaucracy, with its new version of the imperialists' “open door” policy, is in the process of ceding portions of China to foreign capital, and is allowing small home-grown capitalist production to put down roots throughout the country.

Deng and his cohorts may fervently wish that the private sector remain in a secondary role, but they will inevitably discover that capital is malignant, not benign. It will attempt to insinuate itself into every pore of the economy, and will ultimately demand a state power

subservient to itself, i.e., the destruction of the Chinese workers' state, and the bureaucratic regime that now stands at its head.

Ten years ago state-owned firms accounted for more than 80 percent of China's industrial output; today that figure has declined to 50 percent and is still falling. The 28 March issue of the *Asian Wall Street Journal* reported on the problems of the state sector in Chongqing (formerly Chungking):

“Now all these factories are losing out to rivals in richer coastal regions. About 45% of all state factories in Chongqing are unprofitable, compared with 35% a year ago, according to official estimates. In sunset industries like textile and rubber, the proportion rises to 70%. As a result, thousands of workers have been sent home for what is locally known as ‘indefinite vacation’ as their employers have suspended all or part of production. By official account, nearly 200,000 Chongqing workers are ‘vacationing’ on just 60 yuan a month in living allowances, less than a quarter of the average worker's salary in the city.”

The introduction of a capitalist sector has driven a deep wedge into the deformed workers' state, as bureaucrats in prosperous southern coastal areas seek greater independence from Beijing, while residents of the impoverished interior increasingly resent the special status accorded the south. In June of 1993 thousands of peasants stormed government headquarters in a town in the central Chinese province of Sichuan, and held local officials captive while they aired their grievances. This was only the most serious of over 200 such incidents reported by the Chinese government since 1992. Peasants were reportedly aggrieved over a host of arbitrary new taxes levied by provincial bureaucrats seeking to bring their lifestyles up to par with their affluent south-coastal counterparts. Another complaint was that peasants were not paid for grain deliveries, but given IOUs.

The incidents highlight the profound social tensions generated by the economic imbalances between the cities and the countryside, the coastal areas and the interior. Yet the vast majority of the Chinese people live in the interior, and that is where Mao Zedong mobilized the peasant armies that brought him to power. The peasantry has historically been the mainstay of support for the Communist Party. Mass peasant disaffection could be the beginning of the end for Mao's heirs.

The widening gap between coast and hinterland has implications not only for the future of the Chinese workers' state; it also gives a hint of what a capitalist China might look like. The rest of China cannot simply follow Guangdong Province and the other SEZs on the road to export-led industrialization. There may be room in the world market for the exports of a few small Asian “dragons,” but consumers for the exports of a country of two billion people simply don't exist. Capitalist penetration is already beginning to impose upon China an economic profile all too familiar in the “third world”: small islands of urban affluence surrounded by teeming slums and even vaster seas of rural poverty.

The regime appears increasingly powerless to arrest the steady growth of the private sector. Attempts by Beijing to reassert a measure of central control ran into opposition at the March session of the National People's

Congress, a legislature which Mao established to rubber stamp party policy:

"The congress's closing session offered some delegates a chance to vote their displeasure over Beijing's policies. In one of the stronger shows of dissent, some 20% of the 2,721 representatives present voted against or abstained from voting on China's new budget law.

"That's because the law requires provincial governments to submit annual budgets to local congresses for approval, and then stick to them. The law also bans provincial governments from issuing bonds.

"This year's budget, which incorporates a new tax system aimed at fattening the central coffers, also drew a noticeable negative vote.

"This year's dissenting votes only hinted at the dissatisfaction behind the scenes. 'There was a lot of confusion about (last November's) reforms in general and a lot of complaints about the new tax reform in specific,' says one government official who sat in on many provincial group meetings.

"Vice Premier Zhu Rongji unveiled the wide-ranging reforms last year in an effort to resolve some of the tangled, persistent problems that are hampering China's transition from centrally planned to market economy. Besides a new tax revenue-sharing system for the center and regions, Mr. Zhu's program includes reforms for banking, the foreign-exchange system and ailing state enterprises. 'The reforms also are aimed at helping the central government regain some of its old authority, as well as badly needed funds, from China's increasingly independent provinces.'

—*Asian Wall Street Journal Weekly*, 28 March

The Balance Sheet

The Trotskyist movement was born in a political struggle to defend the Marxist program of world revolution against the Stalinist falsifiers, who claimed that a self-sufficient socialism could be constructed within the borders of a single, backward, predominantly peasant country. Following Marx, Engels and Lenin, Trotsky argued that as long as scarcity remained the dominant characteristic of economic life, and as long as production was carried out mainly on small peasant plots, it would be impossible to construct a socialist, i.e., classless society. The world socialist revolution had begun in relatively backward Czarist Russia, but it would only be victorious when it had triumphed in the metropolitan centers of the advanced capitalist world. The agency for international revolution could only be the class located at the heart of the modern capitalist world economy—the proletariat.

The political progenitor of the International Bolshevik Tendency—the international Spartacist tendency—was formed in opposition to Pabloism, a revisionist current within the Trotskyist Fourth International that sought historical substitutes for the working class as the agency of revolution. One of the most seductive arguments for questioning the central role of the working class was the formidable reality of the Chinese Revolution.

As a result of the bloody suppression by Chiang Kai-shek of an incipient workers' revolution in Shanghai in 1927—a disaster brought about by the misleadership of Stalin's Comintern—the Chinese Communist Party,

under the leadership of Mao Zedong, turned its back forever on the working class. Mao responded to the 1927 defeat by going to the countryside, and began to build a base among the peasantry. The CCP's peasant army resisted the Japanese during World War II, and held at bay the U.S.-backed armies of the reactionary Chiang Kai-shek. Upon conquering power in 1949, Mao remained true to the Stalinist notion of "socialism in one country," and set out to build a self-contained Chinese peasant socialism.

The Chinese Revolution was a world-historic event. It changed the whole balance of power on the Asian continent to the disadvantage of imperialism. China fought the U.S. to a stalemate in the Korean War, and the existence of the Chinese deformed workers' state encouraged the insurgent Stalinist movements of Indochina. On the home front, the revolution liberated the peasant masses from the serfdom of centuries, emancipated women from the literally crippling yoke of domestic slavery, ended the cycles of famine and plague that had devastated the countryside since time immemorial, and raised the general standards of health, literacy and material well-being for hundreds of millions.

At the time of the Sino-Soviet split in the early 1960s, Maoism became a pole of attraction for Communist Party members the world over disillusioned with the class-collaborationist policies of their pro-Moscow leaders, as well as for large sections of the emerging New Left. With its polemics against "modern revisionism," and tough talk directed at U.S. imperialism, its penchant for orchestrated mass mobilizations and moral, as opposed to material, incentives for constructing "socialism," Mao's regime provided what seemed like a left-Stalinist alternative to the colorless Kremlin oligarchs.

The Maoists sneered at the Trotskyists who asserted that, despite the considerable achievements of the Chinese Revolution, the Beijing leadership was no different in kind from its Soviet rivals. The revolutionary Spartacist tendency of the 1960s argued that Beijing's militant anti-imperialist rhetoric could be traded in for a few crumbs from Washington's table, and insisted that the egalitarian sloganeering of Mao's "Great Proletarian Cultural Revolution" was in reality a smokescreen for an intra-bureaucratic squabble. Subsequent developments have vindicated this estimation. The Beijing bureaucracy has indeed proved no more revolutionary and no more capable of creating an isolated socialist society, or of advancing the interests of the international proletariat, than the Soviet Stalinists.

Jonas Savimbi, Augusto Pinochet, Pol Pot—these are just a few of the friends cultivated by the Chinese bureaucrats over the course of their squalid twenty-year alliance with U.S. imperialism. The 1966 Suharto coup in Indonesia, in which over a million leftist workers and peasants were butchered, was the direct result of the class-collaborationist policies urged upon the Communist Party of Indonesia by its patrons in Beijing. These horrendous betrayals cannot be blamed on the "capitalist roaders" who opposed Mao within the Chinese Communist Party, for they all took place during the lifetime, and with the blessing, of the "Great Helmsman" himself.

Today the regime of Deng Xiaoping is caving in to

capitalism on the home front as well. Deng is probably aware that the foreign investors who now dominate Guangdong are no friends to collectivized property or the CCP bureaucracy. But he knows, on the other hand, that the growing consumer culture of coastal China is one of the few remaining props for the regime. Hence, every attempt to curb imports and impose austerity measures is followed by a wave of popular discontent, which sends Deng scurrying back to foreign bankers and capitalists.

Maoists may argue that Deng always opposed Mao's economic prescriptions. And it is true that, before the Cultural Revolution, Deng was right-hand man to Liu Shaoqi, reviled by the Maoists as the chief "capitalist roader." But Deng's faction only gained power after bouts of Maoist hysteria and moral exhortation twice brought China to the brink of ruin. The Great Leap Forward brought famine in its wake. The Cultural Revolution led to economic paralysis. Now the Deng faction's attempts at "market socialism" have also come undone, and they are selling chunks of the country to foreign capital because they see no other option. Chinese Stalinism, in short, has come to the end of its rope.

The ruling Stalinist caste derived its power from control of the central administrative apparatus of the collectivized economy. Today millions of CCP functionaries can see that the growth of the private sector threatens their prerogatives. This "conservative" section of the bureaucracy remains an important political factor, with a potential base among the hundreds of millions of workers and peasants who know that further market "reforms" will come at their expense. But, as in the USSR, the so-called hardline elements are demoralized and cynical, and lack both popular support and any kind of coherent positive program.

In any future confrontation we will bloc militarily with those elements of the bureaucracy that attempt to

defend collectivized property against the forces of capitalist counterrevolution, just as we sided with the Soviet Stalinists in their last pathetic attempt to cling to power in August 1991. But we harbor no illusions about the ability of the Stalinists to defend what remain of the gains of the Chinese Revolution. That is the historic task of the Chinese proletariat, a class that the present regime has always regarded with suspicion and hostility, but which has demonstrated its willingness to defend the "iron rice bowl" that Mao promised in 1949.

Although information is sketchy, there is no doubt that workers throughout China are spontaneously resisting the ruthless exploitation of their new foreign employers, as well as the attempts of their old bureaucratic taskmasters to deprive them of existing social and economic rights. Reports of strikes, battles with police, and even the shooting of factory managers now percolate throughout the country. The 10 April *New York Times* reported that:

"a secret Government report leaked to a Hong Kong newspaper...tallied more than 6,000 illegal strikes in China in 1993 and more than 200 riots. Many were protests against layoffs and unpaid wages in cash-starved state industries."

The militant Chinese working class must take power directly into its own hands, and establish a revolutionary workers' government based on soviet democracy. The key to this is the creation of a political leadership committed to the program of revolutionary Trotskyism. A proletarian political revolution that ousts the Stalinist rulers and expropriates the foreign exploiters will not only safeguard the social conquests of the past, but also spark a wave of revolutionary struggles by the combative working class of South Korea, Japan and other countries in the region, and thereby open the road to socialism on a world scale. ■