

China Party Congress: 'New Deal' for Nation

by William Jones

The 17th Party Congress of the Chinese Communist Party Oct. 15-21, initiated a new policy orientation, that has already begun to be characterized as the Hu-Wen "New Deal," referring to President Hu Jintao and Premier Wen Jiabao. The Congress was unusual in several aspects. Firstly, it occurred under conditions of unprecedented media accessibility. Over 1,000 journalists from over 55 nations covered the week-long event, and were given access to many of the delegates. The opening report of Hu Jintao, in his role as general secretary of the party, was broadcast live, as was the concluding ceremony, in which the newly elected members of the governing Politburo were presented. While the actual proceedings of the congress, where party delegates debated the report of the general secretary, were not open to the public, there was ongoing discussion and debate on Chinese television concerning the various issues raised by Hu in his report.

As this was the first party congress presided over by Hu, he was intent on placing his own imprint on the proceedings. This was not merely a matter of bureaucratic formalities, but would serve to assure a continuity of policy, as Hu proceeds with the second half of his Presidency; he will step down at the next party congress five years hence.

The last 30 years of the "opening up and reform" (*gaige kaifeng*) policy of Deng Xiaoping, under which China was opened to the world economy, has provided it with incredibly rapid rates of growth and development. China has become largely dependent on the rapid influx of foreign direct investment from abroad, by companies eager to pocket the tremendous profits they would obtain by abandoning their operations in the United States and Europe for the cheap labor of Chinese workers. Many of these workers were poor farmers, unable to eke out an existence on their small plots, who gravitated to the coastal cities seeking low-wage jobs with which they might support their families back home. As a result, the Chinese economy grew at a tremendous rate, however, at a very high cost.

First of all, the workers themselves are sorely underpaid, at wage levels which do not allow the labor force as a whole to reproduce itself over time. Secondly, little or no consideration has been given to the environmental costs of the rapid expansion of the low-wage manufacturing industries, primarily located along the coast. The rapid expansion



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President Hu Jintao, shown here on a visit to Washington in 2002, called for a “New Deal” for China, in his report to the Communist Party Congress, to address the widening gap between the new billionaires in China’s cities, and the rural poor.

of the Chinese economy, which is still largely dependent on coal as an energy resource, has accelerated the levels of pollution in the cities. And the rapid tempo of production has led to an increase in the number of accidents in the coal mines of China, with over 3,000 people per year being killed in coal mining accidents.

The growing gap between the emerging billionaires in China’s cities, and the rural poor, has created a serious undercurrent of discontent among those left to fend for themselves on the ravaged countryside. Over the last five years, one of the main tasks of the government has been to build the transportation infrastructure for extending the economic growth from the coastal regions of the east and the south, to the inland rural regions and to the western arid areas.

Putting People First

Since they took the reins of power five years ago, President Hu and Premier Wen have been working to solve these problems. Wen, in particular, has spent much of his time visiting all the regions of China to learn what can be done to improve conditions. This effort is reflected in the new emphasis given to these issues at the 17th Party Congress.

In his opening report, which set the tone for congress, Hu outlined a program of social and economic reform which has been dubbed by the Chinese media as the “Hu-Wen New Deal,” a reference to the anti-Depression program that Franklin Roosevelt announced when he accepted the Democratic Party nomination for President in 1932. Some observers report that Chinese leaders have begun studying the life of Roosevelt for inspiration in their planning. But again this is Roosevelt “with Chinese characteristics.” In his speech, Hu placed emphasis on what can be viewed as the Chinese equivalent of the U.S. Constitution’s “general welfare clause,” Sun Yat-sen’s noted Third Principle of government, the concept of “people’s livelihood” [*minsheng*], which, for the first time, has been included in a report by the general secretary of the Communist Party. We do know for a fact that there is serious consideration and study being given in party circles to the economic concepts put forward by American economist and statesman Lyndon LaRouche, who is leading the fight to revive the Roosevelt tradition within the Democratic Party of the United States.

Much effort has already been placed by the Hu-Wen leadership on raising the standard of living of the impoverished rural population, which comprises the overwhelming majority of China 1.3 billion people. Many of the obsolete land taxes have been abolished, and special subsidies have been provided to farmers to grow crops or raise livestock, easing the economic burden on overstretched farmers. Over the past year, there has been a major effort to implement free, compulsory education in the rural areas. Measures have been taken to provide credit mechanisms and medical insurance for farmers and their families.

Some key reforms were laid out by the President in his report: 1) give priority to education; 2) reform the income distribution system, and raise the income of both rural and urban residents; 3) accelerate the establishment of a social security system covering both urban and rural residents, and guarantee their basic living conditions; 4) establish a basic medical and health-care system, with the aim of improving the health of the entire nation.

In addition, the shift to the new social reform program was made a permanent element of Communist Party policy, which, under the rubric of the “Scientific Outlook on Development,” i.e., the commitment to increased rates of economic growth and raising the standard of living of the great masses of China’s rural and urban poor, is written into the party constitution. This was also encapsulated in the slogan of creating “a moderately prosperous society in all respects.” In order to realize this, analysts have talked about the “three mountains”—education, housing, and health care—to be overcome if China is to transform itself into a major industrial economy. In addition to being affected by the U.S. subprime market crisis, China has its own “housing crisis.” The steady flight of workers from the countryside to the cities, combined with a growing “housing bubble” that has led to

skyrocketing prices and rents, has resulted in serious overcrowding, homelessness, and increased crime among migrant workers. The speculative “boom” and the exorbitant profits from it have also helped fuel corruption at the local and regional levels, a problem that was also a major point of discussion at the party congress.

Shifting to Nuclear Fission and Fusion

The growing environmental crisis in China has also played an important role in the Congress discussions. In his report, Hu underlined the importance of this issue for the long-term growth of the Chinese economy. “We must give prominence to building a resource-conserving, environment-friendly society in our strategy for industrialization and modernization and get every organization and family to act accordingly.”

For the Chinese leadership, this is *not* a clarion call for some sort of Al Gore-like “back to nature” lunacy, nor does it entail a willingness to forego economic development for the sake of some bogeyman called climate change. The environmental problems that have come in the wake of China’s mind-boggling transformation into a major cheap labor manufacturing center for the world market are almost overwhelming. Most of China’s rivers are polluted. The still largely coal-dependent Chinese economy is devastating the air of the major industrial centers. China is moving on these issues with the right attitude. The successful implementation of the Three Gorges Dam hydroelectric project, the major shift toward nuclear energy, and the keen interest and investment in the development of thermonuclear fusion power, show that China is intent on overcoming their environmental problems through another technological shift toward more efficient—and more intensive—forms of energy. Indeed, even China’s space program, which, during the party congress launched its first moon probe is geared to investigating the natural resources of the moon, mapping particularly the extensive source of Helium-3 on the moon, a key energy source for a future fusion program.

But there are no immediate and ready answers to these problems. China plans to build more than 30 nuclear plants over the next 15 years, but that will still only comprise an estimated 7% of China’s electricity production. And significant pressure is being put on China by the international financial institutions, the UN, and the environmentalist lobby, to adhere to a rigorous “emissions standard” which could seriously threaten their development plans. But, as President Hu himself emphasized in his report, they are not going to back-pedal on that: “We must regard development as the top priority of the Party in governing and rejuvenating the country,” Hu said. “Development is of decisive significance for building a moderately prosperous society in all respects and speeding up socialist modernization. We must firmly commit ourselves to the central task of economic development, concentrate on construction and de-

velopment, and keep releasing and developing the productive forces.”

An Olive Branch to Taiwan

Another significant aspect of this year’s party congress, were the statements on Taiwan, which are always put under the microscope by so-called “China-watchers” in the West. While reiterating China’s determination to always view Taiwan as an integral part of China, Hu offered an olive branch to his Taiwan compatriots. “We are ready to conduct exchanges, dialogue, consultations, and negotiations with any political party in Taiwan, on any issue, as long as it recognizes that both sides of the Strait belong to one and the same China,” Hu said. Then he went on: “Here we would like to make a solemn appeal: On the basis of the One-China principle, let us discuss a formal end to the state of hostility between the two sides, reach a peace agreement, construct a framework for peaceful development of cross-Straits relations, and thus usher in a new phase of peaceful development.” While the embattled government of Chen Shui-bian in Taiwan publicly greeted this peace overture with scorn, it could, nonetheless, lead to some very interesting developments in cross-Strait relations between Taiwan and mainland China.

But the major brake to the successful implementation of any development program will be the ongoing disintegration of the international financial system. While this topic, from what was publicly made known, was not the major element of debate at the congress, the Communist Party leadership is watching the situation very closely. Speaking to economists gathered at the Peterson Institute of International Economics, Wu Xiaoling, the deputy governor of the People’s Bank of China, commented on the situation in the U.S. housing market, the trigger for a possible collapse of the entire world financial system: “We are working to prevent a large exposure to this market,” Wu said. China has introduced penalties for individuals investing in real estate simply for speculative purposes. Nevertheless, she added “if this [subprime mortgage] crisis leads to a correction of the markets, we can be in a position to help prevent a major collapse.”

While China presently is attempting to position itself in such a way in the present financial arrangements to secure its development requirements, the unraveling of the financial system is rapidly undermining that strategy. If the Chinese leaders are to succeed, they will have to again take a look at the Roosevelt example, and examine, in that spirit, the proposals put forward by Lyndon LaRouche for replacing the bankrupt financial system with a Rooseveltian alternative of a New Bretton Woods arrangement. As LaRouche has continually underlined, an agreement among the four main economic powers—the U.S.A., Russia, China, and India—around such a system, would quickly garner support from most of the other countries of the world.