

# **CHINA: THE ROAD TO TIANANMEN SQUARE**

**Articles on the crisis of  
Stalinism in China**



***A workers power pamphlet***

**75p**

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# China: revolt and repression

*The massacre of 3-4 June has been followed by arrests and executions of student and worker activists. As the opposition goes underground a painful learning process has begun. In response to these events the MRCI publishes the following contribution to the inevitable debate within the opposition.*

CHINA HAS just passed through a profound political revolutionary crisis. It was a crisis which objectively posed the possibility of the revolutionary overthrow of the ruling bureaucracy. Faced with mass opposition in the cities the bureaucratic regime was paralysed. Industry ground to a halt. The bureaucracy's control of its armed forces was shaken. In that crisis decisive action by the working class could have overthrown the regime. The potential for political revolution could have been turned into the reality of proletarian political revolution itself.

The Beijing massacre will be remembered throughout the international workers' movement as one of the decisive moments of twentieth century history. Like the slaughter of the Communards in 1871, or Bloody Sunday, 1905, this will be remembered not only as a testimony to the barbarity of reaction or even the heroism of those who fight it, but as a lesson which, when learned, will hasten both vengeance and the eradication of the social orders which can produce such monstrous inhumanities.

The political revolutionary crisis in China was yet one more example of the deep crisis that is afflicting Stalinism globally. One by one the ruling bureaucracies are attempting to solve the problems of their stagnating planned economies by embracing elements of the market mechanism and retreating before imperialism. The events in China are a portent of the crisis looming for the ruling bureaucracies throughout the degenerate(d) workers' states. All of the ruling castes are capable of attempting to unleash such bloody repression should workers' struggles threaten their rule.

The crisis has also served to accelerate further the process of disintegration of world Stalinism as a monolithic tendency and the deep polarisations in its ranks. Fearful for their own political stability the ruling bureaucracies of Cuba, the GDR, CSSR and Bulgaria have openly supported the massacre of "counter-revolutionaries". The ruling Hungarian party and the Eurocommunists have condemned it. Others, like the Chilean party, were struck silent by events.

In the USSR, Gorbachev has taken great

pains not to condemn the massacre in the name of "non-interference" in the internal affairs of other states. He needs to keep a free hand to use repression at home should his *perestroika* so require it. He wants to establish a precedent should he decide to follow that path. He is also keen to prevent a deterioration in Sino-Soviet relations which he was attempting to normalise at precisely the time the crisis erupted. However, mindful of his relations with imperialism, he has been careful not to appear to openly endorse the massacre. Within the Soviet bureaucracy as a whole the Chinese events will serve to strengthen the resolve of those who, like their East German, Czech and Cuban counterparts, will take them as evidence that the relaxation of bureaucratic planning and political control will surely lead to the destabilising of the regimes themselves.

## China: a degenerate workers' state

Although capitalism was overthrown in China between 1951 and 1953 this was not done by a revolutionary working class which was then able to assert its own control over the economy and establish a system of planning that could mobilise the creativity and energy of the workers. On the contrary, the expropriation—in many cases, by taxation—was carried through by bureaucratic means. This left the state, controlled by the CCP, with ownership of a very backward and distorted economy which was inadequate to the needs both of the population and of the state. Since that time there have been divisions within the ruling bureaucracy over the methods to be used to develop the economy, all that has united them is a commitment to maintaining their own caste rule against all opposition. Throughout the many changes of policy the basic structure of the industrial economy has remained that copied from the Soviet Union during the first Five Year Plan: central planning agencies have laid down quantitative targets to be met by production units and this has been consistently more successful in heavy industry than in light industry.

This form of planning, in the context of a fully statified economy, was able to achieve a significant increase in production and to re-establish a nationally integrated economy. This enabled China to overcome the systematic poverty and national disintegration which she had suffered under capitalism. Nonetheless, the inadequacies of bureaucratic planning were unable to raise production qualitatively above that needed to raise the population above a minimum standard of living. Average incomes and living standards have changed little since the 1950s.

The planned property relations in China represent a historic gain that must be defended. They represent the abolition of capitalism which is a prerequisite of the transition to socialism and communism. However, in the hands of the bureaucracy these planned property relations are not used to create an ever more classless and egalitarian society. The necessary lifeblood of a planned economy—the democracy of the producers themselves—is systematically repressed. As a result, the planned economies stagnate and inequalities and privilege abound.

The reaction of the ruling bureaucracies, first in Yugoslavia, later in China, and now in the USSR, is to try to solve the problem through closer co-operation with imperialism and, most crucially, through the importation of market mechanisms. But by their nature market mechanisms tend to subvert the centralised political control of the bureaucracy. They create their own disequilibriums. For that reason, the Stalinists have, to a greater or lesser extent, tried to marry elements of marketisation with their continued control over production expressed through centralised planning. Objectively this only serves to exacerbate the crisis of their rule. The impact of marketisation serves to hamper centralised planning and control even further. Attempts at centralised planning, in turn, hamper the functioning of the market.

## Plan versus market

In China, as elsewhere, this tension is reflected within the bureaucracy itself between those who wish to maintain, or strengthen, centralised planning and those who wish to push further down the road of marketisation, a section of whom favour the restoration of capitalism itself. These strategic poles within the bureaucracy cannot be simplistically reduced to representing a division between an authoritarian and a liberalising wing within the bureaucracy. It is true that the advocates of centralised planning and control oppose any significant relaxation of the bureaucracy's politically repressive rule. But so too do the marketeers. That Deng Xiaoping could order the bloody massacre

in Beijing while reaffirming his intention to press ahead with market reforms and further openings for foreign capital is proof of this.

Where the so called "liberalisers" in the bureaucracy do call for a relaxation of political control they mean this only to apply to the managerial and technocratic layers of society for whom freedom to discuss the future course of political and economic development is a necessity. None of the bureaucratic factions are genuinely committed to removal of the dictatorial regime over the mass of Chinese workers and peasants.

The present crisis cannot be separated off from the sequence of factional struggles which have centred on this problem of economic growth since the mid-1950s. The "Great Leap Forward", an attempt by Mao to solve the problem voluntaristically, led to a huge drop in output in all sectors. The consequent famine was overcome by allowing a considerable degree of privatised production in agriculture and a return to centralised planning in industry. In an attempt to reverse the social and political consequences of this "capitalist road" the Mao faction resorted to controlled mass mobilisation against their opponents in the mis-named "Proletarian Cultural Revolution". The scale of the factional dispute can be judged by the willingness of the Maoists to allow three years of increasingly independent student and working class activity in a movement which destabilised much of the state administration. Nonetheless, when those mobilisations threatened to go beyond the control of the Mao faction the army was used to restore order. In the aftermath, as the factions fought behind closed doors, the economy stagnated under the increasingly authoritarian rule of the ageing Mao and the "Gang of Four".

### Factional divisions

After the death of Mao in 1976, the faction led by Deng Xiaoping fought to regain the leadership. Within the bureaucracy they reassembled many of the leaders who had been attacked during the Cultural Revolution but, at the same time they encouraged the development of the "Democracy Wall" movement which came to a head in 1978-79. With considerable precision, Deng utilised these two forces first to remove Hua Guofeng and then to repress the democracy movement itself.

The very existence of long term factional polarities within the Chinese bureaucracy made it necessary, as well as possible, for Deng to fashion his own distinct form of Bonapartist rule over the bureaucracy. With close links to the Army High Command through the military commission that he chairs, and through the Standing Committee, he has fashioned the means of exercising his own rule over the party and state bureaucracy and for playing its component groups, including regional groupings within it, against

one another when necessary. Control of the armed and security forces—the decisive levers of political repression—has enabled Deng to defeat his rivals and order the massacre on the streets of Beijing.

In December 1978, the new leadership embarked on its strategy of overcoming the inefficiencies and rigidities of bureaucratic planning by the re-introduction of the market. Privatisation of the communes led, initially, to a sharp increase in production. This success encouraged a similar policy in industry where, although state ownership was retained, individual enterprises were given greater freedom to trade and threatened with closure if they did not become profitable. Foreign capital was introduced extensively into China both by state borrowing and direct investment in the "Special Economic Zones". In industry, too, increases in production were registered in the first years of this programme.

### Roots of the present crisis

However, these policies bore within them the seeds of the insoluble contradictions which have led to the present crisis. As well as opening the economy to the market, the bureaucracy has to retain a central sector under its own control. Without that the bureaucracy has no base in society and no means of enforcing its rule. Parts of the bureaucracy are more immediately related to, or dependent upon, this state economic sector and this is the material basis for the main factional divisions. However, a further element is supplied by the position of the army High Command which, for historic reasons, is closely integrated into the political leadership and also strongly regionalised. Deng's strategy, which involves major concessions to the market but the retention of a powerful state controlled sector, involves distinct regional implications because the coastal provinces are to be more "marketised" than the hinterland. In sum his strategic objective, "Two Systems, One Country" is a utopia. The same state cannot defend both capitalist and post-capitalist property relations.

The demands of the state sector conflict with the priorities of the "marketised sector" in industry, the procurement prices in agriculture are set below those of the market and this encourages corruption. Peasant production of industrial crops replaces food production for the domestic market. Accumulation of capital in the countryside leads to social class differentiation amongst the peasantry and the emergence of a *kulak* class. Rapid capital investment and incentive bonuses stimulate the highest rate of inflation since the revolution and, at the same time, the "iron rice bowl", the guarantee of employment to workers which applies to over 96% of the industrial workforce, sets limits to the productivity targets of the market sector. Commitments to overseas trade

lead to shortages and bottlenecks in domestic production.

Throughout the Chinese economy, all attempts to carry out the market-strategy lead directly to conflict with the bureaucracy's political and economic imperatives. This expresses itself in the demands, by those most closely identified with the market both within the bureaucracy and industry, for further relaxation of state and party controls, for the separation of the party from the state and for the introduction of political pluralism, by which is meant openly restorationist parties. As early as 1986, these had led to a renewal of the "Democracy Movement" amongst professionals and students. The General Secretary of the Party, Hu Yaobang was identified with this movement and, in January 1987, Hu was ousted and replaced by Zhao Ziyang—also a protege of Deng.

The factional struggle, however, did not abate. By the Thirteenth Congress of the CCP, October 1987, the faction in favour of further liberalisation was in the ascendant. It was backed by Deng who insisted that the campaign against the Democracy Movement had to be limited to the political sphere and should not be allowed to affect economic policy. Nonetheless, throughout 1988 the economic problems of the regime multiplied and with them the depth of factional divisions in the highest ranks of the bureaucracy. This culminated in the September 1988 Party Plenum which was so evenly balanced as to be paralysed and unable to ratify the politburo's proposals for radical price reform.

It was this political vacuum which ensured the re-emergence of the Democracy Movement. This was at first restricted to specialised publications, where coded arguments about the economy fuelled discussion and debate within the managerial strata and the intelligentsia. The death of Hu Yaobang (15 April, 1989) provided the pretext for this underground movement to break into the light of day.

### The Democracy Movement in crisis

For decades faction fights within the CCP have been accompanied by bureaucratically controlled mass mobilisations and by attempts to manipulate spontaneous movements. The student demonstrations at the time of Hu's funeral were called by the Democracy Movement under slogans calculated to avoid charges of political disloyalty and with the hope of pressurising elements of the leading caste.

As the movement grew, sections of the bureaucracy no doubt hoped to try and use it to further their factional ends. However, the strength of the movement and the enthusiastic support of the people of Beijing, meant that there was never any possibility of the movement remaining within limits imposed from above.

Although *The People's Daily* condemned the students for conspiracy against the

party and the socialist system this did not prevent their central demands—for a free press, against corruption and recognition of unofficial student organisations—from being taken up by students throughout China. By 4 May, the anniversary of the first revolutionary nationalist movement, the movement was able to march tens of thousands of students into Tiananmen Square without opposition from the state. These demonstrations were cheered by thousands of onlookers. In response to this, Zhao Ziyang announced that many of the ideas of the students “coincided with those of the party”. This was interpreted to mean that Zhao, unlike Deng, was willing to tolerate the Democracy Movement. At the same time, after 4 May, the movement subsided. Apart from Beida, most universities were re-opened the following day.

This, however, proved to be a lull in the movement, not an end to it. Having taken stock of what they had achieved, the Beijing students decided to go further and to organise mass demonstrations at the time of the visit of Gorbachev on 15 May. This resulted in huge demonstrations during Gorbachev's visit. The Chinese bureaucracy was forced to change schedules time and again because of the sheer scale of the mobilisations, which now included large numbers of workers and also protesting journalists who demanded the right to report accurately what was happening. It was in this context that the student hunger strike began and Tiananmen Square became permanently occupied by tens of thousands of students.

In response to this, the Standing Committee of the Politburo met on 18 May to discuss a proposal from Zhao that concessions be made to the students. The proposal was defeated. Zhao signalled his dissent by visiting the students in Tiananmen Square. This act broke the discipline of the bureaucratic caste and led to the downfall of Zhao. Li Peng, the premier declared martial law in Beijing the following morning. Within hours an estimated one million people had occupied central Beijing. When troops tried to enter the centre they were forced back. On the same day, as strikes paralysed the capital, the Autonomous Workers' Organisation was founded in Beijing.

### From stalemate to repression

For the next two weeks a stalemate existed between the students in Tiananmen Square and the deeply divided bureaucracy. Increasing fraternisation between troops and protesters led to the removal of the troops from central Beijing. Rumours abounded of splits in both the army and the bureaucracy as strikes spread throughout China. By the weekend of 27-28 May, the student occupation of Tiananmen Square was beginning to subside and it appeared that a possible compromise had been reached between Beijing student leaders and the bureauc-

racy: the troops would not be used if the students wound down the demonstrations and ended the hunger strike. However, the arrival of provincial students and the increasing involvement of workers in Tiananmen Square revived the movement within a few days. It was this latter development in particular that concentrated the minds of the ruling bureaucracy and determined it to take decisive repressive action.

On 31 May, leaders of the Autonomous Workers' Organisation were arrested in Beijing and workers were publicly threatened and ordered not to support the Tiananmen occupation. Strikes to protest at this took place and several thousand protesters demonstrated outside the Interior Ministry. The following day troops appeared throughout central Beijing. They were unarmed but located at strategic intersections and buildings. On 2 June, thousands of unarmed troops were marched into central Beijing but mass demonstrations prevented their progress and most returned to their garrisons.

### Bureaucratic terror

The scale of the opposition to troop mobilisations in Beijing, coupled with the increasingly nationwide nature of the democracy movement, convinced the core of the bureaucracy, the security services and the army under the leadership of Deng Xiaoping, the “paramount leader”, of the necessity for a ruthless attack on their opponents. On 3 and 4 June this took the form of the Beijing massacre, in which the majority of victims were from the working class of the city who went to the defence of the students and workers in Tiananmen Square. In the days that followed this was extended across the country as general strikes and barricades expressed the outrage and the solidarity of the workers of China.

Although factional disagreements must have contributed to both the delay in imposing this barbarous repression and provided a material substance for the rumours of actual armed conflict between different army groups, there is no evidence of consciously directed armed actions of this sort. The decision to act nationally, and to utilise inexperienced troops from every section of the regionally-based army, contributed to the barbarism but, ultimately, demonstrated the agreement of the bureaucratic factions to the bloody suppression of the opponents of their dictatorship. Those factions who initially opposed this strategy were rendered powerless by the determination of the Deng faction, to oppose that could only have meant civil war and this would have implied a choice between siding with an insurgent working class or, longer term, with agents of capitalist restoration in, for example, Taiwan. There was no group willing or able to make either of these choices.

### The political revolutionary crisis

The mass mobilisations in China had a clear and indisputable political revolutionary potential. This was most sharply expressed by those components of it that gave mass voice to egalitarian, anti-corruption and anti-privilege demands. It represented a mighty struggle against the deeply privileged and secluded bureaucratic leadership and, very noticeably, against their offspring. Note the charges aimed at Li Peng as the adopted son of Zhou Enlai, and at the opulent business career of Deng Xiaoping's son.

Trotsky predicted that the political revolutionary struggle would take the initial form of precisely such a struggle against bureaucratic privilege and also against bureaucratic political oppression. As in all revolutionary crises, the mass mobilisations and the organisations which they created, were far from being politically homogenous or of a nationally uniform character. This was reflected in the political ambiguity of many of the slogans and demands raised by the movement. Nonetheless, the demands for, “democracy” and against corruption expressed, fundamentally, a deep hatred of political oppression and of their own political expropriation on the part of the urban masses. In giving voice to their hatred of the bureaucracy's material privileges they were also voicing their own anger at the extreme hardship of life for the overwhelming majority of the Chinese proletariat.

The political revolutionary potential of the movement was graphically demonstrated by the fact that it mobilised the mighty Chinese working class itself into mass resistance to the bureaucracy through mass strikes and the formation of independent working class organisations. One of the most important features of the entire crisis was the remarkable uniformity of the working class response to the Beijing massacre throughout the major cities of China. In addition, and very importantly, we also saw the formation of joint worker-student organisations of an open, and later after the repression, an underground character.

For these reasons we recognise the politically revolutionary potential of the events themselves. From the point of view of the future they have given the Chinese working class a taste of its own potential strength and its collective identity after years of repression and profound atomisation at the hands of the Stalinist bureaucracy. It has created a river of blood between the Chinese workers and their murderous Stalinist rulers. For that reason it has the potential of playing, for the Chinese working class, the role that the 1905 Revolution in Russia played, despite its eventual defeat, in forging the independent class and political consciousness of the Russian working class.

However, the movement also displayed profound weaknesses and contradictions that precisely prevented the revolutionary potential of the mobilisations being

realised and allowed the bureaucracy to ruthlessly reassert its power. These weaknesses were manifested in several different ways.

Firstly, in the initial social composition of the movement itself. As a movement of the students and the intelligentsia it had neither the social nor political weight to mount a challenge to the bureaucracy that could destroy its armed might and fundamentally challenge its political rule. Its non-proletarian character also meant that its initial focus was on an abstract demand for "democracy" and on pacifist tactics supposed to realise that objective.

"Democracy" was posed in a manner that was capable of having several meanings. On the one hand it involved demands to remove the existing inner clique of the bureaucratic leadership and replace it with one that was supposedly more democratic and less corrupt. This allowed sections of the initial student movement to pose their demands in the form of a homage to Hu Yaobang against the existing leadership that had ousted him. And it allowed them later to concretise their demands in terms of support for Zhao against Li Peng. At certain key junctures this opened the road for Zhao to attempt to, or even perhaps to succeed in, mobilising broad sections of the movement behind one particular wing in the bureaucratic faction fight.

The "democracy" that placed its hopes in bureaucratic reformers and expressed illusions in them had equally crippling illusions in the Peoples Liberation Army itself. This was expressed in a naïve and ultimately calamitous belief that the PLA, as the "people's army", would never attack the "people".

Much of this reflected not only the social composition of the original leadership of the movement, (i.e. students) but also the influence of Aquino type notions of "people's power". The latter was conceived and articulated in terms of the ousting of the present party leadership through the moral pressure of the display of "people's power" in Tiananmen Square.

This was to take the form of a passive occupation of the Square, followed by the hunger strike to which the population in general, as the "people", were asked to give their visible, but still passive, moral support. Only when the movement faced stalemate and the hunger strike failed to achieve its goals and was abandoned, did the leadership of the movement begin to recognise, in a limited way, the potential strength of the working class.

But even then, the working class was still seen only as an auxiliary, although extremely powerful, support to the movement. Despite its massive strength and preparedness to struggle, the leaders of the Chinese Democracy Movement looked to the general strike of the working class as an adjunct to their protests not as the only force that could effectively destabilise bureaucratic rule prior to its insurrectionary overthrow.

While the "democratic movement" called

on the working class to give it support as it became increasingly evident that the ruling bureaucracy was refusing to budge, it remained the case that the dominant trends in that movement remained trapped in pacifist, abstract and ultimately profoundly incoherent notions of democracy. This was symbolised both by their enthusiasm for Gorbachev and the construction of a "Statue of Liberty" in Tiananmen Square.

For some sections of that movement, demands for democracy were also combined with demands for further marketisation and the ultimate restoration of capitalism in China. The very policies of Deng himself in the economic sphere and the pressure of imperialism and Chinese capitalism outside mainland China served to strengthen the pressure on sections of the movement to conceive of the realisation of their democratic demands also in terms of hastening the restoration of capitalism in China.

On the other hand, the foundation of the Autonomous Workers' Organisations on 21 May, starting in Beijing, was an important step forward for the Chinese working class and represented the awakening of genuine independent class organisation even though its founding statements did not clearly express its own class (social and economic) interests.

### The road to power

In truth, therefore, the movement was fundamentally inadequate to the task objectively posed, the overthrow of bureaucratic rule. The armed forces remained fundamentally at the disposal of the ruling bureaucratic regime, within whose top ranks the PLA generals are closely integrated; against that armed might, and the determination of the ruling bureaucracy to hold on to power, the tactics of passive protest, in its variety of forms, was absolutely bound to fail. There was not, and could not have been, any section of the ruling bureaucracy prepared to lead a mass struggle to put an end to bureaucratic oppression and material privileges. Equally, the economic programmes of rival wings within the bureaucracy are neither capable of ending, nor intended to end the material hardship and inequalities suffered by the masses of China.

This is not to say that the victory of the bureaucracy was inevitable or that lessons cannot be learned from this round of struggle that can ensure victory in the next round of struggle.

The key to victory lay in mobilising the working class as an independent force that, far from being subordinate to the democratic movement, was hegemonic in the struggle to overthrow the bureaucracy. The strike wave of the working class could have been, and in future must be, the basis for the forging of workers' councils (soviets) in all the industrial centres. Such councils would bring together dele-

gates from all major workplaces as well as from the workers' districts of the cities and would take on the tasks, not only of co-ordinating strikes and demonstrations, but also imposing working class control over production and distribution, transport, broadcasting and publishing, as well as the arming of the working class to defend itself. Such is the determination of the ruling bureaucracy to hold on to power that it was, and will always be, necessary for the working class to arm itself in organised workers' militias. Those militias must be trained and prepared for direct military confrontation with the Stalinist regime in order to defend their organisations and destroy the ability of the ruling bureaucracy to deploy its armed bodies of men.

However, the working class has other weapons at its disposal to break up the primarily peasant PLA. It has the weapon of physical force to concentrate the minds of the armed forces as to which side they are on. It has the weapon of fraternisation to attempt to actively win the troops to its side. To focus its campaign to win over the rank and file soldiers the working class needs to commit itself to support for the formation of soldiers' councils with the right to take their place alongside the workers in the soviets. Those soldiers' councils will become an active component in breaking the power of the central bureaucracy, in arming the workers and in actively assisting the armed insurrection that alone can put an end to bureaucratic rule.

The successful political revolution in China requires that the working class takes up as its own, and hegemonises, the struggles of key non-proletarian sectors of society and that it gives a proletarian class content to such demands as equality, democracy and political freedom. Against corruption it must demand, and impose, workers' inspection of all public, industrial and financial dealings and appointments. Against inflation it must demand a sliding scale of wages calculated by working class organisations. Against economic dislocation and sabotage it must fight for workers' control.

It must take up in its programme the rights of Chinese youth and all sectors of society to an education system, a press and a media that is freed from the stranglehold of the Stalinist bureaucracy. Equally vital to working class unity and strength is the need to champion all measures which liberate women from inequality and oppression and which socialise domestic toil.

To counteract attempts at "divide and rule" tactics, the working class must champion the granting of genuine equal and democratic rights to national minorities.

Of vital importance in China will be the linking of proletarian struggles with those of the increasingly impoverished poor and middle peasants against the emerging *kulak* and rural capitalist class, patronised and enriched by the policies of Deng

Xiaoping. Because of the historical circumstances in which the CCP was able to seize power, the peasantry has always been its major point of social stability. Indeed, Deng justified taking the risk of attacking Tiananmen Square by declaring that, "the countryside is behind us". To destroy that solid support, the proletariat must advance a land programme that will exploit the differentiation caused by marketisation.

This will, necessarily, vary in detail from region to region but its central component will be demands for state support for the poor farmers, for expropriation of *kulak* land and mechanical equipment, turned over for use by co-operatives, for public works to employ the rural unemployed and the creation of worker-peasant commissions to oversee prices and deliveries to the cities.

Only in this way can a class alliance be cemented which, after the victory of the political revolution, can make real the introduction of planning and more advanced techniques without either disadvantaging or antagonising the mass of the rural population.

In order to win the working class to such a programme it is necessary to build a revolutionary party in conditions that, while they will be ripe in terms of the potential for thousands of workers to be persuaded on the basis of experience, will also be extremely hazardous given the scale of brutality the bureaucracy is inflicting on working class militants in particular. However, such is the popular hatred of the regime and such was the mass scale of the movement against it,

### Imperialist reaction

The major imperialist powers have used the Chinese events to try and prove that "communism" is dying. Part of their ideological offensive has been directed at countering the illusions that exist that Gorbachev's measures can reform that system. The reaction of the major imperialist powers has, however, been conditioned above all by their strategic political and economic interests in China. Bush, Thatcher, Uno all immediately issued "restrained" criticism of the CCP leadership. Bush counselled caution declaring that reaction had to "take into account both our long term interests and the complex internal situation" in China. All the imperialists are waiting for the policy of the new regime to become clear. If the "open door" is reaffirmed it will be business as usual for these hypocrites who spout about "democracy" and "freedom".

Since the 1971 Mao-Nixon summit, China has been a key strategic counter-weight to the Soviet Union for US imperialism, e.g. Kampuchea, Vietnam. Since the end of the 1970s Deng Xiaoping's policies of encouraging foreign capitalist investment in China has added an economic importance to this alliance. Deng was Reagan and Thatcher's favourite "communist" not just because of the profitable investment opportunities he opened up, but because of the long term possibilities his policies appeared to offer for undermining the post-capitalist property relations in China through the penetra-

tion of imperialist capital. that the bureaucracy can be challenged by a popularly protected underground revolutionary party. That party must steel the proletarian vanguard ready for the inevitable struggles ahead. Workers must be won to see the need to be organised independently and ready to lead. The best young intellectuals must be won to this argument, to strengthening their links with the workers as their political priority and to the recognition that their programme must be one that is based on the needs and the struggles of the workers.

The alternative, particularly amongst the intelligentsia, is that pro-capitalist ideas will strengthen as the intelligentsia despairs of winning any democratic liberties except in conjunction with imperialism and its agents who are, no doubt, already active in the fertile conditions created by Deng's policies. Against this it is vital that the reformed revolutionary communist party defends planned property relations as the prerequisite of developing China's productive forces in a rounded way sufficient to benefit all the masses and to ensure ever greater equality and put an end to bureaucratic privilege.

The bloody terror with which the bureaucracy reasserted its rule has solved none of the fundamental issues that led to the crisis of its rule. A retreat into autarchy, national isolation and further state control of the economy offers no way out. It will meet with the apathy or resistance of the Chinese workers, as will the attempt to step up production by bureaucratic decree. Even if this were accompanied by a rapprochement with the USSR,

### tion of imperialist capital.

While imperialist commitments to China remain small relative to the size of China's economy they have grown dramatically in the last decade. In 1979-82 China received \$10.7 billion in foreign loans and \$1.2 billion in direct investment. Today the cumulative totals stand at \$26.6 billion and \$9 billion respectively. Hong Kong, through which British and Taiwanese investment flows into China, accounts for 30% of China's foreign trade and almost half the foreign investment in China. Japan the next biggest investor and trading partner with China invested \$500 million in 1988 alone and is the biggest provider of foreign aid. The EEC and the USA follow in order of trading importance.

With such a political and economic investment in China it is little wonder that the imperialists have been so reluctant to take any action which would threaten these links. Their concern right the way through the student struggles has been the restoration of "stability". While the Hong Kong stock exchange fell 22% in a day after the military intervention it rose again as it became clear that the bureaucracy had re-established its bloody dictatorship. While the imperialists seek the long term overthrow of the CCP regime in China they are united against the dangers of a revolutionary overthrow of that regime. Thus they justify the "restoring of order" but complain about the "unnecessary violence" used. The student and worker organisations will look in vain for any help from these capitalist hyenas.

involving greater trade, it would still not haul China out of its present stagnation.

On the other hand, if the "open door" policy is reaffirmed and deepened this would lead to further disproportions and dislocations in the economy as has been experienced throughout the 1980s. If the "open door" policy were to eventually allow the "capitalist roaders"—in alliance with the Chinese capitalists abroad—to undermine and overthrow the Bonapartist leaders, then the Chinese masses will learn to their cost that capitalism in China will not lead to prosperity for them.

China, back under the yoke of world imperialism, would not for one moment enjoy the democratic liberties and living standards of the advanced, imperialist, nations. On the contrary she would rapidly be plunged back into the desperate poverty, starvation and national disintegration that she suffered in the 1920s and 1930s. Her present population, a quarter of humanity, could not survive a free market and an open door for the goods of the imperialists.

It is the experience of, for example, the Latin American countries under "liberal economics" that would await her, not that of North America or Western Europe. Similarly, aspirations towards political freedom and "democratic rights" will never be fulfilled by a return to unbridled capitalism. In China, the masses would find themselves denied virtually all rights as is the case throughout most of the semi-colonial world. The only road to political and social emancipation is the road of overthrowing the bureaucracy, the road of political revolution.

### Hong Kong

The events in China have had major repercussions in Hong Kong which threatens serious problems for the British ruling class (similar problems face the Portuguese and Macao authorities). While spouting about "communist dictatorships" and the need for "freedom and democracy" the British imperialists have happily denied the masses of Hong Kong even the semblance of democracy for 150 years. The 1984 Sino-British Joint Declaration agreed by Thatcher with Deng Xiaoping was an agreement made between the Stalinist bureaucracy and the British Tories over the heads of the Hong Kong workers. It aimed a "smooth" handover of a capitalist Hong Kong to Chinese rule, the CCP offering long term guarantees for continued capitalist exploitation, while continuing the denial of even basic bourgeois democratic rights to the people of Hong Kong before or after 1997.

The mass demonstrations and general strike protest involving over a million Hong Kong people out of a population of six million (actions themselves illegal under the Hong Kong Public Order Ordinance 1) have shaken the Deng/Thatcher agreement and thrown the Hong Kong capitalists into disarray. The so-called "pro-democracy movement" in Hong Kong, a largely petit bourgeois led formation which only calls for half the legislature to be elected by 1997, is similarly in danger of being overtaken by events.

Revolutionary communists must seize the opportunity to build a movement which not only mobilises concrete solidarity with mainland Chinese students and workers, but also aims at destroying the Deng/Thatcher agreement and mobilising the Hong Kong workers for power.

- Down with the Deng/Thatcher agreement!
- No to a capitalist Hong Kong under a Stalinist dictatorship!
- Immediate elections to a constituent assembly of Hong Kong!
- One person, one vote!
- Forward to the Hong Kong workers' commune!
- Solidarity in struggle with the mainland workers and students against the blood-soaked Deng regime!
- For political revolution in China!

- For the revolutionary re-unification of all China including Hong Kong, Taiwan and Macao under workers' democracy!

#### Solidarity work

The immediate task of solidarity work is for the working class movements throughout the world to take whatever action they can in solidarity with the Chinese students and workers. Cancel all trade union visits and exchanges with the Chinese bureaucrats, fight for unions and federations to send aid and assistance to any autonomous workers' and students' organisations still functioning. Organise demonstrations against the continuing repression. In the present period of active repression of workers and students we are for immediate workers'

sanctions to turn back Chinese ships and trade. We reject all popular frontist/class collaborationist solidarity actions. We do not participate in any joint action with any bourgeois administration or any bourgeois figures or parties. We fight in the solidarity movements against any illusions that the imperialist governments will aid the students' and workers' struggles in China. Their interests at the moment lie with Deng Xiaoping not the masses. We fight against any anti-communist tendencies which argue for an imperialist blockade of China as a means of restoring capitalism. For the right of every student from China to have automatic right of abode in the country in which they are studying if they request it. For the right of every citizen of Hong Kong to enter any foreign country if they so wish.■

From *The Degenerated Revolution: the origins and nature of the Stalinist states* 1982

# The Chinese Revolution

The following article is an extract from the book *The Degenerated Revolution: the origins and nature of the Stalinist states*. It was published in 1982 by the Irish Workers Group and Workers Power

ALTHOUGH IT developed on a longer time scale, the Chinese Revolution—the creation of a degenerate workers' state by 1953—exhibited many of the features of the eastern European and Yugoslav revolutions. As in the latter case a peasant based army was used by a Stalinist party, which was largely independent of Moscow, to destroy the political rule of the bourgeoisie. After a period of maintaining capitalism via a popular front, the Chinese Communist Party (CCP), under pressure from both external and domestic forces, moved to destroy the property relations of capitalism. At the same time, as in both Yugoslavia and eastern Europe, this overturn was, at every stage, bureaucratically controlled by the Stalinists under Mao Zedong, Liu Shaoqi, Zhou Enlai and Deng Xiaoping, to prevent the working class and peasantry from playing any independent or leading role.

The history of the CCP as the leadership of a peasant based and largely guerrilla army began with the historic defeats of the Chinese proletariat in the years 1926-30. The CCP had entered the Nationalist Party, the Kuomintang (KMT), in a subordinate role in 1923-24, having been under pressure to do so from representatives of the Comintern since 1922. On 20 March 1926 Chiang Kai-shek led a coup d'état in Canton, at that time the centre of CP influence. Through the coup Chiang, with communist compliance, disarmed the workers' militia controlled by the CCP-led Hong Kong/Canton General Strike Committee. He also forced the CCP to relinquish its posts in the government and KMT administrations.

In March 1927, Chiang's troops entered Shanghai, after the workers had seized the city. Again Chiang disarmed the work-

ers and again the CCP called for acceptance of this measure. On 12 April Chiang's troops, aided by the underworld gangs of Shanghai, unleashed a pogrom against the workers' districts in which thousands were killed.

Under Comintern instructions, the CCP launched a series of insurrections. Each of these, at Changsha, Nanchang, Canton and Haifeng was put down by Chiang's troops with great loss of life amongst the CCP and the workers. The CCP responded to these defeats by withdrawing the remnants of its forces to the isolated and mountainous Chinese interior.

The changed material circumstances of the communist forces after they had fled from the towns, together with the disastrous consequences of attempted urban insurrections (e.g. Changsha 1930), were the material basis for the development of that variant of Stalinist class collaboration identified with Mao Zedong.

The Maoist current, initially centred on the Front Committee in the "Soviet Base Area" in the Jing Gang Mountains and opposed to the Shanghai based Central Committee, rationalised the rural and distinctly non-proletarian base of the CCP. They developed a strategy for fighting the imperialists and "compradors" that centred on the mobilisation of the peasantry, rather than the proletariat, within the framework of the Stalinist policy of the bloc of four classes.

From November 1930, Chiang led a series of five "extermination campaigns" against the communist-held "Soviet Base Areas". The first four of these failed significantly but the fifth, with the assistance of German advisors such as Von Seeckt (later Nazi commander of Belgium) and a force of a million well armed men, forced the

CCP to leave the Jiangxi Soviet and undertake the perilous Long March. This eight thousand mile trek across some of the worst terrain in China under almost daily attack, in which 70,000 of the original 100,000 communist troops were lost, brought the remaining 30,000 to the future Maoist stronghold of Yen-an in north west China. After the confused and demoralising first stage of the Long March the Maoist current gained control of the party from the clique around Stalin's protegee, Wang Ming, at the Zunyi Conference of January 1935.

The establishment of the Maoist forces in the already existing Yen-an "base area" marked the consolidation of the hold of the Maoists within a continuing period of territorial dual power in China that constantly threatened to develop into civil war and which lasted until 1949. Although land reform and other much needed reforms were carried out in the "base areas" in the early 1930s and later in Yen-an, private property was protected. This was an essential element in the Maoist strategy and conception of the Chinese Revolution:

"... the spearhead of the revolution will still be directed at imperialism and feudalism, rather than at capitalism and capitalist private property in general. That being so, the character of the Chinese Revolution at the present stage is not proletarian-socialist but bourgeois democratic."<sup>1</sup>

This commitment to a "stageist" conception of the revolution, the first stage being purely "bourgeois democratic", defined the CCP's relations with the KMT and the Chinese bourgeoisie. Following the policies pioneered by Stalin and Bukharin in the mid-1920s, the CCP



viewed the bourgeoisie as a fundamentally *revolutionary* class, which was committed to a struggle against imperialism. It would therefore constitute an important component of a long term political alliance involving the proletariat, peasantry and petit bourgeoisie, the "bloc of four classes", which were welded together by their common hostility to imperialism. However, as sections of the bourgeoisie were clearly colluding with the imperialists, it was necessary to distinguish between "good", "national" sectors of the bourgeoisie and "bad", "comprador" or "bureaucratic" sectors. Which of these sectors a bourgeois grouping or party belonged to depended largely on whether it was willing to enter into an alliance with the CCP.

Trotsky attacked this notion of the revolutionary nature of the bourgeoisie in imperialised countries in his polemics on the Chinese question. He pointed out that the bourgeoisie of an imperialised country might well enter into a struggle with the imperialists in defence of its own interests, in order to "deepen and broaden its possibilities for exploitation", but such actions would be sporadic and aimed at compromise. The willingness of the bourgeoisie to enter such a struggle depended on the degree of threat to its power posed by the proletarian and peasant mobilisations necessary to confront the imperialists. Without the masses behind it this bourgeoisie had no chance of defeating imperialism. With the masses aroused its very power was threatened. Inevitably this threat would lead it to go scuttling back into the arms of imperialism.

It was the understanding of the cowardly and feeble nature of the bourgeoisie of the imperialised countries that had led the revolutionary Comintern of Lenin and Trotsky to develop the anti-imperialist united front, not as a long term, general agreement with the bourgeoisie, but as a series of episodic, practical agreements with definite aims. Any such agreements entered into did not for a moment mean abandoning the independent position and programme of the communists—the overthrow of capitalism and the expropriation of the bourgeoisie. In contrast to this revolutionary tactic the CCP, (like all the Stalinist parties in the imperialised world) operated the "united front", the bloc of four classes, in an opportunist manner, precisely abandoning, "for the time being", the communist programme in order to woo the bourgeoisie into an alliance. For the CCP the bloc of four classes meant holding back the peasantry from pursuing too radical reforms and explicitly committing the CCP to defend capitalism. It limited its fight to the goal of a bourgeois democratic phase of the revolution. This of course was not a united front but a popular front, an alliance which subordinated the independent demands of the workers and peasants, and the programme of socialist revolution, to an alliance with the bourgeoisie on its programme. That this alliance was not com-

pletely fulfilled in China was not the fault of the CCP, which conscientiously carried out its side of the "bargain", but because of the hostility and treachery of the KMT.

In September 1931, the Japanese had begun an invasion of Manchuria from bases established in the 1920s. On 9 March, Pu Yi, the last Chinese Emperor and himself a Manchu, was installed as the Japanese puppet in "Manchuguo". During the following five years repeated incursions and raids into north China signalled Japan's aggressive intentions but Chiang refused to send his troops to the defence of north China, preferring to maintain his blockade of the CCP held areas. This antagonised many nationalists in China.

The long expected full scale invasion of China by Japanese imperialism in 1937 provided ample proof of the continuing Stalinist nature of the Maoist CCP. As in the 1920s, the CCP strategy was to subordinate everything to the formation of an alliance with Chiang Kai-shek and the KMT. To this end the CCP dropped all the radical elements of its programme, including land reform, renounced the class struggle against the KMT, accepted the dissolution of its armies into the Nationalist Army and recognised the leadership of the KMT in general and Chiang in particular. In the original version, later withdrawn, of Mao's report to the sixth plenum of the Central Committee, he wrote:

"Without the KMT it would be inconceivable to undertake and pursue the war of resistance. In the course of its glorious history, the KMT has been responsible for the overthrow of the Qing [Ch'ing Dynasty], the establishment of the Republic, opposition to Yuan Shih-kai, establishment of the three policies of uniting with Russia, the communist party and with the workers and peasants, and the great revolution of 1926-27. Today it is once more leading the great anti-Japanese war. It has had two great leaders in succession. Mr Sun Yat-sen and Mr. Chiang Kai-shek ..."

So important was Chiang in the CCP's schema that, in Xian in December 1936 they saved him from execution by his own troops who were enraged by his refusal to move against the Mongolian allies of the Japanese and his attempt to send them into battle against the CCP. In exchange for acceptance by Chiang of the self-effacing "united front" of the CCP, Zhou Enlai secured his release.

### The popular front against Japan

The Second United Front between the CCP and the KMT was used by Chiang in precisely the same way as the first, to prepare his forces for an attack on the CCP and the workers and peasants of China. Once again the CCP maintained the alliance and kept quiet about Chiang's "excesses". In spring of 1939, for example, Chiang attacked the CCP bases in Hunan,

Hubei and Hebei. In early 1941, the new Fourth Army (a renamed communist unit) attacked and defeated the Japanese in Anhui, thereby allowing access to the lower reaches of the Yangzi, China's largest river system. Chiang, commander in chief of all forces, ordered them to retreat through enemy held territory. When they nonetheless managed to return to their base he attacked them with his own forces killing several leading commanders and cadre. Despite its policy toward the KMT the CCP did wage a determined and increasingly effective war against Japanese imperialism. By the end of the war the party and its forces controlled nineteen regions of China, led an army of three million regular and militia troops drawing support from a population of some 100 million in a total area of 950,000 square miles—an area approximately twice the size of France.

Although the CCP opposed land redistribution in its areas during the Second United Front, its policies of reducing rents and interest rates, of establishing a new, efficient and honest local administration, of strengthening traditional forms of seasonal co-operation in agriculture into mutual aid teams throughout the year, of basing its anti-Japanese militia on these teams and of elected local government, won the support of the vast majority of the population in these areas. Communist control of these elected bodies was ensured by the "three thirds" system whereby one third of the elected had to be party members, one third supporters and the remaining third, "middle of the roaders". By comparison with the KMT held areas, where punitive taxation went alongside blatant corruption and even collaboration with the enemy, the "liberated zones" were a shining example of the "new China" and attracted considerable numbers of youth and intellectuals to the communist ranks.

With the surrender of the Japanese in August 1945 the CCP continued to pursue its aim of alliance with the bourgeoisie. Now, with the defeat of the Japanese, this meant the priority was to establish a Popular Front Government. All efforts were bent to establish a stable coalition with the KMT, with the Americans acting as "mediators". The CCP launched its political offensive under slogans calling for internal peace and national reconstruction. By October 1945 the Chongqing Negotiations had achieved an agreement. The CCP would withdraw from eight liberated zones in the south and reduce its army to twenty divisions (a tenth of its strength). In return it was agreed that a Political Consultative Conference would be convened, which would be open to the communists and centre parties such as the Democratic League.

This policy was fully endorsed and encouraged by the USSR which was firmly convinced of the need for the Chinese Stalinists to make virtually any compromise in order to achieve a coalition with the KMT. At the end of the war the Soviet

government had immediately signed a friendship treaty with the KMT. A delegation of CCP leaders who went to the USSR at the end of the war were told in no uncertain terms by Stalin what was expected of them, as he later recounted to Dimitrov:

"... after the war we invited the Chinese comrades to come to Moscow and we discussed the situation in China. We told them bluntly that we considered the development of an uprising in China had no prospects, that the Chinese comrades should seek a *modus vivendi* with Chiang Kai-shek, that they should join the Chiang Kai-shek government and dissolve their army"<sup>3</sup>

Stalin even complained, when the CCP was forced by KMT attacks to take up arms, that they had not followed his instructions. But in 1948 when the conversation with Dimitrov took place and the communists were clearly winning the civil war he ruefully acknowledged: "Now in the case of China we admit we were wrong".<sup>4</sup>

Again it was the KMT, with American connivance, which reneged on the agreements. In August the Japanese were instructed to surrender only to the KMT and to "keep order" until KMT forces arrived. In autumn 1945 shortly after the Political Consultative Conference met, Chiang reissued his 1933 *Manual on the Suppression of Communist Bandits* and launched offensives against several communist bases. Political repression continued, student meetings were broken up, Democratic League offices were raided, Communist newspaper offices were destroyed. In March 1946 the KMT central committee disavowed the Consultative Conference resolutions which called for a democratic constitution and the convening of a national assembly. Despite this the CCP clung to its policy of alliance until the summer of 1946 when the KMT started moving its troops into Manchuria, in clear violation of the agreements, as Russian forces withdrew. In June 1946 a joint commission including American representatives failed to resolve the conflict. The KMT had demanded the CCP hand over all the areas it controlled before any agreement. Then the CCP was subjected to an all-out attack by Chiang's forces. The Americans stepped up their aid to the KMT considerably. After the war, in what the American supremo, Wedemeyer, called "the greatest air and sea transportation in history"<sup>5</sup> the US transported 540,000 KMT troops into formerly Japanese held territory. In addition all the supplies and munitions of the 1.2 million strong Japanese army were handed over to Chiang. On top of this 56,000 US marines joined the KMT armies as advisors. Between 1945 and 1948, the US gave Chiang some three billion dollars in direct cash aid.<sup>6</sup> With this support Chiang's armies rapidly gained control of former "Soviet areas", even including their capital, Yenan, as the CCP withdrew before them.

This policy of retreat did allow the CCP to avoid great losses and to regroup in northern China. Despite American warnings of the consequences, Chiang followed the retreating communist forces, thereby severely over-stretching his lines of supply and communication. In preparation for what would be the final offensive of the civil war, the CCP now re-introduced land reform which had been held back during the period of the alliance with the KMT. Although the expropriation of the landlords was most extensive in the communist held north, it was not confined to this area, and was not, even in the north entirely under communist control.

In June 1947, the CCP led People's Liberation Army (PLA) now reinforced with new recruits and the Japanese armaments seized by the armies of the Soviet Union when they entered Manchuria in 1945, abandoned guerrilla warfare and began to advance southwards. By this time disaffection had penetrated into the KMT itself. A number of prominent generals, such as Li Jishen, had left the KMT and fled to Hong Kong. There Li Jishen established the "Revolutionary Committee of the KMT" on a programme of coalition with the CCP to oust Chiang and set up a republic based on a mixed economy. Developments such as this prompted General George Marshall, the US special envoy to express the opinion that:

"No amount of military or economic aid could make the present Chinese government capable of re-establishing and then maintaining its control over China."<sup>7</sup>

Demonstrations and strikes swept all of nationalist China at this time. In Shanghai, a virtual general strike raged as workers fought to maintain a sliding scale of wages to protect them from hyperinflation. The price index that had been 100 in 1937 rose to the staggering level of 10.3 million by mid-1947 and was to continue upwards until it reached 287 million before the final victory of the CCP/PLA in 1949. KMT repression kept pace with the escalating militancy and inflation:

"Suspected communists and others believed to be conspiring against the state were dragged before drum head courts then out to some public place to be shot through the back of the head. Scenes of this kind were a daily occurrence in Shanghai, the busiest street corners being invariably chosen for the execution of the victims, who were nearly all young men."<sup>8</sup>

At the same time the corruption of the "Four Great Families" (the Soong, Kung, Chen and Chiang families owned a large proportion of modern industry in China) became ever more blatant. In October 1947, one of Chiang's principal economic advisers (and brother in law), T V Soong, bought the governorship of Canton Province with a donation of ten million dollars to the KMT (of which, of course, he was a leading member). A resolution passed by the National Federation of Chambers of Commerce in November 1948 summed up

the feelings of those capitalists who were excluded from the inner circle of the KMT:

"... our people have lost confidence in our government leaders who are only interested in their personal gain at the expense of public welfare. We businessmen stand firm and united in fighting against corruption and despotism."<sup>9</sup>

In a clear attempt to win over the petit bourgeoisie of the cities and to hold back the tide of peasant revolt, the CCP reversed its policy on expropriation of the landlords. In a report to the Central Committee in December 1947, Mao criticised the land reform already taking place as, "ultra-left and adventurist". In February and May 1948, further directives were issued which called for greater moderation in the newly conquered areas of central China. The movement for land reform was stopped entirely when the CCP/PLA took control of southern China where the landlords were, traditionally, very closely connected to the urban bourgeoisie.

On 1 May 1948, the central committee of the CCP formally called upon all anti-Chiang parties to take part in a new Political Consultative Conference at which the form of a future coalition government could be discussed and decided upon. The call was primarily aimed at the Revolutionary Committee of the KMT and the Democratic League.<sup>10</sup> Both of these parties accepted the invitation and preliminary work began. An agreement was signed in November 1948 which provided for a preparatory committee to be established prior to the convening of a national conference.

#### The establishment of a degenerate workers' state

By spring 1949, the PLA had reconquered China north of the Yangzi River. After the collapse of the KMT armies in Manchuria in late 1948, most KMT held territory and towns surrendered without any fighting. Fu Tso-yi, for example, surrendered Peking in January 1949 as soon as the PLA advanced towards the city. Indeed, he joined them in the march south. In April 1949, after the expiry of a last deadline for nationalist surrender, the PLA crossed the Yangzi and entered south China. They met little resistance and disarmed some two million KMT troops in a period of six months. In September, the Political Consultative Conference met in Peking and established a central government headed by Mao Zedong, leader of the CCP, Zhu De, a principal commander of the PLA, Soong Ching-ling (the widow of Sun Yat-sen and sister in law of Chiang Kai-shek), Li Jishen, leader of the Revolutionary Committee of the KMT (and, formerly, the butcher of the Canton Commune in 1927) and Zhang Lan, president of the Democratic League. The CCP had achieved its aim of establishing a popular front coalition government. Mao Zedong had outlined the policy that such

a government would follow in 1945:

"The task of our New Democratic system is to promote the free development of a private capitalist economy that benefits instead of controlling the peoples' livelihood, and to protect all honestly acquired private property."<sup>11</sup>

This was the policy which was followed between 1949 and 1952, which meant both defending capitalism and containing and, if necessary, repressing the demands of the workers and peasants. When in 1952 the CCP decisively struck out at the bourgeoisie, expropriating their property, it was a moment not of the CCP's choosing—it was a vital self-defensive measure forced on the Stalinists by the onslaught of US imperialism. As Mao was to declare in 1957 socialism "came to our country too suddenly".<sup>12</sup>

The economic life of China at the time of the accession to power of this government was only one step away from complete paralysis. The collapse of the central administration, soaring inflation and the displacement of millions of people from the areas of military operations were accompanied by floods and droughts that affected twenty million acres and threatened forty million people with starvation. Coal production stood at 50% of its previous highest point, iron and steel were down by 80%, cotton goods down by 25%, grain 25%, raw cotton 48% and livestock 16%. To make matters yet worse the railway network was out of operation, with 50% of the track destroyed, and most of the maritime fleet was in Hong Kong, Taiwan or Singapore.<sup>13</sup>

The first priority of the "People's Government" was expressed in the "Common Programme" of October 1949:

"A policy that is concerned with private and public interests, that benefits the bosses and the workers, that encourages mutual aid between our country and foreign countries in order to develop production and bring prosperity to the economy."<sup>14</sup>

In other words the existing framework of capitalist property relations was to be maintained.

The policy of tolerance and encouragement extended to the "national" capitalists was not extended to the "bureaucratic" capitalists. Their possessions were immediately nationalised, giving the state control of nearly a third of all industrial production. While the state had majority holdings in heavy industry (70% of coal, 90% of steel and 78% of electricity<sup>15</sup>) heavy industry was historically chronically underdeveloped in relation to light industry much of which was often dependent on imported materials.<sup>16</sup> It was in light industry that the "national" capitalists now dominated along with the distribution and transport networks. This group owned two thirds of all industrial capital in 1949.<sup>17</sup> The modern sector of the economy was, however, a small percentage of the economy as a whole. In 1945 it had been calculated at 10-15%.<sup>18</sup>

Largely because of its years of control in

the "liberated zones" the CCP/PLA already had within it a relatively experienced administrative cadre. However, with the partial exception of those who had been in Manchuria, this cadre lacked experience of urban and industrial administration. This lack was partly offset by the entry into the CCP of ex-officials of the KMT regime and educated elements of the middle classes in the cities. Thus at the time of liberation, a sample of 6,000 cadres had the following composition: 2,500 middle class, 1,150 ex-KMT officials, 400 liberal professionals, 150 members of the privileged classes, 140 from the working classes.<sup>19</sup> Workers made up a mere 2% of party members in 1949.<sup>20</sup> With a membership of this sort it was possible for the CCP dominated government to take state capitalist economic measures such as nationalisation and statification, primarily aimed at the universally hated "bureaucratic" capitalists. But such measures remained strictly within the general framework of capitalist property relations.

In March 1949, the state formed six major trading corporations for the distribution and procurement of food, textiles, salt, coal, construction materials and "miscellaneous" goods. In addition, a network of state owned retail outlets was established. These two measures, coupled with the introduction of a new currency, a sliding scale of wages linked to the monetary value of essential foods, an enforced loan at 5% interest from capitalists and the state distribution of goods that had been hoarded by the KMT and its supporters, allowed a rapid improvement in the living conditions of the masses and brought inflation under control. By mid-1951 it was down to 20% and prices were essentially stable by 1952.

That, despite this statification of essentials, the popular front government was anxious not to scare the "national" bourgeoisie into flight, can be seen from the assurances given them by Chen Yun, the Chairman of the Financial and Economic Commission, in August 1950:

"... industrial investments undertaken for a long time by the national capitalists, if they remain progressive in character, will be useful to the state and the people."<sup>21</sup>

The agrarian reform of June 1950 shows the same clear intention of maintaining friendly relations with the capitalists in order to maintain production. Article 4, dealing with whose lands could or could not be expropriated, said:

"Industry and commerce shall be protected from infringement, industrial and commercial enterprises operated by landlords, and the land and other properties used by the landlords directly for the operation of industrial and commercial enterprises, shall not be confiscated."<sup>22</sup>

The new land reform was only applicable in the south where, as we have noted, the ties between landlords and the urban bourgeoisie were stronger than in the north. In addition to the strictures on landlords' lands, it was also expressly

forbidden to confiscate all the "surplus" lands of the wealthiest peasants and that of the "richer middle peasants" was to be left alone entirely. Mao explained why at the third session of the Central Committee, 6 June 1950:

"... our policy towards the rich peasants ought to be changed. Their excess land must no longer be confiscated, but their life must be preserved to speed up the restoration of production in rural areas"<sup>23</sup>

Despite these limitations imposed by the state, the land reform did involve a massive transfer of land in South China, some seven million acres out of a total of 17 million throughout China. On average all individuals over sixteen held one third of an acre after the reform.<sup>24</sup> As in the country generally, so in the cities the chief priority of the new government was to re-establish order. Far from utilising the entry of the "Liberation Army" to ensure a proletarian takeover of the towns and industrial plant, Lin Biao, commander of the Fourth Army, issued the following proclamation in January 1949:

"The people are asked to maintain order and to continue their present occupations. KMT officials or police personnel of provincial, city, county or other level of governmental unit district, town, village, or Bao Jia personnel<sup>25</sup> are enjoined to stay at their posts."<sup>26</sup>

In addition, whilst granting statutory rights to workers' organisations the People's Government showed in its Labour Law of 1950 that its interest lay solely in regularising the labour/capital relationship, not in abolishing it. With regard to disputes, for example, it laid down the following procedures:

"The first step in procedure for settling labour disputes shall be consultation between the parties, the second step shall be mediation between the parties by the Labour Bureau [a state department] and the third step shall be arbitration by the arbitration committee established by the Labour Bureau."<sup>27</sup>

The nature of the unions set up by the government, and modelled on those of the Soviet Union, can be judged from the fact that one of the vice-chairmen of the All China Federation of Trade Unions (ACFTU) was Chu Xuefan, previously the head of the yellow unions of the KMT, the Association of Labour.<sup>28</sup> In addition the Minister of Labour, Li Lisan, was simultaneously vice-president of the ACFTU. The Chairman of this body made perfectly clear what the priorities of the government were:

"The immediate and sectional interests of the working class must be subordinated to the long term and overall interests of the state led by the working class."<sup>29</sup>

That this "subordination" was to be taken absolutely literally was shown by Lin Biao when he sent his troops against the workers of the Sun Sun textile plant in Shanghai. The workers had occupied their plant to prevent its removal to Manchuria under the government's pol-

icy of thinning out industry. Ten workers were killed or wounded in the clashes.<sup>30</sup>

While capitalist representatives shared the government with the CCP between 1949 and 1951 and the policy of that government was clearly to defend capitalism, the repressive apparatus of the state, the police, army, secret police etc, remained firmly in the hands of the Stalinists. This special form of dual power, already witnessed in eastern Europe and Yugoslavia, continued to exist until it was resolved decisively against the capitalists. The popular front period played an important role for the Chinese Stalinists in demobilising the workers and peasants whose aspirations had been aroused by the defeat of Chiang. At the time when capitalism was at its weakest and the mobilisations of the workers and peasants at their strongest, the CCP acted to limit those mobilisations and to restrain them within the limits of capitalist property relations.

The dangers of this policy of maintaining and strengthening the capitalists swiftly became apparent. The utopian goal of the Stalinists—a stable “new democracy” where capitalists and Stalinists worked in harmony—was never a real possibility. The onslaught of American imperialism in the Korean War produced a growing threat of capitalist counter-revolution inside China amongst sections of the remaining bourgeoisie. America and Chiang Kai-shek were ready to act as their heavily armed allies. This forced the CCP, towards the close of 1951, to move swiftly to resolve the situation of dual power in its favour through a bureaucratic, anti-capitalist workers’ government. As in the other Stalinist social overturns this necessitated striking out at the capitalists and suppressing the last remnants of the independent workers’ movement.

The immediate cause of the change of policy and, eventually, the nature of the government, was the outbreak of the Korean War in June 1950. As American armies (supposedly UN) advanced towards the Yalu River (the border between Manchuria and Korea) under the rabid anti-communist, MacArthur, the “People’s Government” was forced to change its policy both internationally and domestically.

The initial victories of the PLA under Peng Dehuai, which forced the USA back beyond the 38th parallel, were met by Washington with the rearmament of Chiang Kai-shek and the delivery of considerable economic aid to Taiwan. The US Seventh Fleet took up station between Taiwan and the mainland, thereby forcing the Chinese to divert troops from Korea to the coastal province of Fujian. In addition a total economic blockade of China was instituted. The *New York Times*, 5 April 1951, reported:

“MacArthur favours a nationalist second front on the Chinese mainland and is convinced that the fate of Europe will be decided in the war against communism in Asia.”<sup>31</sup>

Now, under both economic and military pressure from imperialism and fully aware of the potential alliance between foreign, Taiwan based and domestic capital, the CCP took steps to mobilise the masses against the “national” capitalists. In the countryside the agrarian reform was accompanied by the building of the “people’s tribunals”, organised by the party cadres with the purpose of applying a degree of terror and intimidation to the landlords. Although the campaign was limited to the terms of the agrarian reform, the wave of executions, fines and expropriations broke the class power of the landlords and served to bind the peasantry yet closer to the regime. At the same time the control of the CCP ensured that this did not go beyond its own predetermined limitations. Indeed, so bureaucratic was the procedure for ratifying redistribution of land that, in Canton province it still had not been completed by December 1952.<sup>32</sup>

A parallel movement was set in train in the cities for similar purposes. The so called “three anti’s” campaign, introduced alongside the “five anti’s” campaign at the end of 1951, was aimed at CCP and government functionaries. The masses of members who had been recruited to the CCP on the basis of its popular front programme, were now considered unreliable—a massive purge took place in the party, involving the expulsion of over one million members (a fifth of the party) between 1951 and 1952.<sup>33</sup> It was also in this period that the Stalinists struck out against the left. The Chinese Trotskyists, many members of the “International Workers Party”, had been active leading strikes in Canton and Shanghai. They had suffered repression before 1952 at the hands of the CCP, but at the end of that year a nationwide raid by the secret police completely decimated the Chinese Trotskyists—two or three hundred were thrown into gaol.<sup>34</sup> Leading members Cheng Ch’ao-Lin and eleven others were only released 27 years later in June 1979.<sup>35</sup>

The “five anti’s” campaign which ran parallel with the “three” was aimed at weakening and intimidating the bourgeoisie. Mass meetings were held throughout the country to whip up feelings against the capitalists. Businesses were investigated for fraud and corruption. In the first six months of 1952 nearly half a million businesses were inspected and over three quarters were found guilty of infractions.<sup>36</sup> Many were heavily fined, contributing \$850 million to state coffers. Those who could not pay were nationalised instead. By these bureaucratic methods, albeit backed up by mass mobilisations and denunciation sessions, the CCP led government, a bureaucratic anti-capitalist workers’ government, came to control 64% of wholesale trade and 42% of retail trade by mid-1952.<sup>37</sup>

Initially, this led to a fall in production as the bourgeoisie retaliated by closing down plants. Between January and Feb-

ruary 1952, at the height of the campaign, production fell by 34%<sup>38</sup> and the state was obliged to slow down the campaign. Once again Chen Yun offered reassurance:

“Private factories will, according to concrete conditions, be guaranteed a profit of around 10, 20 or up to 30% on their capital.”<sup>39</sup>

Once again private capital survived in China, but it was now severely curtailed in its freedom. State control of orders placed with private industry, for example, was a powerful weapon for ensuring that the capitalists did not step out of line.<sup>40</sup> This respite was short lived however and in 1953 at a government convened National Congress of Industry and Commerce the remaining capitalists were told that the first aim of the government was to have a fully socialist economy in which private industry would have no place.<sup>41</sup>

Thus, after 1951 primarily under pressure from imperialism, the popular front government was transformed into a bureaucratic, anti-capitalist workers’ government which removed the foundations of the class rule of the capitalists, “not by decree but by relentless, high-pressure gradualism”. In this way it ensured that its prime enemy, the independently organised revolutionary working class, remained firmly excluded from political power within China. Because the fundamental bastion of the bourgeois state—its bodies of armed men—had already been smashed, the CCP was able to carry out the military bureaucratic overthrow of the Chinese bourgeoisie relatively peacefully.

It was against a background of economic blockade by the west, majority state control of heavy industry and effective control of trade in the modern sector, that the government of the People’s Republic moved against the essential foundations of capitalism with the introduction of planning in 1953. At first this took the form of annual plans for 1953 and 1954. These were then incorporated into, and used as a basis for, the First Five Year Plan 1953-57. This was not published until late 1955.

The introduction of planning in 1953 on the clear basis of subordinating the operation of the law of value, marked the establishment of a degenerate workers’ state in China. The plan was modelled on the five year plans of the Soviet Union. Planners exhorted plant managers to take careful heed of the “advanced experience” of the Soviet system. The ability of the plan to even begin the industrialisation of China was, in a large measure, due to the aid provided by the USSR. Since 1950 China had been in receipt of an annual \$300 million loan from the Soviet Union. In March 1953 this was added to by a commercial agreement with the USSR supplying China with many of the materials necessary for industrial expansion.

The plan revealed the dynamic lodged within the post-capitalist property forms, and, at the same time, the way in which

the bureaucracy acts as a fetter on the full realisation of this dynamic. The bureaucracy claimed that 1953 saw a 13% increase in industrial output over the 1952 level, while in 1954 output rose a further 17% higher than the total for 1953.

However, the exclusion of the masses from political control of the plan meant that these advances were undermined by the bureaucracy's tendency to plan blindly. In 1955, when the collection of statistical data took place on a national scale, the figures often disguised the problems of the plan.

In 1956 these surfaced. On 18 March 1956 the *People's Daily* was forced to admit that only just over 50% of the capital construction programme had been fulfilled. Shortages, particularly in construction materials, began to block the fulfillment of targets. Inflationary pressures mounted and the bureaucracy was

forced to reduce its targets in heavy industry.

As usual with bureaucratic plans the fulfillment of targets did not mean that the goods produced were of a high quality. The tyranny of the "target" in fact meant that workers often took little care with their products, and ended up producing shoddy goods, but at a faster rate! These features of bureaucratic planning have been apparent in the Chinese economy since 1953. They are an inevitable product of a regime under which the working class is excluded from political power.

In China the economic power of the bourgeoisie was destroyed bureaucratically, through induced bankruptcies and, after 1955, by state purchases of majority shareholdings. In 1956 the modern sector of the Chinese economy was virtually 100% nationalised, and the bourgeoisie as a class was eliminated. But perched at the

top of this workers' state was a Stalinist bureaucracy, ruling over the working class.

The independent base of the CCP, built up over years of war, provided the Chinese Stalinists with the means to pursue their own policy independently of Stalin at certain decisive moments. This did not mean that the CCP was not Stalinist. It merely confirmed the ability of certain indigenous Stalinist parties to prosecute Stalinist policies in spite of the wishes of the Kremlin.

The initial hostility of Stalin to Mao's seizure of power was in reality a hostility to an independent Stalinist force, similar to Tito's YCP. The Sino-Soviet split in 1963 brought these hostilities once more to the surface. It illustrated the tendency of Stalinism to fracture along national social-patriotic lines. In no way was it a sign of the CCP's transformation into a non-Stalinist party.■

#### Footnotes:

1. Quoted in S R Schram, *The Political Thought of Mao Tse Tung* (Harmondsworth 1969) p230
2. Ibid, p228
3. F Claudin, *From Comintern to Cominform* (Harmondsworth 1975) p551
4. Ibid, p551
5. H A McAleavy, *A Modern History of China* (New York 1967) p320
6. J Chesnaux, F Le Barbier, Marie-Claire Bergere, *China from the 1911 Revolution to Liberation* (Sussex 1977) p331
7. A Thornton, *China: the Struggle for Power*, (1976) p210
8. McAleavy, op cit, p235
9. Cited in Y Gluckstein, *Mao's China*, (London 1957) p192
10. The Democratic League was formed during the war to oppose the corruption and authoritarianism of the KMT. Originally based on intellectuals and the professional classes it had some 50,000 members by 1949.
11. Quoted in C Brandt, *A Documentary History of Chinese Communism* (Cambridge, Mass. 1952) p303
12. J Chesnaux, *China: The People's Republic 1949-76* (Sussex 1979) p9
13. Ibid, p17
14. Ibid, p9
15. In 1937 only about 9% of the industrial resources of China could be classified as capital or heavy industry. Most of this was concentrated in Manchuria—see Hughes and Luard, *The Economic development of China 1949-1960* (London 1961) p15
16. J Chesnaux, op cit, p45
17. Ibid, p48
18. Ibid, p19
19. Ibid, p10
20. A Eckstein, *China's Economic Revolution* (Cambridge 1977) p168
21. Y Gluckstein, op cit, p89
22. J Guillermaz, *The Chinese Communist Party in Power* (Westview 1976) p26
23. A Eckstein, op cit, p214
24. Y Gluckstein, op cit, p212
25. The Bao Jia was the name of the KMT secret police and their network of informers modelled on the Nazi (and Stalinist) block system, i.e. one informer per housing block.
26. Y Gluckstein, op cit, p214
27. Ibid, p235
28. Ibid
29. Ibid
30. C L Liu, "China, An Aborted Revolution", *Fourth International*, Jan/Feb 1950 (New York) p6
31. H Foster Snow, *The Chinese Communists* (Westport, Connecticut 1972) p385
32. Y Gluckstein, op cit, p92
33. J Chesnaux, op cit, p35
34. Wang Fan Hsi, *Chinese Revolutionary* (Oxford 1980)
35. *Intercontinental Press*, 1 October 1979 (New York)
36. J Chesnaux, op cit, p50
37. Y Gluckstein, op cit, p197
38. The percentages of private sector output ordered by the state were:
 

1949	12
1950	20
1951	43
1952	56
1953	63
1954	79
1955	82

 (Cited by Gluckstein, op cit, p197)
39. Figures from J Guillermaz, op cit
40. A A Eckstein, op cit, p217
41. Hughes and Luard, op cit, 91

# Ageing Stalinists take capitalist road?

THE TWELFTH Congress of the Stalinist Chinese Communist Party (CCP) has completed its work. As expected it brought about few changes in the policies already being pursued by the dominant faction around Deng Xiaoping. As is always the case in the internal proceedings of the Stalinist parties the Congress was only held when the dominant faction was sure that it would rubber stamp its policies and sanction the defeat of rival factions within the ruling bureaucracy. In fact, the main function of the Congress was to confirm, in retrospect, the policies of the dominant group in the CCP since they succeeded in removing the "Gang of Four".

The Congress took place at a time when the faction around Deng Xiaoping was confident that it had successfully suppressed the major forces of opposition to its rule. The leaders of the old "Gang of Four" have been put through their show trial and sentenced. The confident Deng has decided not to carry out the execution of Jiang Qing—Mao's widow.

The majority of the supporters of the "Gang of Four" have been routed in subsequent "reversals of verdicts" in the localities. Grass roots opposition from the "Democratic Dissidents", which flourished in the aftermath of the turmoil that accompanied Deng's return to power, has been suppressed by harassment, detention without trial and—in those rare situations where trials have taken place—extremely severe sentences.

## Speculation

In spite of speculation that the oldest members of the Standing Committee and the Politburo would stand down, nothing of the sort took place. In fact the Twelfth Congress set up another ruling body—the party Advisory Council—in order to accommodate the ageing leaders of Deng's faction. The Congress confirmed the new leadership of Hu Yaobang as the Party General Secretary, and Premier Zhao Ziyang. Both Hu and Zhao are proteges of Deng. There is no doubt that Deng will be able to continue wielding power through them.

Deng can also maintain his control though his ally Ye Jiang Ying on the Military Affairs Committee and his own position as the effective head of the People's Liberation Army. He remains a member of the Standing Committee of the Politburo.

Deng further secured his position in the CCP by removing Hua Guofeng from the Politburo. Hua was the successor ap-

pointed personally by Mao on the recommendation that "with you in charge I am at ease". Hua had endorsed all the major "Gang of Four" policies including the bloody suppression of a mass demonstration of 100,000 citizens in Tiananmen Square against Mao and the "Gang of Four" in 1976. Congress criticised Hua for what it termed "leftist" leanings and blamed him for the delay in outlawing the slogans and policies that dated from the Cultural Revolution. Hua was also criticised for sanctioning over-ambitious investments in 120 heavy industrial projects which have been hurriedly cancelled by the Deng faction.

Hua was not the only prominent figure to lose his position. Congress agreed to set up a Central Commission for Discipline charged with overseeing a rectification campaign and a re-registration of all party members next year. This is officially aimed at purging the party of corrupt and dishonest members but will serve to further root out anti-Deng elements among the 39 million party members—many of whom joined the party and rose to power during the Cultural Revolution.

Changes in the party constitution led to the deletion of allegiance to Mao as the "great leader" and the main task of the party is now to achieve the modernisation of China.

The Congress met against the background of mounting evidence of stagnation and crisis in the planned economy. Congress endorsed the report of General Secretary Hu and his proposals on the sixth five year plan with regard to the tasks of the Four Modernisations. The plan does little more than sanction what has already been in practice over the last two years. Its most important features are the opening up of China to the west and the dramatic de-centralising of the domestic economy. This is the strategy of the Deng faction for delivering the Chinese economy from the ten "bad years" after the Cultural Revolution and its present economic stagnation.

All the indicators highlight the very serious crisis that has hit the Chinese economy. Growth rates in industrial production over the last three years have remained low. The absolute value of heavy industrial production suffered an estimated decline of 5% in 1980 (*Far Eastern Economic Review*—FEER 11.12.81). Likewise grain output fell by 5% in 1980 compared to 1979 and energy output decreased by 2.9% (*October Review*). The government was faced with a high financial deficit of 17.06 billion Renminbi

(RMB) in 1980.

The inflation rate rose to 5.6% in 1979 and is expected to reach double figures in 1982. Though workers' wages and peasant incomes have officially increased by 10-20% over the last two years through bonuses and increased prices for agricultural products, real incomes have in fact declined. Premier Zhao Ziyang was forced to admit that "serious financial and economic crises are latent" and if unredressed, will develop into "explosive crises" (*October Review*).

Faced with this crisis the Chinese Stalinists are moving to strengthen China's dependence on western capitalism and the operation of capitalist market mechanisms within the planned economy. In the hands of the bureaucracy the planned economy necessarily stagnates under the weight of corrupt parasitical management. In order to drag themselves out of the impasse the Stalinist bureaucracies of east Europe as well as China historically look to the piecemeal adoption of capitalist mechanisms to bale them out. Either the working class will overthrow the bureaucracy and take the planned economy into its own hands, developing its full potential, or the bureaucracy will progressively dismantle the plan, the state monopoly of foreign trade and place China once more in the hands of the institutions of world imperialism.

## Integration

Deng stated during the Congress that China would run its own affairs while "unswervingly following a policy of opening to the outside world" (*Guardian* 2.9.82). This means increasingly China is taking steps towards integration in the world trade system. This November it will be sending observers to the ministerial session of the General Agreement of Trade and Tariff (GATT). It had been anticipated that China would eventually join GATT, ever since Beijing became a member of the World Bank and the International Monetary Fund in 1980.

The price China will have to pay for the benefits of GATT membership will be the "liberalisation" of its own import and trade procedures. Similarly the IMF made conditions for China's membership and loans, for example by insisting on an agreement to abolish the present system of dual exchange rates for internal and external currency transaction.

The World Bank's report on the Chinese economy (FEER 14.8.81) suggested the use of high capital inflow in the form of foreign loans to fuel economic growth. This line was dutifully adopted by the Fifth National People's Congress in December 1981. The budget for China in 1981 included in its revenue foreign loans worth 8 billion RMB (\$4.76 billion) mostly made up of purchasers' credit. Wei Yuming, vice-chairman of the Foreign Investment Agency gave the figure of \$17.3 billion for the last two years' loan agreements with various governments and organisations,

including \$400 million from the World Bank, the Japanese Overseas Economic Corporation fund and the Japanese Export-Import Bank. China now faces debt servicing costs amounting to 15% of its total debts. Some of this will be paid in coal, oil and non-ferrous metals, the remainder must be paid with scarce foreign currency.

China is relaxing its restrictions on foreign investments and has approved of 29 joint venture projects and more than 400 co-production schemes as well as compensation trade to the value of \$1.5 billion. An oil deal struck with the US company Arco is an example of what these openings to foreign capital and technology will mean. Though the terms are secret, it is believed that the US company will pay for the cost of exploration in the South China Sea and if successful, will recover these costs when production starts. The Chinese state obtains about 90% of the oil-fields' profits and the company receives 10%. Moreover, Chinese officials indicated further concessions with a low 30-35% foreign corporate tax rate, creditable against tax liabilities in the USA.

Other measures are being used to woo foreign investors. In some industries tax exemption is offered for the first year and reduction in subsequent years. Under a generous joint-venture agreement the foreign partner provides technology in return for royalty payments. For two years after the joint venture ends or the operation reverts to the Chinese partner, royalty payments will continue at three times the average paid in the last three years of the joint venture.

Little wonder then that Mrs Thatcher, on her recent trip to China, attempted to clinch deals for British companies such as Cable and Wireless and GEC to build a nuclear power station and a microwave telecommunication system in Guangdong. The imperialists are eager to cash in on the bureaucracy's "liberalisation" programme.

### Autonomy

Furthermore, a new plan put before the State Council recently gave new economic autonomy to eleven coastal provinces. Like the smaller Special Economic Zones (SEZ) these Special Economic Areas (SEA) no longer require prior central government approval on matters concerning imports, customs duties, foreign exchange, interest rates, concessions on loans and investment projects. These zones will come increasingly to resemble the foreign concession areas in pre-1949 China. The other key element in Deng's strategy to revive China's economy is the decentralisation of the domestic economy. This "restructuring" and "readjustment" shifts the responsibility for investment and sources of investment onto individual enterprises and banks. Since 1980 China has gradually been converting state owned "administrative corporations" into "enterprise corporations" responsible for their own

profits and losses. Tax is paid to the central government on profits earned rather than all profits being remitted to the state as before. At the same time, prices have gradually been adjusted to reflect more closely the actual market condition for producer goods and finished materials. This "profit retention" system gives considerable leeway to enterprises to decide how much of their profit will be reinvested and how much will be distributed to management and workers as bonuses.

Coupled with this is the switch over to credit financing of the enterprises. Instead of being allocated state funds for capital investments, state enterprises are now free to request medium and short term loans from the People's Bank of China. Within certain stated limits, enterprises can set their own production quota, arrange to buy or sell to other enterprises, and to export finished goods. At present enterprises are allowed to arrange imports but have to receive permission to purchase foreign currency from the central economic agencies.

### Dismantled

The centralised planned economy in China is therefore being partially dismantled and transformed into a new system that incorporates features of the market economy. At the moment the state retains overall control through its allocation of loans to each sector—for example in 1980 2 million RMB was allocated to equipment and installation and 3 million RMB to priority industries. But it is increasingly relying on the economic levers of the market economy to indirectly control the level of investments in the various sectors through controlling interest rates, the supply of credit and tax rates. This policy was summed up by Hu Yaobang in the report he made to the Twelfth Party Congress:

"Enterprises may be allowed to arrange their production flexibly in accordance with the changes in market supply and demand. The state for its part should exercise control through policies, decrees and administrative by industrial and commercial offices and should help those enterprises with the supply of certain important raw and semi-finished materials." (FEER 10.9.82)

The same tendency is reflected in the official encouragement and inducement for private enterprises. In the same speech Hu reiterated the position that planning took precedence but added:

"A number of small commodities which are low in output value, great in variety and produced and supplied only seasonally and locally need not and cannot be controlled by planning." (FEER 10.9.82)

New regulations allow private enterprises to hire up to two persons and take on four apprentices. The private entrepreneur can open a bank account and borrow the initial capital from the Bank of China. This has led to a mushrooming of small enterprises, especially in retailing—

there has been a dramatic increase in the number of shops selling craft wares, fresh food, fruit, vegetables and meat as well as restaurants and snack stalls. The density of retail shops has doubled in three years and the self-employed now make up 16% of those working in the retail sector. This has been useful for the Stalinists as a means of absorbing the urban unemployment. Private retailing, however, remains limited to those items not designated category one and two goods: grain, oil, cotton, certain industrial and medical materials.

Parallel to this is a partial de-collectivisation of agriculture. The Communes' land has been divided up into small parts for cultivation by households or labour groups. It is estimated that 50% of the collective units, particularly in the richer areas, have taken up this "production responsibility" system. While the state maintains acreage quotas for all major crops, peasant households are either contracted by the collective for specific work or are free to grow what they like in an allocated area as long as they are able to meet the state quota and the collective's levy. This has resulted in the short space of two years in a sharpening of marked differences in peasant incomes between those who have the skill and money to invest in fertiliser and other inputs, and those who do not.

### Pragmatism

Deng has always been fond of saying that "it does not matter whether a cat is black or white as long as it catches mice". Bourgeois commentators lavish praise on such statements as examples of "pragmatism" and "realism". In fact this saying gives full expression to the degenerate cynicism of the Chinese Stalinist bureaucracy. They owe their power to the overthrow of capitalism in China but they stand to lose all their power and privileges should the workers and peasants of China take the post-capitalist property forms into their own hands and commence the construction of a socialist economy. They therefore preside over a property form that they cannot render dynamic or stable because they must at all times deny the toilers themselves all democratic rights.

Faced with crises and stagnation they are driven to apply capitalist recipes to patch the economy together rather than risk losing their power and privileges at the hands of the workers. And the application of those remedies serves to accelerate the process of disintegration of the post-capitalist property forms. Sections of the bureaucracy—notably based around the military and heavy industry—have periodically attempted to block individual measures of decentralisation and reform. But in China, as in all the other workers' states, no major section of the bureaucracy has any lasting or viable alternative solution to the stagnation of the planned economies. The Chinese Stalinists' Con-

gress highlights the indisputable fact that the bureaucracies remain an objective force for the restoration of capitalism in the workers' states. Only the destruction

of bureaucratic rule through political revolution can save the working class from paying the price of the bankrupt policies of the Stalinists. ■

turning towards market mechanisms to get the economy going. In effect they are following a distorted version of the New Economic Policy of the early and mid-1920s in the Soviet Union. That policy, introduced in 1921 as a stop gap measure following civil war, imperialist intervention and famine, rapidly created a class of rich, labour-exploiting peasants and merchants who, by 1927, were demanding that their economic influence be matched by political power.

By echoing Bukharin's famous slogan for the Russian peasants, "Enrich yourselves!" and, at the same time inviting in foreign capital under foreign control, Beijing is creating a Trojan horse—with China in the role of Troy. The first target is likely to be the state monopoly of foreign trade. If this can be broken down, and it has already been seriously weakened by allowing regional autonomy in dealings involving foreign trade, then China can be brought under the direct influence of the world market. The Chinese economy could not stand up to competition from the far more advanced and capitalised countries but, in attempting to compete the wages, working conditions and social welfare of the mass of China's population would be driven down *below* the miserable standards of the sweated workers of South Korea, the Philippines and Latin America.

However, while Mao's successors are playing the capitalists' game they are not a capitalist class. Sooner or later their bureaucratic privileges and control will be attacked directly by the capitalists they are presently wooing in alliance with the "NEP men" and rich peasants. Capitalism does not need a caste of exclusively parasitic bureaucrats, indeed it must attempt to remove them and their control. The present concessions which the Chinese bureaucracy are making to imperialism can only strengthen the restorationist forces in China. In any such clash with imperialism and its agents, Taiwan, Hong Kong and Macao, left under effective capitalist control, will become spearheads of the counter-revolution.

### Urgency

For the workers and peasants of China the present course of the leadership of the CCP demonstrates yet again the urgency of building a genuinely revolutionary party of the Chinese proletariat—a Trotskyist party. This party will advance a programme of defence of the gains of the Chinese Revolution via the creation of workers' and peasants' soviets, the building of a revolutionary workers' army and the overthrow of the political rule of the bureaucracy.

A quarter of humanity lives within China's borders. In the last sixty years they have shown themselves capable, even under Stalinist mis-leadership, of prolonged and determined class struggle. When the conflict with capital, at present being prepared via the negotiations and compromises over Hong Kong, breaks out, revolutionary leadership of those masses as an independent political force will ensure that today's agreements will be no protection for either imperialist or bureaucrat. ■

From *Workers Power* 55 May 1984

# Imperialism keeps its toehold

GEOFFREY HOWE'S statement that Britain cannot expect to continue its administration of Hong Kong after 1997 is little more than a recognition of reality on the part of the British Government. Separated from China by a few hundred yards of water and dependent on the main land for food and water, Hong Kong is not the Falklands Islands.

Although the ostensible subjects of negotiations between Beijing and London have been the return of sovereignty to China and the form of administration after 1997 their real content is more likely to have centred on the period up to then. Whatever is said or signed now no one is in any doubt that China, as the sovereign and dominant power, could impose her own wishes at any time. If China wants to give "guarantees" to world and Hong Kong capital these will have to be in the form of concrete concessions in the here and now.

Equally there can be little doubt but that the Chinese Stalinists do want to reach a lasting agreement with foreign and Hong Kong based capital. The very existence of Hong Kong as a British colony since the Revolution of 1949 is testimony to the willingness of Beijing to compromise with British imperialism in a period when the USA was unwilling to offer such a compromise.

### Profitable

Hong Kong has always been a Thatcherite paradise. Capital can come and go as it pleases and is guaranteed a large and cheap labour force. Unions are weak, protective factory legislation is minimal and unenforced, state supported welfare systems virtually non-existent and workers' housing appalling. All of this has made Hong Kong vastly profitable for British and international capital.

From the British point of view, Hong Kong's primary importance has been as a base for finance capital in the Far East. Thus while in terms of trade with Hong Kong Britain takes third place behind the USA and Taiwan, British based banks and finance houses accounted for some 70% of Hong Kong's finance capital operations (banking, insurance etc). The importance of British capital within Hong Kong can be judged by the effect of Jardine Matheson, the biggest of the British companies involved, deciding to move its registered office to Bermuda. The Hong

Kong stock market fell by 118.85 points within two days, knocking millions off the value of Hong Kong traded shares.

In the long term, then, Hong Kong's role for British capital is as a staging post in its desire to open up the Chinese mainland, the world's biggest potential market. Indeed, this is already underway. In 1981, David Newbiggin, then head of Jardines, estimated that between \$3 and \$5 billion had been invested in Hong Kong in the Shengzhen Special Economic Zone (basically a very large industrial estate close to the border). In 1982 a further \$1.75 billion was invested in the same area (figures from *Far Eastern Economic Review* January 1983).

### Negotiators

In addition to protecting their own position Britain's negotiators have also been acting on behalf of imperialism in general to ensure that the political administrative framework for future investment will enable them to extract profits and impose the laws, upon which their system depends. In the last month China has been obliged to allow Hong Kong receivers to oversee the winding up of a failed business venture in Shengzhen. Such rights, in reality a modern form of extra-territoriality that the foreign powers enjoyed in pre-Revolution China, will be demanded by all foreign capitalists before they will invest in projects such as the Dayu Nuclear Electricity generating plant, also near the Hong Kong border.

All the signs are that Beijing will accept these demands in order to gain much needed capital and modern technology. Whilst any workers' state (whether a healthy one such as the Soviet Union in the early 1920s or a degenerate one such as China) has the right to make compromises with foreign capital in order to allow economic development, the present policy of Deng Xiaoping and company has nothing in common with that of the Bolsheviks in the 1920s.

The Shengzhen experiment and the proposed Special Administrative Region for Hong Kong (by which the area would remain as a capitalist enclave under Chinese sovereignty) are not taking place in a vacuum. Unable to develop China's huge resources by either bureaucratic command planning or by voluntarist adventures like the Great Leap Forward, China's Stalinists are increasingly



THE LEADERSHIP clique around Deng Xiaoping are committed to a policy of modernising the Chinese economy by freeing market forces at home and increasing the importation of capital, technology and raw materials.

They began by introducing a free market in the countryside. Agriculture had suffered considerably from the bureaucratic diktats of the 1950s and 1960s. The peasants, who had supposedly rushed to divest themselves of such "bourgeois" trappings as cooking pots in their eagerness to form communes in the late 1950s had been allowed to cultivate their own plots of land ever since the famine of the early 1960s. However, to a large extent they were restricted in what they could grow and the price they could get for it. Whole counties could be instructed to grow the same crop, and nothing else.

It was not surprising, then, that agricultural production went up rapidly as soon as the peasants were allowed to adopt the "responsibility system". By this was meant that they were responsible for making as much money out of their land as they could. Peasants reverted to growing what was best for their land, or commanded the highest prices in the markets. Rural incomes were reported to have trebled, even quadrupled, as a result.

The western press gave full rein to its

# China's capitalist road

own prejudices and happily pointed to Deng as the man who could put China back on the road to prosperity.

However, it is not difficult to see where Deng's policies will actually lead. Quadrupled incomes for farmers mean quadrupled bills for the city dwellers. The industrial working class will be forced to increase productivity massively if an increasing proportion of the value they produce is to go to the peasantry. Equally, there has never yet been a newly enriched peasant who did not seek to strengthen his wealth by extending his lands.

Differentiation is sure to develop in the countryside. If some peasants prosper and broaden their holding then more must lose their land completely. The concentration of capital on the one hand must always lead to the creation of a proletariat on the other. Deng's policy is strengthening the hand of the future landlords in the inevitable class war against the future

proletariat.

The application of Deng's policies to industry will be still more dangerous for China's workers. Decentralisation of production planning will inevitably engender competition between plants or regions. Effectiveness in that competition will be measured in terms of increases in productivity. Quite apart from the decrease in working conditions, pay and living standards that this will bring for the workers this can also form an entry point for foreign capital to get its hands back on China. At plant level the pressure will be on to import "labour saving" technology in order to compete successfully. That will require foreign currency which can only be obtained by foreign trade, foreign trade requires selling cheaper than international competitors such as the sweat shops of the Philippines or South Korea.

At every turn Deng's policies will bring

## The Hong Kong deal

THE AGREEMENT reached between Beijing and London on the future of Hong Kong is a major setback to the interests of China and a long term threat to her future. On the face of it the British did not have a strong negotiating position. Even according to their own laws the greater part of the territory had to return to Chinese sovereignty in 1997. There was never any real chance of hanging on to Hong Kong Island itself just because it was the subject of an unlimited treaty signed after the Opium Wars.

Nonetheless, it was China that made concessions. Hong Kong will remain in British hands until 1997. After that it will

remain essentially as it is now except that Beijing will decide who is the Governor who will, in future be called the Chief Executive.

Britain won these concessions by using the only card she did hold—the threat to destabilise Hong Kong and thereby destroy a central pillar of the future plans of the current Beijing leadership.

Hong Kong is an important physical factor in those plans. As a major port and manufacturing centre it is a line of communication through which flows much of China's foreign trade. More importantly, however, it is a measure of Beijing's intentions towards capitalism at home and

Imperialism abroad. Any hint that Hong Kong capitalists were being set up to share the fate of those in Shanghai in the early 1950s and credit facilities, research investment and materials' shipments from all around the capitalist world could have been turned off.

Both sides in the negotiations were well aware of the real balance of forces. The Chinese army could take Hong Kong away from Britain in less than 24 hours but the impact on Britain would be relatively slight. The removal of western credits and trade could damage China for decades. When all the smiles and toasts are done with the reality of the agreement will remain. Hong Kong is to remain as a base for the operations of finance capital in China and this will corrode the already shaky central pillars of the degenerate workers' state of China.

Britain's finance capitalists have revealed their attitude to the régime that nationalised much of "their" assets in China. Recently Beijing raised the possibility of selling government bonds on western markets in order to raise foreign currency. Interest was to be paid at a real 8.7%. London, the biggest market for such deals immediately made it clear that no such issue would be handled until China had "settled" the question of bonds issued by the Imperial and Nationalist governments of China, debts that were repudiated after the 1949 revolution. The value of the those bonds, the "debt" that London wants repaid before more can be borrowed is US\$83.1 million—at 1939 prices!■

### Main points of the agreement:

- Britain remains responsible for administration until 1997.
- In 1997 Hong Kong will become a Special Administration Region (SAR) of the People's Republic of China.
- The SAR will be completely autonomous except in matters of foreign relations and defence policy.
- The present (capitalist) laws, police force and judiciary system will remain.
- The Chief Executive will be appointed by Beijing after "elections or consultation".
- The SAR will form a separate customs entity. It will have a free market in all goods and financial services.
- The SAR will not contribute to the mainland taxation system.
- The SAR will retain the right to conclude its own economic agreements with foreign countries.
- The Hong Kong dollar will remain a legal and convertible currency.
- The agreement itself will remain in force for fifty years.

China into unequal relations with international capital. To overcome the inefficiency of obsolete blast furnaces, China has to import very high grade iron ore from Australia. In the last year such imports have risen from 2.9 million tonnes to 4.5 million and the costs from A\$121 million to A\$177 million. Now in order to guarantee future supplies China is planning to invest in a joint mining venture—in Australia.

The relaxation in the state monopoly of foreign trade, which protected China's economy from capitalist competition, in order to remove bureaucratic obstacles to foreign trade has already begun to undermine the Chinese currency, the Renminbi (RMB).

Previously all goods destined for foreign markets were bought by the state for an exchange rate of RMB 2 to the US dollar. This entirely notional exchange rate had no effect on the price the central corporation got on the world market. Since relaxation the RMB has been forced to respond to the actual relationship of currencies and its exchange rate has dropped to RMB 2.4 to the US dollar. This has the

effect of cheapening imports to China and making foreign capital investment more lucrative.

The question of undermining the Chinese currency is also raised by the projected Super Highway to link Hong Kong with Canton via Shengzhen "Enterprise Zone". The first 48 km stretch of the 240 km road is at an advanced planning stage. It is a central requirement for the modernisation of the province of Guangdong and an increase in exports via Hong Kong from the Enterprise Zone.

The Hong Kong/Japanese consortium which will build it is now in a very strong negotiating position and is insisting that the tolls, by which they will be paid for the road, must be paid in Hong Kong dollars. This will have the effect of a tax on Chinese exports, adding still further to the pressure to cut wages for those producing the goods.

The examples can be multiplied. Wherever free exchange between the world market and the Chinese economy is allowed, and such exchanges are increasing all the time, the pressure on China to toe the international capitalist line, allow un-

employment, dismantle the gains that have been made since 1949, increases.

Yet this process of increasing contacts with and increasing adaptation to market forces cannot go on forever without forcing a qualitative break in the Chinese social system. Deng and company undoubtedly lean towards capitalism rather than socialism—but they are not capitalists. They are bureaucrats who, distrustful of the masses, are encouraging the capitalist, home grown or foreign, to take over bits of the Chinese economy. Those capitalists will not need the state protection of the bureaucrats for ever. Indeed the state will become their enemy and so will the bureaucrats who run it.

Ultimately, Deng's policies are paving the way for renewal of the civil wars which wracked China for the first half of the century. In those civil wars revolutionary workers will need to forge their own leadership in the form of a Trotskyist party which, while it may defend the present state forms against counter-revolution, will set as its goal the overthrow of the bureaucracy and the creation of a revolutionary Soviet China. ■

From *Workers Power* 91, March 1987

# China: Stalinism's crisis in Asia

THERE ARE mounting signs that the process of economic reform embarked on by the Chinese eight years ago is provoking ever sharper conflicts within the bureaucracy.

The overall direction of the reform has been to promote market relations in agriculture and economic self-sufficiency for industrial enterprises. Yet this in turn has weakened the political rule of the central party apparatus. As the problems engendered by the reforms have accumulated so key sections of the bureaucracy are moving to reverse elements of the reforms and reassert their social, political and ideological grip.

The present crisis in China has its roots in the fundamental contradictions that exist between the political rule of the parasitic bureaucracy and the economic mechanisms that it has encouraged in the light of its inability to sustain the development of Chinese agriculture and industry. Under the leadership of Deng Xiaoping structural economic reforms were begun in the countryside in 1979. In the hope of boosting agricultural production the people's Communes were de-collectivised and the land divided under a family responsibility system. Under that system each family is allocated an annual contract to produce a state quota.

As long as the quota is fulfilled the family is free to grow whatever it wants and sell it on private markets. In some rural areas there is no longer even a state quota.

The family responsibility system has benefited the rich peasants most as they can afford the investments needed for higher yields. It has also led to the neglect of large scale projects like hydro schemes which generally benefit poorer peasants. Rich peasants are said to have had income increases of up to 13.7% in the last five years. There has been a mounting gap in incomes between resource rich and resource poor regions.

The changes in agriculture have caused sharply fluctuating demand and supply in certain commodities such as grain. Peasants have changed over from grain growing (in spite of a subsidy in grain price) to cash and industrial crops which fetch higher prices. The 60,000 free markets now sell more food than the state stores.

In the industrial sector the Central Committee approved measures in 1984 which under the director responsibility system removed the direct control of plant from party secretaries and party committees. The party secretary's responsibilities were lim-

ited to the sphere of "ideological and political work". The scheme freed industrial management from interference by the party and state authorities on matters of funding, access to raw materials and marketing of the produce. The factory director responsibility system now operates in over 27,000 enterprises, one third of the entire state-owned industrial and transport sectors.

The director's job was now to administer enterprises which were to be responsible for all their profits and losses. Just as in the agricultural sector the mechanisms of the market were to be markedly strengthened. Chinese management was to be forced to emulate many of the features of the capitalist market economy.

Reports in the Chinese media about the Kaifeng Electrical Machinery state owned enterprise shows how the new system works. Pay and bonuses are now linked with work and piecework was introduced. There was an overall reduction of the number of workers. There were wage cuts of 20-40% for elderly, weak, sick and disabled workers. The Kaifeng Electrical Machinery Enterprise made 2 million Renminbi (RMB) profit in 1985.

In order to strengthen management authority new labour laws were promulgated in October 1986. The new laws systematised the procedure for recruitment and dismissal as well as establishing a new unemployment and retirement insurance system to sweeten the pill. Most important of all they give management the right to hire and fire.

There is now a specified list of dismissable offences, for example, having a poor attitude to service. Previously the state personnel and labour departments allocated people to work in units, usually for life. There is now a labour market based on supply and demand. It allows management to deal with

"over manning", i.e. to make redundancies.

For the workers, there has not been such a significant rise in their standard of living as in the rural areas. In urban areas increased agricultural prices and the free market have meant a higher cost of living and inflation, said to be in double figures, higher rents and increased unemployment, particularly for youth.

Private enterprise and private ownership were made legal in 1982. In the first half of 1986 the number of private enterprises registered with China's State Administration for Industry and Commerce (SAIC) grew from 2.6 million to 11.34 million. This is still numerically small. In cities the number of privately employed workers make up only 1% of China's 476 million workforce. However, they provide essential services mainly in tertiary industries such as retail sales, catering and transport.

In order to codify the impact of the various economic reforms last year's national People's Congress adopted a basic legal framework regulating internal and external economic relationships. One third of the articles were devoted to defining the legal status of different economic entities and their property rights.

Private ownership of the means of production is protected by law and may not arbitrarily be seized or interfered with by any person or organisation. State and collective enterprises are conferred the right to manage state property and to liquidate that enterprise should it prove unprofitable.

## Restructuring

The country's financial institutions have also undergone a major restructuring. In 1983 the handling of circulating capital was taken out of the hands of government departments. The monopoly on foreign exchange was taken from the state bank and into the hands of regional and special banks in a bid to encourage competitive banking and the money market. 80% of the capital investment in state enterprises used to come from the state budget. Now enterprises are encouraged to raise funds on the credit market. The *Peking Economic Daily* reported that as a result of these measures enterprises and government departments in 1985 held their own funds of 140 RMB, equivalent to 80% of the entire budgeted state revenue.

As well as strengthening capitalist mechanisms internally the Chinese bureaucracy has also been pursuing an "open door" policy to foreign capital. This too was introduced as a means of modernising the Chinese economy. As recently as October 1986 this tendency was still being strengthened. At this time measures to reduce bureaucratic control and guarantee managerial autonomy for all foreign investors were announced. A foreign investment steering commission was created. Some of the measures included the remitted profits and full tax refunds on profits re-invested for not less than five years, and the lowering of income tax paid by export enterprises in the special economic zones and other specially

designated zones from 15% to 10%. It gave the foreign investors the freedom to hire and fire, to determine salaries, make planning decisions, raise funds and to trade foreign exchange among themselves.

The seventh five year plan for the years 1986-90, passed by the National People's Congress in 1986, has as its theme—"Drive to Modernisation". The plan deletes any previous reference to "socialist modernisation" and replaces it instead with a "socialist commodity economy based on public ownership". The plan envisages most Chinese enterprises to be economically independent entities responsible for their own profits and losses by the end of the five year period. They will be given more autonomy so that they can "accumulate funds, update their technology and raise productivity". There will be price reforms and a shift of the government's role from one of direct to indirect control in various economic fronts. The plan merely confirmed the line taken by Deng's faction in the bureaucracy in the last five years.

The ideological counterpart of Deng's course was to be seen in the relative relaxation of the party's ideological control particularly over the intelligentsia. Deng's designated party general secretary, Hu Yaobang, sanctioned a party line that openly argued at times that Marxism was outmoded and in need of "enrichment". Mao had also made mistakes while other previously unrecognised sources of inspiration including, quite consistently, Bukharin were now acknowledged.

The package of economic, political and ideological reforms was by its very nature charged with contradictions. It significantly undermined the political base of the very party bureaucracy that instigated it as market mechanisms increasingly replaced party and state dictat. It had a similar effect on the ideological front where the party leadership's monopoly of wisdom was undermined. Moreover the economic reforms created severe disproportionalities within the internal economy and alarming results from the "open door" honeymoon with foreign capital.

By allowing a degree of the market economy to operate in China the bureaucracy has unleashed a form of boom-slump cycle. 1985 saw an investment boom that took place outside central government control. It occurred despite leadership policies and regulations designed to hold industrial growth down to manageable levels.

Foreign capital proved that it had no interest in investing in the rounded development of the Chinese economy. 1985 saw a drastic deficit on visible trade of US\$11.4-9 billion. This was equivalent to more than half the total value of exports last year. 1986 also saw a foreign exchange crisis as the hyper growth resulted in an increase in aggregate demand for foreign exchange for capital investment and the import of raw materials and components. Increased earnings, particularly in the countryside, boosted demands for imported consumer products such as TVs, cars, calculators and cassettes.

The foreign exchange problem was com-

pounded by a slide in oil prices. Oil made up 28% of foreign earnings in 1985. Some joint ventures were put into jeopardy because of a lack of foreign funding, e.g. the US Jeep plant in Beijing had to be rescued by special funding from the state. The bureaucracy is faced with the choice of letting market forces control funding supply and excess investment though it would make many state enterprises bankrupt. In July 1986 the RMB was sharply devalued overnight from US\$1 : 3.19 Rmb to US\$1 : 3.69 Rmb—a fall of 13.6%, in the latest effort to ease foreign exchange problems.

In addition to crisis on the economic front late 1986 saw a revival of Chinese student mobilisations doubtless in part because of the relaxation of party control over literary and academic debate. In all probability elements within the bureaucracy were prepared to encourage and tolerate the demonstrations for their own ends.

## Demands

In the big character posters put up during December and January, there were demands for a multi-party system. This was raised against the Four Basic Principles that the CP insists are adhered to (to uphold the socialist road, the democratic dictatorship of the people, the leadership of the CP and Marxism-Leninism-Mao Zedong thought). It was as a challenge to the right of the CP to nominate the candidates to the Anhui provincial party congress that the first student demonstration took place in Hefei.

Other demands were more general e.g. for freedom—freedom of press and association, freedom of demonstration. The students were inspired by the overthrow of Marcos in the Philippines and the French student movement. Students and intellectuals are the elite of Chinese society. Though most of the students are the children of privileged CP cadres and officials, the new mandarins, they do have grievances such as unemployment after graduation if they wish to stay in the cities or being allocated to posts in distant rural areas; high registration fees, insufficient grant and no independent student unions. However not all the demonstrators were in the "distinctly socialist, egalitarian and anti-capitalist" spirit recently described by Ernest Mandel (*International Viewpoint* 9.2.87).

That this is the case is highlighted by the nature of the politics of Fang Lizhi, vice president of the University of Science and Technology in Hefei, Anhui, and hero of disaffected students throughout China. He was dismissed from his post by the CCP Central Committee and expelled from the CP for promoting westernisation. He supported the students' demand to nominate their own candidates not in the "socialist, egalitarian and anti-capitalist" spirit, but because he is an elitist. Fang has been a prominent advocate of greater intellectual freedom. In an interview with *Shanghai World Economic Herald* in November, the main thrust of his remarks was that intellectuals in China have failed to achieve their proper status:

"In society today, knowledge and informa-

tion represent the most advanced productive forces . . . since these forces are controlled by intellectuals, it is natural that intellectuals should be the leading force in society."

His opposition to the Four Basic Principles—the leadership of the CCP—is not based on opposition to their bureaucratic rule but based on the assumption of intellectual superiority of academics.

The heightened factional stress within the bureaucracy was highlighted by the unceremonious ousting of Deng's General Secretary Hu Yaobang and his replacement by Zhao Ziyang. Both Hu and Zhao were appointed to their positions in 1978 as proteges of the twice purged Deng Xiaoping when he returned to power after the downfall of the Gang of Four. Premier Zhao is the architect of the economic reforms currently sweeping through China. Sichuan, where he was party secretary, was where the agricultural responsibility system was first initiated.

### Outspoken

Ranged against Deng is a strong coalition headed by such old guard Stalinists as Chen Yun and Peng Zhen, 81 and 84 years old respectively. In the Party National Conference in 1985, Chen was outspoken in his criticism of Deng's reform measures for their lack of central planning and excessive reliance on the market mechanism in the economy. He pointed out that:

" . . . regulation by the market, i.e. no planning, means production according to the changes of supply and demand of the market, and such regulation is 'blind'. Planning is the main foundation of macroscopic control. Only with good macroscopic control . . . can the economy be active but not chaotic." (*October Review*, vol 12 no 11)

Peng also argued for a return to the system of party control and bureaucratic planning of the 1950s. The views of Chen and Peng are popular with party cadres in the bureaucracy because Deng's economic reforms took control from them and threaten to undercut their power and privileges.

Since the student demonstrations in December and January, Peng and Chen have added their weight to the criticisms and denunciations of "spiritual pollution" which is seen as being the result of bourgeois liberalisation and the opening up to western influence. Peng, echoing Mao's first shot in

the Cultural Revolution, said in a New Year speech that:

"Our intellectuals, including our literary and art workers, should serve the people and socialism." (*Far Eastern Economic Review* 12.2.87)

This was a coded attack on bourgeois liberalisation though he was careful not to rule out completely the open door policy:

"We must stick to the policy of opening up to the outside world [despite] casting aside the capitalist system which upholds exploitation and oppression." (FEER 5.2.87)

Since the ousting of Hu Yaobang the more conservative elements within the bureaucracy have become increasingly confident. Peng Zhen has been calling for a return to more orthodox Marxist guidelines while President Li Xiannian has pointed to dangers that the open door will mean that "our industry will not grow". The agricultural reforms have also come under attack with *The Peoples Daily* worrying openly that the new rural wealth is being squandered rather than invested. As it put it recently:

"Farmers have spent a lot of money building new homes and many of them even used their hard earned money to build temples and tombs and carry out superstitious activities."

Under pressure Deng and Zhao Ziyang have been forced to endorse a campaign against "bourgeois liberalisation". Deng is no stranger to repression. His return to power was secured during the Chinese Spring of 1979-81 when the anti-bureaucratic democracy movement flourished. Once in complete control, he immediately turned and removed the freedom of speech, publication and demonstration from the constitution and jailed activists of the movement. He too, denounced the anarchism of the students in January. At least initially, the proclaimed target of the crackdown was to be "bourgeois liberalism" within the party itself. The bureaucracy is deeply mindful of the danger of its own internal feuds mobilising forces outside its control and unleashing deeper social and political conflict.

Zhao gave assurances that the present campaign against liberalisation will be limited to within the party and that it:

" . . . should not be linked to the policies of economic reform, rural policies, scientific and technical research, exploration in literary and artistic styles and techniques, nor the daily life of the people." (FEER 12.2.87)

The balance of power between the fac-

tions will largely depend on the stance taken by the People's Liberation Army.

The army, though personally loyal to Deng, is critical of the "economic reforms". It thought Hu was over zealous in the de-bunking of Mao and excessive in the indictment of Mao's errors. It resented Deng's reduction of troop strength by one million, and his reluctance to modernise the army's outdated equipment. Also, the economic reforms in the rural areas made previously prestigious army positions less attractive. *The Liberation Army Daily* insisted that "the whole army corps should also participate" in the campaign against bourgeois liberalisation in spite of Zhao's instructions.

There seems to be a stalemate at the moment but it is expected that there will be showdown at the fifth Plenary Session of the Sixth National People's Congress in March. Meanwhile it is to be expected that there will be foot dragging in the implementation of some of the "economic reforms" particularly the factory director responsibility system, a return to more central control and moves to limit consumer spending and use of foreign exchange.

### Accumulating

The current crisis in the Chinese bureaucracy is one that cannot go unnoticed amongst the Stalinist bureaucracies of the world. The Chinese bureaucracy looked to foreign capitalism and the internal market to solve the accumulating problems of its bureaucratically planned economy. Now it finds that these self same "remedies" are undercutting its political rule and sharpening the conflicts in its ranks.

A return to economic isolation and the old style planning may succeed in strengthening bureaucratic rule temporarily but it will not solve the problems of China's economic development. However, the prospect of serious divisions in the bureaucracy and attacks on the job security of Chinese workers opens up the prospect of sharp conflicts within Chinese society.

In those battles the Chinese workers must organise as an independent revolutionary party to overthrow the parasitic bureaucracy through political revolution. Only that can open the way to a democratically centralised planned road of economic development for China. ■

From *Workers Power* 118 May 1989

# Chinese student unrest

Day after day, students have filled the streets and squares of Beijing and other cities, demanding democratic reforms. Workers showed their support with delegations, wall posters and messages to the demonstrators. One bus driver in Shanghai shouted to the students "We support you—but if we strike to show it, they'd shoot us!" Here we describe the background to the protests and the crisis of direction facing China's bureaucratic rulers.

THE CURRENT wave of student demonstrations, hundreds of thousands strong, testifies to the groundswell of resentment against China's bureaucratic rulers.

The main demands raised by the student demonstrations on 4 May were "For democracy and a free press" and "Against corruption". These slogans sum up the starting point for politics in China today.

They point straight to the weakness built into the very foundations of the state.

Today's government cannot grant "democracy" or a "free press" because its power is dependent on excluding the masses from all forms of decision-making and denying them accurate information about their own society. It cannot stop corruption because its own rule and policies create and encourage corruption.

China faces rising inflation, falling production and serious regional imbalances. The leadership is divided over how to solve this crisis. But they debate behind closed doors. The students are demanding free speech, open discussion and democracy to open this debate out. Workers are coming to the students' side to protest at rising prices and poverty and at the huge disparity between their living standards and those of the corrupt bureaucrats.

The western press would have us believe that the students are demanding "westernisation". It is true that some look enviously at the apparent freedoms and higher living standards in the west. It is true that China's crisis is that of a bureaucratically planned economy. But so far, measures designed to "liberalise" the economy have worsened the everyday lives of the majority.

In 1978, Deng Xiaoping initiated an economic reform based on the reintroduction of the market. The effects of Deng's reforms are most evident in the countryside. Under the "Household Responsibility System" families were given control of a parcel of land and were free to farm it as they pleased.

A series of measures allowed some families to boost their own earnings and wealth. These included "rural workshops" where property previously held communally was sold off to the highest bidders, and "specialised households" who are allowed to hold equipment and rent it out.

The state also relaxed its control over production, allowing farmers to grow for the market. This was intended to stimulate agricultural production. At first this increase did occur as farmers sought to "enrich themselves". But the benefits of the policy have been short lived and the resulting problems have put extra burdens on the workers and poorest farmers.

One dilemma facing the bureaucracy was that at the same time as allowing farmers to grow for the market, the state had to be able to guarantee a minimum level of production and therefore had to regulate prices for each agricultural product.

The disparity between the free market and regulated prices is the origin of the widespread corruption. Government officials simply buy cheap and sell dear, an elementary example of primitive capital accumulation.

The effects of these reforms in the countryside itself have been dramatic. By 1982, rural per capita income was up 30% on average, but that average masked a differentiation within the rural population.

Areas close to cities saw big benefits for market gardeners who could be earning seven times more than their poorer neighbours. More distant provinces were worse off still.

In addition, the concentration of farm machinery and the consolidation of landholdings have pushed the less fortunate into marginal land and primitive methods of farming.

The last few years have seen production actually falling. The decline of the collective and communal systems means irrigation and maintenance have deteriorated. Rice, wheat and cotton production figures have all fallen.

Privatisation and marketisation were introduced more slowly into the industrial economy. The main thrust was towards enterprise autonomy and "profit-retention" where managers were allowed to individually benefit from increases in profits. This meant that they had an incentive to shed labour and raise productivity.

Some invested their "retained profits" in fixed capital and were allowed to purchase this on the open market, nationally or internationally. This in turn led to the

removal of price and production controls within the heavy industry and machine building sectors. As in agriculture, however, the state had to control a substantial part of production to guarantee state-led developments. Two-tier pricing stimulated corruption and rendered planning ever more impracticable.

The uncertainty in the leadership contributed to wild zig-zags in investment patterns. In turn this has fuelled inflationary tendencies.

To attract foreign investment and technology, China's resources have been thrown open to international capital. Contracts with foreign capital take first priority and, consequently, Chinese industry is suffering from shortages of basic requirements such as coal and oil. Only plants producing for the foreign market, or located in the Special Enterprise Zones, can maintain production. In short, foreign capital has been allowed to create its own 'extra-territorial' enclaves within China. The infamous treaty ports, against which the young Communist Party fought so courageously in the 1920s, have been re-established.

Against this background of burgeoning

## Cracks in the bureaucracy

EVER SINCE it came to power in 1949, the Communist Party leadership has maintained a very strict secrecy over its internal affairs. Quite apart from the contempt which all Stalinists have for the masses, this obsession with secrecy has resulted from a permanent split within the leadership.

The revolution was made on a programme of collaboration with capitalists to rebuild the national economy. This so-called "New Democracy" was the Chinese version of Stalin's Popular Front strategy. Almost immediately its utopian character was revealed by the Korean War. The capitalists who remained in China continued to support Chiang Kai-shek and posed a danger to the regime. Between 1951 and 1953 they were expropriated by the state.

However, one faction, led by Liu Shaoqi and Deng Xiaoping at least regretted this and, thereafter, consistently opposed further statification. Their opponents, led by Mao Zedong, realised that popular support would be lost without statification and planning but ensured that it was carried out bureaucratically.

As in the Soviet Union, this economic regime produced some advances but could not maintain a balanced progress. Mao's attempt to overcome this by mass mobilisation in the "Great Leap Forward" led to greater crises which were compounded by the Soviet withdrawal of all economic assistance. This provided the opportunity for Liu and Deng to demote Mao and introduce major concessions to capitalism, especially in the countryside. Such a policy encouraged production but also threatened the role of the central apparatus. Mao's counter attack was unsuccessful until he took the risk of mobilising mass support against Liu and Deng in the "Cultural Revo-

lution".

Although intended only as a stage army, the mass movement soon got out of control and began to act on Mao's calls for revolutionary renewal and the overthrow of the existing regime. Terrified at this prospect all wings of the bureaucracy, including Mao, agreed to suppress the movement militarily.

But divisions remained and surfaced again after the death of Mao. Limited popular mobilisations in 1977 and 1978 were used by Deng and Hu Yaobang to finally consolidate their positions.

The pace of their reforms, however, alarmed the more conservative elements who blamed them for student unrest in 1986-87. To maintain his own position Deng agreed to sacrifice Hu and to suppress the students. It is for this reason that the students chose the death of Hu as the occasion for their return to public political activity.

At the present time a further clash within the bureaucracy is developing over proposals for "political reform". The pro-market group around Deng believe that continued party and state interference in the economy are the root causes of lack of growth. They hope to introduce reforms which will limit party influence, possibly by electoral means.

They are opposed by those who see this as the thin end of a wedge which will separate the party from its control of the state. Although the different factions may well seek to manipulate popular sympathy, this division is so fundamental that we can expect the fiercest repression of any attempts to mobilise the masses independently. ■

economic crises, the students' demands cannot be understood as simply support for "westernisation". Supporters of an oriental Thatcherism do not raise the Red Flag and sing the Internationale. "Democracy" can, of course, mean all things to all people but, in the context of today's China, it is an attack on the bureaucracy's dictatorship. Already, the students see themselves, and are seen by others, as the champions of the huge majority who suffer economic hardship and denial of political rights.

In the course of its development, today's student movement will have to relearn many of the fundamental lessons

learnt in the 1920s. The most important will be that "democracy" must have a class content if it is to have real meaning. As Chinese society polarises between an impoverished majority and a wealthy minority and as the bureaucracy becomes ever more brutal in its attempts to hold down dissent, the most consistent militants will turn to the working class and fight to build a new, revolutionary communist party. This will lead the fight to destroy the bureaucracy's dictatorship, reverse its concessions to capital and establish a state based on the direct control of the working class and supported by the millions of poor peasants. ■

can see the inherent impossibility of this idea.

The crisis of the bureaucracy, the cause of its current paralysis, is the practical expression of this impossibility. Defence of the requirements of the market inevitably undermines the resources going to the planned sector. In turn defence of the planned sector equally means denying them to the market sector.

Some parts of the bureaucracy are more closely attached, or reliant, on the planned sector than others and wish to defend it. Others, probably a majority within the administration as a whole, know that defence of the planned sector led to economic stagnation and political instability in the first place.

What western journalists now call the "hardline" faction consists of those, like Deng Xiaoping and Li Peng, who favour extension of the market plus state repression of the social conflicts that they know this will create. The so-called "reformers", by contrast, favour controlling the social consequences of market forces by political means. This wing leans towards Gorbachev's strategy of glasnost as a necessary accompaniment to perestroika. What they share in common is the fact that neither faction has any intention of relinquishing their own power and privileges.

The working class of China should put no faith in either faction. Its way forward lies in political independence and the struggle to construct socialist planning of the economy. The latter cannot be achieved overnight but every move the working class makes should be aimed at this objective. In the here and now this means fighting to gain the initiative from the bureaucrats. The students' demands, though limited, are entirely justified but they remain demands on the bureaucrats to reform their state machine. The working class must mobilise to achieve those demands by the imposition of its own class control.

### **Involvement**

A press and broadcasting system that honestly reports events can only be guaranteed if the working class exercises its "veto" over censorship and government lies by stopping production and distribution/broadcast of material it judges to be wrong. The involvement of thousands of journalists in recent events shows that the possibility exists for this.

In the plants, workers are facing 20% inflation and corruption which causes shortages and inefficiencies. Workers' control in this context means enforcing wage rates which compensate for inflation and fighting to gain access to enterprise records to publicise how the managers and officials have been working. If there is evidence of corruption and nepotism then workers' commissions should investigate and workers' courts should judge their findings.

Similarly, workers' organisations should take the initiative in establishing links with the countryside. The division between rich and poor peasants is now considerable (see

From *Workers Power* 119 June 1989

# The roots of China's crisis

THE FUNDAMENTAL question in China today and, indeed, ever since the bureaucratic expropriation of the remaining Chinese capitalists during the Korean War emergency, is the direction and control of the economy. The pro-market reforms of the last ten years have brought economic and political crisis because they stand in contradiction to the basic structure of the Chinese economy.

For the bureaucrats the problem is ultimately insoluble. Because they cannot even agree upon short term measures, they refuse to allow public discussion even of the existence of the problem. That is why the demands of the students for a free press, in which the problems of China could be aired, strike at the heart of the bureaucracy and gain mass support from the rest of society.

### **Expropriation**

Since 1953, the industrial sector of the Chinese economy has been completely nationalised and directed by state planning. Inasmuch as this required the expropriation of the Chinese capitalists and asserted the possibility of conscious control of the economy, revolutionaries support and defend this. However, this system should not be mistaken for the communist strategy of socialist planning.

Socialist planning means replacing the capitalist system of directing the economy according to what is profitable with the proletarian system based on the criterion of need. Capitalism decides what should be produced as a result of billions of decisions taken "in the market" by individuals calculating what is most profitable to them. Socialist planning takes those decisions by democratically deciding on production priorities and monitoring them, controlling them,

correcting them, with the constant overseeing of millions of workers, the direct producers and consumers.

Obviously, for this to work it is necessary for the workers, collectively, to have the right to take decisions over production. The expropriation of capitalist private property is, therefore, an essential prerequisite of socialist planning. Equally important, however, the workers must have the means to take the necessary decisions. This requires both information and the political power, and confidence, to assess priorities and change targets in the light of what the class, as a whole, needs.

What exists in China is a bureaucratically planned economy. Instead of relying on the working class to oversee and plan production, the bureaucracy attempts to plan it all itself. It cannot. For nearly forty years it has tried to overcome this fact. Different factions have tried different approaches. They have fallen out with their Soviet mentors, they have launched virtual civil war against each other but they cannot effectively plan an economy that should grow rationally and harmoniously.

In desperation, the faction around Deng Xiaoping concluded that the rationality of the market, the profit criterion, would be preferable to no rationality at all and introduced their reforms from November 1978 (see WP 118). At the same time, they did not wish to relinquish their own political power over society.

What they proposed was the operation of the market in certain specified areas of the economy where they wanted fast development and a continuation of command planning in others. They called this, "Two Systems, One Country". In effect what they were saying was, "Two sets of property relations, defended by the same state". Any Marxist

WP 118) and could be utilised by the workers by proposing direct links for the supply of food in return for industrial products in the short term and agitation for re-collectivisation and re-cooperativisation of rich peasant land in the longer term.

Such initiatives will generate the necessary self-organisation of the class. Again, the last two weeks have already shown the creative capacity of the working class in this respect. The blockading of the capital city, in a state where there were no pre-existing independent workers' organisations, is proof enough of that. However, spontaneous organisation and plant based workers' control can only be the starting point of the struggle for political revolution, the overthrow of the bureaucracy and its replacement by a state based on workers' councils.

The example of the Beijing workers in creating the "Autonomous Organisation of Workers", reportedly on a city-wide basis, needs to be copied in the other cities of China. Delegates to such bodies need to be won to the perspective of the struggle for power. This, and all the decisions and strategies that flow from it, is more than an organisational question. It is a political question. For the spontaneous rebelliousness of the long-repressed masses to be transformed into conscious, calculated and

disciplined revolution requires the intervention of revolutionaries. That is to say, a revolutionary party is necessary.

The most important argument for revolutionaries in China today is that peaceful democratic reform is structurally impossible. The only way to gain the basic demands of the masses is by overcoming the bureaucratic state machine. As Marxists have had to insist, time and again, the state is essentially bodies of armed men. When the bureaucracy has agreed its policy it will move to crush any independent opposition. The hunger strikers and demonstrators felt that they had gained a moral authority over the likes of Li Peng because they stopped the advance of the (largely unarmed) troops into Beijing. This was, no doubt, momentarily true—but it will not stop the use of more reliable troops, even if there is a delay while they are brought from other regions or from Tibet. The bureaucracy has the state, it will use it.

To really build on the successes gained in Beijing, the working class must prepare for a more determined assault by the army at some point. This means preparing the armed defence of Beijing. This is not impossible. The PLA was for decades a conscript army, millions of workers have had military training and the whole population of Beijing was at

one time prepared for civil defence.

Fraternisation will still remain an excellent tactic wherever it is possible to apply it—but against tanks, paratroops or elite regiments it will not be enough. The hunger strikers were prepared to kill themselves—the working class must be prepared to kill others.

As we go to press rumours abound of the ascendance of Li Peng over Zhao Ziyang despite the return of Wan Li. To the best of our knowledge there is no revolutionary organisation in China that is able to ensure that the working class will be prepared to take the range of measures that could prevent the untrammelled rule of the bureaucracy being re-installed. This does not mean that all is lost, only that all cannot yet be won.

Only greater and greater mobilisations of the workers will limit and even defeat the inevitable attempt at repression. What has to be remembered is that neither wing of the bureaucracy has an answer to the socio-economic crisis wracking China.

This is the guarantee that, whatever the immediate outcome of the present events, there will soon be further explosions of working class opposition to the bureaucracy. Everyone will build on the lessons of May 1989, no matter how protracted, or how bloody. ■

ORDER REIGNS in Beijing. The sighs of relief can be heard in Whitehall and the White House. But it is an order built on sand.

As we go to press the demonstrations have become smaller. The strike wave has subsided. The barricades have come down. Deng Xiaoping and his cronies have tightened their grip on the press and the party apparatus.

The euphoria of May is over. No longer are troops and demonstrators fraternising on the streets. No longer are police bands entertaining millions with the Internationale on Tiananmen square.

Instead party and government chiefs have launched a campaign against those they will blame for the break down of order in China. Veteran conservative Chen Yun has declared:

"We must expose the plot hatched in secret by a very small number of people. We must struggle against them and never yield to them."

Number one candidate for vilification is Party General Secretary Zhao Ziyang. The feud in the party leadership has been settled against him. But Deng and Li Peng are sure to follow this up with the victimisation of key student and worker militants.

Today's order can only be temporary. Millions, including party members, have voiced their opposition to bureaucratic oppression, corruption and privilege. The workers have shown that they have the power to bring the system to a grinding halt. Millions will learn the lessons of this round of struggle in order to ensure victory in the inevitable battles ahead.

The opposition lost this time round because they did not have an effective politi-

# China: for workers' democracy

cal programme to deliver a death blow to bureaucratic rule. The movement rallied round the cry of democracy. But what did this mean?

For most it meant ousting the clique around Deng Xiaoping by an assertion of "people's power" expressed through demonstrations and hunger strikes. While the students called on the workers to strike they saw the workers as auxiliaries of the students not as the force that could destroy the regime and replace it with workers' democracy.

Instead the movement increasingly focused on backing those in the bureaucracy who posed as reformists such as Zhao Ziyang and Parliamentary Chairman Wan Li against premier Li Peng. "Democracy" came to mean backing one side in the bureaucratic feud. Or it came to mean, for a few, open support for capitalist democracy itself.

Now it is time to learn the lessons. And there are many to be learnt. The working class showed the enormous power it has in its hands. Many students came to learn this. Student and worker co-ordinating committees have been formed and remain in existence. They must learn that it is the workers' general strike that has the power to commence the destruction of bureaucratic rule, not the students' hunger strike. The workers must organise themselves

as the leading force in that struggle. The democracy of their workers' councils and their strike committees must replace the bureaucratic rule of Deng Xiaoping and Li Peng.

Those who want to destroy bureaucratic rule and privilege must orient to the workers. They must seek out every link, legal and illegal, with them. They must develop a programme geared to the workers, resolutely opposed to capitalist restoration, that will lay the basis for a revolutionary workers' party to lead the struggle ahead.

The millions who put their trust in a reforming wing of the bureaucracy introducing "democracy" have had their hopes dashed again. Zhao Ziyang has been swept aside. One time hero Wan Li came out openly in favour of martial law. As he put it:

"The imposition of martial law is in keeping with safeguarding the constitution and it is absolutely necessary to resolutely stop turbulence and rapidly restore order."

Ten years ago the far smaller democracy wall movement was crushed and its party mentor Hu Yaobang dismissed. Now a much mightier movement, not simply restricted to intellectuals, has seen the same thing happen again.

There will be some who will claim from

this that the only road to end bureaucratic oppression is to restore capitalism in China and create a western-style parliamentary government. The huge demonstrations in Hong Kong and of the Chinese elsewhere in the capitalist world continue to give voice to this programme. Deng Xiaoping himself has led the way in dismantling planned property relations and opening China up to imperialism. Hand in hand Stalinism and imperialism serve to popularise capitalist restoration.

But Chinese workers, those who oppose privilege and those who want democratic liberties and an end to corruption, have no interest in seeing capitalist restoration. It will serve to increase inequalities. It will legalise corruption and speculation. It will prevent the rational and rounded development of the country that only a democratically planned economy can achieve.

Capitalist restoration will open up the profitable bits to imperialist exploitation and leave the rest in far worse backwardness and poverty. What is more, in a backward country like China, it will not even result in bourgeois democracy. It will lead to a dictatorship as repressive as that of the Stalinists.

The only alternative to bureaucratic rule and capitalist exploitation is workers' political revolution.

The lesson of the Chinese spring is that the bureaucracy cannot co-exist with any independent organisation of the Chinese workers and oppressed masses. It must be overthrown by revolution. Those who don't organise to overthrow the bureaucracy will doubtless be beaten by them again.

As Poland showed in 1980 and China shows now, the bureaucracy can bide its time; it can regroup its forces; it can allow

opposition movements to exhaust themselves and fragment. But all the time it will be preparing to use its armed force and the weakness of its opposition to reassert its power.

Nevertheless as the regularity of mass explosions such as this shows, the bureaucracy's days are numbered.

Chen Yung has blamed the disorder on a slackening of Marxist agitation and called for it to be stepped up. By this he means a campaign to prove the permanence of bureaucratic rule and its coexistence with market relations. Sure enough Chinese workers and students need to study Marxism.

But the Marxism they study must not be that of Mao and Stalin, but that of Lenin and Trotsky; the Marxism of workers' democracy, of the struggle to put an end to all inequalities and privileges. The future lies with revolutionary Marxism. ■

# Where We Stand

WORKERS POWER is a revolutionary communist organisation. We base our programme and policies on the works of Marx, Engels, Lenin and Trotsky, on the documents of the first four congresses of the Third (Communist) International and on the Transitional Programme of the Fourth International.

Capitalism is an anarchic and crisis-ridden economic system based on production for profit. We are for the expropriation of the capitalist class and the abolition of capitalism. We are for its replacement by socialist production planned to satisfy human need.

Only the socialist revolution and the smashing of the capitalist state can achieve this goal. Only the working class, led by a revolutionary vanguard party and organised into workers' councils and workers' militia can lead such a revolution to victory and establish the dictatorship of the proletariat. There is no peaceful, parliamentary road to socialism.

The Labour Party is not a socialist party. It is a bourgeois workers' party—bourgeois in its politics and its practice, but based on the working class via the trade unions and supported by the mass

of workers at the polls. We are for the building of a revolutionary tendency in the Labour Party and the LPYS, in order to win workers within those organisations away from reformism and to the revolutionary party.

The misnamed Communist Parties are really Stalinist parties—reformist, like the Labour Party, but tied to the bureaucracy that rules in the USSR. Their strategy of alliances with the bourgeoisie (popular fronts) inflicts terrible defeats on the working class world-wide.

In the USSR and the other degenerate workers' states, Stalinist bureaucracies rule over the working class. Capitalism has ceased to exist but the workers do not hold political power. To open the road to socialism, a political revolution to smash bureaucratic tyranny is needed. Nevertheless we unconditionally defend these states against the attacks of imperialism and against internal capitalist restoration in order to defend the post-capitalist property relations.

In the trade unions we fight for a rank and file movement to oust the reformist bureaucrats, to democratise the unions and win them to a revolutionary action programme based on a

system of transitional demands which serve as a bridge between today's struggles and the socialist revolution. Central to this is the fight for workers' control of production.

We are for the building of fighting organisations of the working class—factory committees, industrial unions and councils of action.

We fight against the oppression that capitalist society inflicts on people because of their race, age, sex, or sexual orientation. We are for the liberation of women and for the building of a working class women's movement, not an "all class" autonomous movement. We are for the liberation of all of the oppressed. We fight racism and fascism. We oppose all immigration controls. We are for no platform for fascists and for driving them out of the unions.

We support the struggles of oppressed nationalities or countries against imperialism. We unconditionally support the Irish Republicans fighting to drive British troops out of Ireland. We politically oppose the nationalists (bourgeois and petit bourgeois) who lead the struggles of the oppressed nations. To their strategy we counterpose the strategy of permanent revolution, that is the leadership of the anti-imperialist struggle by the working class with a programme of socialist revolution and internationalism.

In conflicts between imperialist countries and semi-colonial countries, we are for the defeat of "our own" army and the victory of the country oppressed and exploited by imperialism. We are for the immediate and unconditional withdrawal of British troops from Ireland. We fight imperialist war not with pacifist pleas but with militant class struggle methods including the forcible disarmament of "our own" bosses.

Workers Power is the British Section of the Movement for a Revolutionary Communist International. The last revolutionary International (Fourth) collapsed in the years 1948-51.

The MRCI is pledged to fight the centrism of the degenerate fragments of the Fourth International and to refound a Leninist Trotskyist International and build a new world party of socialist revolution. We combine the struggle for a re-elaborated transitional programme with active involvement in the struggles of the working class—fighting for revolutionary leadership.

If you are a class conscious fighter against capitalism; if you are an internationalist—join us!

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