Chinese leadership concerned over meeting growth targets

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There is growing concern in the leadership of the Chinese government about whether the economy will meet the official target for growth of "around 5 percent" this year—and for good reason.

A series of data releases, some of them going back months and even longer, point to deflationary trends, slowing consumer spending and falling output.

Figures for August released by the National Bureau of Statistics showed industrial output and retail sales had come in lower than expectations. Industrial output grew at its slowest pace since March while retail sales had their second lowest month for the year.

The NBS said "in general the economy was operating smoothly in August" but noted that economic activity "still faces many difficulties and challenges in its continued recovery," due to the adverse external environment and "insufficient" domestic demand.

Industrial output rose at a year-on-year rate of 4.5 percent compared to 5.1 percent in July while retail sales were up by 2.1 percent compared to an increase of 2.7 percent in July.

Fixed asset investment grew 3.4 percent between January and August but at the lowest rate since December last year. Real estate development, however, actually fell by 10.2 percent while sales of new commercial housing, calculated in terms of square metres, was down by 18 percent.

Raymond Yeung, chief economist for Greater China from the ANZ Banking Group, said that China's growth momentum had "slowed rapidly in recent months" and was likely to fall short of the target by as much as 0.5 percent.

"The August data basically rules out the chance to attain the official target of 5 percent in 2024, unless the top leadership is willing to launch a bazooka stimulus package."

Other comments were in the same vein. A note issued by Lynn Song, chief economist for Greater China at the ING Bank, said that at the tail-end of the third quarter "time is running low to introduce measures to buoy the economy amid numerous headwinds."

One of those headwinds was identified by Goldman Sachs. In a research note, it said exports were up by 14 percent over the year, but China would face increased tariffs if there was further expansion.

"China may have to stimulate domestic demand to balance the risk of new tariffs dragging on growth and exacerbating deflation," it said.

The concerns in the top leadership over the worsening slowdown were reflected in remarks delivered at the end of a speech by President Xi Jinping at a seminar on ecological development last Thursday.

According to reports in state media, he said government officials had to "strive to achieve the full-year economic and social development goals."

"All regions and departments should studiously implement all the major economic initiatives and measures introduced by the Central Committee and deliver on the economic tasks for the third and fourth quarters."

This was generally interpreted as urging authorities to meet the target, but it was noted that Xi used the phrase "strive to achieve" rather than calling on them to "resolutely" meet the objectives, as was said in a Politburo statement issued in July. This could signify a decline in confidence they would be met.

Be that as it may, there is no question that the slowdown is causing considerable concern bound up with the issue of social and political stability. The Chinese leadership used to maintain that a growth rate of at least 8 percent was needed to achieve that objective. That target has long gone and there is a struggle to reach even 5 percent with little prospect of a major turnaround in the future.

To grasp the full significance of the growth slowdown it must be placed in its historical context.

In the wake of the brutal suppression of the working class in 1989—the most public expression of which was the Tiananmen Square Massacre of June 4, but which extended far more broadly—the regime proceeded with full-scale capitalist restoration.

It calculated that the grip of the capitalist oligarchy could be maintained provided there was economic growth. The prospect of social and economic advancement would give it a certain legitimacy in the eyes of the population.

That strategy enjoyed a degree of success for a period as China became the cheap labour platform for global corporations, but the regime reckoned without the contradictions of the global capitalist system into which it was seeking to integrate itself.

While the history of capitalist restoration in the former USSR and China are very different, the political representatives of both the oligarchies had certain common features.

The Russian regime under Putin believed it could be peacefully integrated into the capitalist "family of nations" and the analysis of imperialism developed by Lenin and Trotsky was a fiction and Marxist myth-making. Its counterpart in China considered it could benefit under the aegis of the capitalist global market economy.

For a time that perspective coincided with the interests of the imperialist powers. Chinese accession to the World Trade Organisation was actively promoted by the Clinton administration in the US and ratified under the presidency of George W. Bush.

As Lenin had explained, however, any relative equilibrium achieved under imperialism is always disrupted by changes in the economic base. In this case, starting under the Obama administration and its "pivot to Asia," the economic rise of China increasingly came to be regarded as a threat to the global dominance of the US and had to be halted.

The past decade and a half have seen an ever-increasing economic war against China coupled with a tightening noose of military alliances in preparation for war—part of the deepening global offensive by the US.

After the global financial crash of 2008, which led to the loss of 23 million jobs, the Chinese regime recognised that a new economic path had to be developed. It launched a massive stimulus program based on real estate and infrastructure development, but this has now run its course and is no longer viable because of the high levels of debt.

The Xi regime has since turned to what it calls the development of "high-quality productive forces" based on advanced technologies and the export of high-tech products to the rest of the world. Here its hopes of peaceful integration into the capitalist division of labour have been met by escalating bans on the export of high end computer chips to China and now the raising of tariff barriers against its own exports, first by the US but now being joined by other countries.

The Chinese oligarchy, starting with Mao, who pioneered the rapprochement with imperialism, continued and deepened by his successors, has promoted the illusion there is a way forward on the capitalist path of development, so-called "socialism with Chinese characteristics."

The Chinese working class and masses are increasingly being confronted with all the issues they faced in 1949 only at a higher level—the necessity to overthrow capitalism and its Chinese agencies in order to advance towards genuine socialism.