

# China in Crisis: Reason to Panic?<sup>1</sup>

In December 2008 the Financial Times spoke of an irony of history if the Communist Party of China (CPC), that had survived the collapse of the socialist Eastern Block in 1989 (and the social upheaval of Tian'anmen), would collapse through the events that come along with the global crisis of capitalism in 2009.<sup>2</sup> Another commentator said, China's politicians, faced with a possible social explosion of workers, peasants and unemployed, were already in a "state of panic".<sup>3</sup> But this is not just about China and the rule of the CPC. The question is whether the current crisis and subsequent social turnover can lead to the formation of a *global* working class that can finish off the capitalist mode of production world-wide. For any answer to that question class struggles in China play an important role.

China is still the biggest country in the world, with 1.3 billion people, and by now the third biggest economy. Through the opening and industrialization of the 1980s and 90s China became the "assembly line of the world", is part of global chains of production and circulation, and acts as a "global player" in investment and credit.

Over the past 20 years the immense process of industrialization has pulled millions of migrant workers from the countryside into the cities and special economic zones where they work in factories, on construction sites, as domestic helpers etc. After 2003 their struggles have gained momentum and put the regime of the communist party under pressure. The current global crisis is overturning the social relations in China again. The communist party is trying to deal with the effects. If it fails that might weaken and possibly decompose the regime and the rule of capital in China, with important consequences for the rest of the world.

This article describes the interrelation of crisis and class struggle in China in the past two decades and the current development. It focuses on the situation in the cities, especially that of the migrant workers.

## Crisis and Struggles

The rise of China, the industrialization and the migration of millions to the cities are results of at least two processes of capitalist crisis and class struggle. After the cycle of struggles in the late 1960s and early 70s in the industrial centers of Europe, America and beyond, capital was looking for profitable investment opportunities world-wide. It invested in so-called newly industrializing countries where it exploited the "cheap" labor. Still in the 1980s, it was faced with successful workers' struggles for higher wages and better living conditions, for instance in Brazil and South Korea. In the early 1990s, capital was again searching for "cheap" labor, trying to escape the workers' struggles in the newly industrializing countries through another "spacial fix" (David Harvey).<sup>4</sup> So China's migrant workers came along at the right moment.

At the same time, the Chinese regime was in a situation where it needed foreign capital: At the end of the 1980s China had seen a cycle of struggles.<sup>5</sup> The urban working class had hardly

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1 This article first appeared (in German) on [www.gongchao.org](http://www.gongchao.org). A shorter version was published in *wildcat* #83: [http://www.wildcat-www.de/en/wildcat/83/w83\\_china\\_en.htm](http://www.wildcat-www.de/en/wildcat/83/w83_china_en.htm) (in English), [http://www.wildcat-www.de/wildcat/83/w83\\_china.htm](http://www.wildcat-www.de/wildcat/83/w83_china.htm) (in German).

2 Financial Times, December 16, 2008

3 International Herald Tribune, January 23, 2009

4 The "spacial fix" also seems the result of "inner-capitalist" competition, as Robert Brenner and others interpret it. But behind this competition lies the common interest of capitalists to intensify the conditions of exploitation and move to those regions which are most favorable to capital. As a trigger for the current crisis the "financial fix" plays a decisive role, too, the increasing financialization of capital since the 1970s, again a reaction to the lack of profitable investment opportunities in productive sectors.

5 The origins of the changes in China since the 1970s are complex: the social and political chaos of the Cultural Revolution, poverty and discontent among peasants and later urban workers, the removal of ideological Maoists by a

benefited from the reforms of the early 1980s. The restructuring and intensification of work in the state combines, unemployment and inflation had hit it hard and produced resentment and strikes. In 1989 this culminated in the Tian'anmen-movement, started and lead by the students of Beijing, but supported and pushed by the anger of the urban population. Many Chinese cities saw revolts, demonstrations and some attempts to form independent workers organizations. The regime sent in the military to slaughter the movement. At the same time it realized that the reforms had not lead to substantial economic improvements and that further crises would lead to new social turmoil. Subsequently, after 1992 it further opened the borders for foreign investments and imports of technology, created new special economic zones, supported the private economy and subsidized the process of further industrialization. The urban working class, as well as the peasants and the new migrant workers, were held under police surveillance.<sup>6</sup> From other regions, above all from the "Tiger states" and South East Asia, consumer goods industries were relocated to China. The construction of the "assembly line of the world" had begun.

## Class Formation

From the mid-1990s up to the early part of this decade it was the struggles of the *old* urban working class that played the dominant role. Even during the industrialization of China's sunbelt, in the rustbelt of the old state industries masses of capital were wiped out and whole regions were thrown into one crisis after the other. The workers fought against the destruction of the socialist industrial combines and for their wages and social benefits – with strikes, company occupations and revolts. They could not stop the process but just slow it down: 50 million workers (40 percent) lost their job through the restructuring and mass redundancies. Many of them are part of the urban poor proletariat today.<sup>7</sup>

From the early 1990s on, the boom and the proletarianization of large parts of young people from the countryside led to the formation of a *new* working class of migrant workers. Their number increased constantly, today there are about 150 to 200 million. Because of the so-called household registration laws (*hukou*) they cannot settle down in the cities permanently and get only temporary residence and work permits for a city, a situation somehow similar to non-European migrants in the European Union. In this decade the *second* generation of migrants is pushing into the cities. They compare their own life with that of other urban dwellers and usually do not want to return to the countryside permanently (different from the *first* generation before). Since they see their future in the cities, they lease off or sell the piece of land they are entitled to farm in the village.<sup>8</sup>

From 2003 onwards, roughly 10 years after the beginning of the industrialization thrust, the number of struggles of migrant workers increased steadily, struggles against the horrendous working conditions, for improvements and higher wages, for their share of the fruits of the boom. The second generation organized petitions, rallies, strikes, slow-downs, demonstrations and riots. They put pressure on the foreign and Chinese factory bosses and gained higher wages in the export zones.

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layer of pragmatic party leaders, the social conflicts of the 1980s with their culmination during the Tian'anmen-movement 1989, the determination of the regime to prevent a collapse as in the Soviet Union, etc.

6 At the same time a reshaping of the social relations started, which was necessary with the dismantlement of the state combines. Part of it was the juridification of labor relations (union law, labor law, etc.).

7 See the supplement of the German magazine *wildcat* #83 ("Unrest in China"). Three articles are available in English at prol-position.net: <http://www.prol-position.net/nl/2008/10/chinas%20migrant%20workers> (on migrant workers), <http://www.prol-position.net/nl/2008/10/unhappy%20workers> (on urban state workers) and <http://www.prol-position.net/nl/2008/10/maoist%20patriarchy> (on urban women workers). For the whole supplement (in German) see: <http://www.gongchao.org/de/unruhen-heft>.

8 This was "legalized" by the government in October 2008. It announced that the leasing and passing on of land rights would be allowed. This development seems to carry high risks since many migrant workers without land rights will have no chance to live off the land when unemployed or deported from the cities.

## Overlapping Processes

The symptoms of the current crisis (credit crunch, lower US-consumption, less orders, drop of world trade...) lead to lay-offs and social conflicts, and they interfere with developments that started earlier. After 2006 the increasing industrial wages, the high demand for energy, raw materials and food, as well as the slow appreciation of the Yuan in comparison to the US-Dollar produced substantial price increases – and therefore higher production costs and a profit squeeze. At the same time, discontent with low wages and later rising prices lead to a sharp increase of migrant workers' struggles. The government could do nothing but regularly increase the minimum wage. There were already first attempts of a new "spatial fix": Starting in 2007 more and more factories were closed or relocated – as a reaction to the rising costs and wages. For instance, parts of the textile and other consumer good industries went to the Chinese hinterland or to Vietnam (where the number of factory workers' struggles increased).

Meanwhile, the capitalists' systematic ignorance of the Chinese labor law increasingly threatened the legitimation of the CPC-regime. The Chinese central government has tried for years to defuse the social conflicts around the migration of workers, through direct state intervention during strikes, a system of grievance and mediation, through the flexible usage of the labor laws and the organization of migrant workers by the state unions. Since 2003 the government holds up the slogan of a "harmonious society" to mobilize workers and peasants for the construction of a "socialist market economy" – with little success: The situation of the workers is too precarious, their expectations too big, and many are not satisfied with getting the bread crumbs anymore.

The government introduced a new Labor Contract Law in January 2008, which complemented the 1995 Labor Law with some sanctioning mechanisms. When it was implemented Chinese and foreign companies in the low wage sectors laid off workers to prevent their permanent employment, others announced the closure and relocation of their factories. Many workers tried to use the new legal framework and demanded work contracts and wage rises. Activists from the Pearl River-Delta reported in early 2008 that there was an increase in conflicts around the new law.<sup>9</sup>

## The Current Crisis

In summer 2008 people in China's ruling class still thought that the global crisis would not hit their country and the Chinese economy would have enough of its own dynamic thrust and could stay unaffected from the slump in the USA.<sup>10</sup> Paradoxically, after the first culmination of the crisis Western apologists of capital counted on the "Chinese solution", too, i.e. the usage of China's currency reserves and the power of the Chinese *economic miracle*. The dream of China's own dynamic burst, and the hopes in the West on China (and the other BRIC-states Brazil, Russia and India) dashed quickly. The high export quota of the Chinese manufacturing sector – with the EU,

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<sup>9</sup> The Ministry of Labor and Social Security revealed that in the first six months of 2008 arbitrated labor disputes increased by 145 percent in Chongqing and 92.5 percent in Shanghai (Nanfang Zhoumo, July 31, 2008). In the same period, courts in Guangdong province received nearly 40,000 new labor dispute cases, a 157.7 percent increase from 2007, in which the Pearl River-delta area accounted for 96.5 percent of all cases ( China Daily, July 22, 2008, [www.chinadaily.com.cn/china/2008-07/22/content\\_6865144.htm](http://www.chinadaily.com.cn/china/2008-07/22/content_6865144.htm)). Between January and September 2008, labor arbitration departments in Beijing handled 32,954 labor disputes, up 104 percent from the same period in 2007 (see Beijing Review, January 20, 2009, [www.bjreview.com.cn/nation/txt/2009-01/20/content\\_175296.htm](http://www.bjreview.com.cn/nation/txt/2009-01/20/content_175296.htm)).

<sup>10</sup> Financial Times, December 16, 2008. That is astonishing since China's economic relations with the USA follow a pattern that is sometimes called "Bretton Woods II". It is a key element of the current crisis: Customers in the USA buy goods from Chinese companies and pay with US-Dollars which the sellers store in Chinese bank accounts. The banks pass the US-Dollars on to the Chinese central bank, which then uses the US-Dollars to buy US-American state bonds. After that the US-Dollars are passed on through the American bank system and end up as credits to American households. They use them to buy Chinese goods, etc. The result is an extreme current account surplus of China (exporting more than importing) and an extreme current account deficit of the USA (importing more than exporting). In other words: China produces much more than it consumes and the USA consumes much more than it produces... and the USA pays its consumption with money they have given China for its goods and then gotten back as credit.

USA, Japan and the "Tiger states" as the main trade partners – makes the Chinese economy crisis-prone.<sup>11</sup> That was confirmed in the fall of 2008: drop of economic growth, drop of the growth of manufacturing, decline of exports, decline of investments, decline of energy consumption, decline of state revenue. All that after 15 years of boom with annual growth rates of 10 percent on average.<sup>12</sup> Since Japan, South Korea, Taiwan, Hong Kong, Singapore and Vietnam are also hit by the crisis, the trade between those countries collapsed. Furthermore, still in fall 2008, China's real estate bubble burst as well.

Within the CPC there is no consistent position on the crisis. Repeatedly conflicts arose between those who want to use the crisis to modernize the economy, at the risk of new social turmoil (the governments of the rich provinces like Guangdong and Shanghai) and those who want to protect the China-model (export factories for cheap consumer goods), hoping that the social situation will stay calm (the central government).<sup>13</sup> When in the fall of 2008 the symptoms of crisis became more visible, some saw that as a chance: The provincial government of Guangdong talked about the possible closure of weak and small firms in the course of the crisis which would support the process of restructuring and upgrading of industries in the Pearl River-delta. The Guangdong government wants a further outward relocation of the production of cheap consumer goods and the extension of hi-tech and capital goods industries in the region.<sup>14</sup>

The threat of company closures and relocations, complaints of managers about high wages and the new Labor Contract Law, all that started before the global crisis hit (see above). Now capitalists use the crisis – whether it affects them or not. They lower the wages, close factories or relocate them, cash in state subsidies and enforce labor conditions below the legal standard.<sup>15</sup> A representative of the employers association of Guangzhou demanded that the central government helps small and medium-sized firms to survive the recession by introducing less rigorous rules. He talked about the slackening of the labor laws.<sup>16</sup> And in fact, in January 2009 industrialists reported that the compliance with the 2008 Labor Contract Law was hardly controlled nor was it enforced.<sup>17</sup> A labor activist said that the government wants factories to survive and stay, and that is why they ignore the problems at the workplaces.<sup>18</sup>

The regime has prohibited a further increase of the minimum wage by the regional governments in 2009. It wants to prevent further wage hikes (after years of considerable increases). Many big companies have already announced wage cuts, with government consent. At the end of January a government speaker said that the Chinese companies should do everything to avoid lay-offs.<sup>19</sup>

In November 2008 activists and migrant workers in the Pearl River-Delta spoke about underemployment and lay-offs, especially in the textile and toy sector.<sup>20</sup> Workers with limited

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11 The exports represent 40 percent of China's GDP, the export surplus is 12 percent (after 2 percent some years ago); [http://cnreviews.com/china\\_economy/china\\_financial\\_crisis\\_20081125.html](http://cnreviews.com/china_economy/china_financial_crisis_20081125.html)

12 With a small dent during the Asian Crisis 1997/8. China got through that crisis nearly unharmed, because the Yuan was (and is) not convertible, because of a state stimulus program, and because China took advantage of the crisis of other Asian states.

13 Die Zeit writes about a conflict between the central government and the bosses of the provinces of Guangdong and Shanghai who opposed any state subsidies for the textile, toy and electronic industries (Die Zeit, February 5, 2009).

14 See: [www.iht.com/articles/ap/2008/10/20/business/AS-China-Factory-Woes.php](http://www.iht.com/articles/ap/2008/10/20/business/AS-China-Factory-Woes.php)

15 See Staphany Wong: Impacts of the Financial Crisis on Labour Conditions in China, December 19, 2009, [www.eu-china.net](http://www.eu-china.net)

16 China Daily, November 11, 2008, [www.chinadaily.com.cn/cndy/2008-11/11/content\\_7191436.htm](http://www.chinadaily.com.cn/cndy/2008-11/11/content_7191436.htm)

17 CSMonitor.com, January 28, 2009, [www.csmonitor.com/2009/0128/p04s01-woap.htm](http://www.csmonitor.com/2009/0128/p04s01-woap.htm).

See also: <http://www.ihlo.org/LRC/WC/010309.html>

18 The Straits Times, January 20, 2009

19 The Straits Times, January 20, 2009

20 See also South China Morning Post, November 17, 2008. Again, there are overlapping processes: The toy sector was hit by scandals around the usage of toxic materials, the textile sector saw the relocation of factories to Vietnam (see also

contracts were fired, core workforces were kept but could not work overtime and often did not have regular working hours. Some were asked to take unlimited and unpaid vacation.<sup>21</sup>

There are no reliable numbers on the extent of redundancies and the return migration of workers to the countryside. In November 2008 some provinces were preparing for waves of returnees (Hubei, Chongqing, Anhui), but officials in Guangdong denied that there was such wave. Some migrants were returning to the countryside – a number of 5 to 10 percent of all migrant workers was mentioned. In mid-January 2009 the Ministry of Labor announced that 10 million migrant workers had lost their jobs, in early February the number was raised to 20 million.<sup>22</sup>

## New Struggles

While in late summer 2008 the crisis started to unfold, further struggles broke out. The actions of taxi drivers and teachers were interesting because struggles in one province provoked other conflicts in different parts of the country (*copycat-effect*). At the end of 2008 and the beginning of 2009 there were workers' rallies and riots in the industrial export zones in the Pearl River- and Yangtze-delta. The conflicts had changed in comparison to the events before: They were not so much about wage increases, better conditions in the dormitories, compliance with the labor laws, better canteen food etc., but more than before about the payment of back-wages and compensations for lay-offs. The construction sector also saw demonstrations.<sup>23</sup> Witnesses confirm that from the fall of 2008 on there were more labor conflicts than before. Even a representative of the state union ACFTU admitted that the number of labor struggles in China had increased with the global financial crisis. Still, there are no exact and reliable numbers.<sup>24</sup>

In the face of a possible economic collapse and social explosion the regime of the CPC had to react again. China has a long history of similar situations: During crisis rulers were kicked off the throne by social (peasant-) movements, especially when the movements joined forces with intellectuals and civil servants. Now the rule of the CPC is threatening to go under in the current crisis.

*Internally*, in China, the regime acts as if it was still in control of the situation. It describes the crisis as temporary, it says it will last for half a year. Unemployment and other results of the crisis threaten "social stability" and the government would take the right economic and police measures. Reports on concrete cases of labor struggles are further censored or repressed.<sup>25</sup>

*Externally*, towards the outside world, reports on possible unrest of unemployed migrant workers are indeed in the interest of the government. Social turmoil in China is a nightmare for the ruling classes elsewhere, too. The Chinese government uses this threat when the US-government or others demand a drastic appreciation of the Yuan.

In order to prevent a further spread of struggles the state has in recent weeks directly intervened in industrial conflicts on back wages and compensations and paid the money itself. Many cities

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China Labour Bulletin: Migrant workers worst hit by textile factory slowdown, [www.clb.org.hk/en/node/100322](http://www.clb.org.hk/en/node/100322)).

21 Source: Talks with workers in China. Managers force workers to take "vacation", instead of firing them, because they expect workers to take a leave themselves which would save the company the compensation payment.

22 The number of unemployed in the cities has increased as well. Officially it is around 4.2 percent, but the Chinese Academy of Social Sciences sees it around 9.4 percent (The Straits Times, January 20, 2009). That includes just people with an urban *hukou* (no migrant workers). Unemployment on the countryside is estimated to be around 20 percent (Washington Post, January 13, 2009, [www.washingtonpost.com/wp-dyn/content/article/2009/01/12/AR2009011203014.html](http://www.washingtonpost.com/wp-dyn/content/article/2009/01/12/AR2009011203014.html))

23 An example: <http://uk.reuters.com/article/latestCrisis/idUKPEK226188>

24 Chinacsr.com, January 13, 2009, [www.chinacsr.com/en/2009/01/13/4173-acftu-campaigns-for-chinese-workers-back-pay/](http://www.chinacsr.com/en/2009/01/13/4173-acftu-campaigns-for-chinese-workers-back-pay/) The government has stopped to regularly publish the numbers of social unrest some years ago.

25 The Sunday Times wrote on February 1, 2009, that in Linfen, Shanxi, TV-journalists were sacked after they tried to report on a factory occupation of 6,000 textile workers: <http://business.timesonline.co.uk/tol/business/economics/article5627687.ece>.

and industrial zones have set up special funds to save companies on the verge of bankruptcy, avoid redundancies and pay off back wages. In some cities migrant workers get financial support if they leave the city. The state pumps 4 trillion yuan (500 billion Euros, 15 percent of China's GDP) in form of a stimulus program into infrastructure projects and residential construction to prevent the collapse of the construction sector, curb the unemployment and stop a further drop of economic growth.<sup>26</sup> A growth rate of 8 percent a year is necessary to create enough employment for those people who are pushed into the labor market by population growth and migration from the villages into the cities. A growth rate below 6 percent is seen as critical.<sup>27</sup> At the end of January 2009 the government announced it will introduce comprehensive medical care in 2011, with a funding of 850 billion yuan (about 100 billion Euros), again to defuse social explosions. Originally this was planned to happen in 2020.

## Prospects

The regime tries to buy time. It wants to protract the worsening of the crisis and, if possible, ensure a "soft landing". This is also to prevent a further deterioration of the situation of the migrant workers in the cities. A large part of them, especially in the factories and in construction, lives in dormitories owned by the companies and eats in company canteens. In case of mass redundancies these workers do not just lose their job but also their accommodation and catering. In mid-February, around the Chinese New Year, many migrant workers returned home for the festivities as every year. It is still unclear how things develop after their return. According to some reports many have difficulties in finding jobs, and wages have dropped.<sup>28</sup> Some companies have returned to daily wages and day laborers.<sup>29</sup> If the crisis continues and they do not find work in the cities they will realize that the boom is over and their lives will change dramatically. There are two scenarios:

a) The second generation of migrant workers does not want to live in the countryside anymore, or at least does not see its future there. So they could stay in the cities and, if unemployed, would have to search for alternatives for getting an income, accommodation and food, and possibly fight for and appropriate it. In many big cities they account for 30 to 80 percent of the population. Is there a chance for them to join forces with millions of urban poor who survive on petty trade and petty jobs?

b) The migrant workers could migrate back to their families in the villages where they still have the right to farm a piece of land. Maybe they will manage to get by with the money they saved, but without an urban wage the families will sooner or later run into financial problems. There are no jobs, no perspective, poverty and boredom.<sup>30</sup> In the past few years the countryside has seen many revolts against corrupt cadres, land dispossessions and environmental contamination. Even now in many regions the small plots are not big enough to feed a whole family, and there is still a rural labor surplus. The planned state subsidies for education, school fees and the setting up of

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26 Two thirds of that sum have to be raised by provinces and municipalities, but they could have problems raising that much money (International Herald Tribune, January 23, 2009, [www.iht.com/articles/2009/01/22/business/yuan.2-413647.php](http://www.iht.com/articles/2009/01/22/business/yuan.2-413647.php)). Since most of that money goes to infrastructure and other construction projects the crisis of the export sector will not be eased. For the substitution of the ailing US-consumption through higher exports to other countries (EU) and a bigger domestic demand, the government has to come up with other ideas. In contrary to the USA, China has the means for this stimulus program: China (still) has little debt, a low budget deficit and huge currency reserves.

27 Just one year ago there were complaints that the Chinese economy would overheat with a growth rate of more than 10 percent annually, and it was said that it should be reduced to a "reasonable" rate: 7 or 8 percent were named as a good target.

28 Reuters, February 20, 2009: <http://sg.news.yahoo.com/rtrs/20090220/tap-oukwd-uk-china-workers-03b3b4c.html>

29 See <http://www.ihlo.org/LRC/WC/010309.html>

30 According to the government the urban income is 3.4 percent higher than the rural income. Ecological damage, droughts, storms, dispossessions and evictions further aggravate the conditions on the countryside.

businesses will not change much. If the migrant workers return to the countryside in masses – a temporary reversal of 30 years of urbanization – that would create an explosive mix.<sup>31</sup>

Many experts foresee a recession in China with a growth rate of 5 to 7 percent, below the "critical" level. China might also see a wave of factory closures. One third of all export factories are expected to close in the next 3 years. An observer estimates that the number of unemployed migrant workers could reach 50 million this year. They are younger and more mobile than the urban workers who were laid off by the state combines at the end of the 90s, and they can communicate better and faster through the Internet and cell phones. Furthermore, he pointed to the millions of students leaving the universities every year without finding a job and referred to a similar situation before the Tian'anmen-movement in 1989, when the students played a central role (this year will be the 20th anniversary.) As a possible fuse for a social explosion he mentions "the death of a popular leader, a serious natural disaster, the spread of a deathly infectious disease, a small student demonstration turned violent, religious groups...". A scenario as in Greece at the end of 2008 when the cops shot a young guy and triggered off days of massive rioting?<sup>32</sup>

For sure the crisis took the migrant workers in China by surprise since before they had not experienced long phases of unemployment and recession. But in recent years they have gained experience in struggles, in everyday forms of resistance, strikes, and self-organizing. Activists from their ranks have come up, spreading these experiences and using it in new struggles. They know the complicity of capitalists and cadres, the confrontation with security guards and riot cops. The migrant workers make their demands, often in a self-confident manner. They take their experiences with them, it will be part of the formation of a new social composition that comes with the crisis.

A decisive factor will be what China's "middle class" will do. It constitutes the main social pillar for the CPC-rule, but was already hit by the crisis since it lost a lot of money through the crashes of the stock market and the real estate market. Many of its children finish university and do not find a job. There were already actions of unhappy shareholders and shop owners. Can "middle-class" conflicts come together with proletarian or peasant struggles (as in Argentina 2002)? The government emphasizes the threat of "social instability" through unemployed migrant workers and whips up the intellectuals' and the "middle class" fear of the "mob", in order to prevent a possible alliance.<sup>33</sup>

The regime still tries to avoid any blood-shed. During conflicts in the Pearl River-delta in December 2008 the police stayed back, made photos and arrested some participants *afterwards*.<sup>34</sup> It is the old game: The CPC makes sure that some demands are fulfilled and arrests the alleged "ring leaders". As long as the struggles stay isolated, that strategy might work. In case of a wave of unrest, the regime will have to change its course.<sup>35</sup>

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31 It will be crucial whether the new land laws will – following the intention of the government – lead to a concentration process in agriculture and whether the landless rural population will grow.

32 Victor Shih on [rgemonitor.com](http://rgemonitor.com), January 9, 2009,

[www.rgemonitor.com/asia-monitor/255032/will\\_job\\_losses\\_lead\\_to\\_social\\_unrest\\_my\\_take](http://www.rgemonitor.com/asia-monitor/255032/will_job_losses_lead_to_social_unrest_my_take) We might also see a situation as in Tibet in March 2008 when the discrimination and (political and cultural) repression of Tibetans, combined with social factors, led to riots that lasted for days.

33 That is somehow a continuation of the racist propaganda of the 1990s when migrant workers were presented as naive hillbillies, responsible for anything from criminality to diseases and the moral decadence in the cities.

34 The Observer, January 25, 2009, [www.guardian.co.uk/world/2009/jan/25/china-globaleconomy](http://www.guardian.co.uk/world/2009/jan/25/china-globaleconomy)

35 The suppression of political dissent and resistance – which is most often separated from workers struggles – has increased in recent years. With the current crisis and social escalation it is hard to expect that the regime will relax the shackles. An extension of the local elections, as it was planned in Shenzhen, was canceled. A party official said: "If we had an election right now, we might end up like Thailand." (New York Times, December 19, 2009, [www.nytimes.com/2008/12/19/world/asia/19china.html](http://www.nytimes.com/2008/12/19/world/asia/19china.html)). He referred to the conflict between two party camps about state power in Thailand at the end of 2008 which led to the blockade of the airports of Bangkok.

## Effects

Parts of the left in Europe, the USA and elsewhere project their hopes on the new working class in China and see the conflicts in the fall of 2008 and later as the harbinger of a new broad class movement. We cannot foresee the dimension and importance of the coming struggles in China. The workers are still in the course of understanding the situation and trying to deal with it. There is a chance that mass redundancies in industrial zones and crisis slumps in rural areas will lead to mass revolts, but it is also possible that the rural subsistence economy together with the migrants' savings will cushion the impact of the crisis... at least for some time.

A social escalation in the export zones would have global effects, not only in the old industrial countries. China's cheap consumer goods were one precondition for the casualization of big numbers of workers, since that casualization could be carried out without a dramatic drop in the standard of living. The crisis, the collapse of international trade and the struggles of the workers in China could now bring about a lowering of the standard of living and an aggravation of the social situation to many countries of the world... and an increase in working class struggles there.

Central sectors like the auto industry, the chemical industry and machine-building have heavily invested in China and are closely connected to the Chinese economy through global production chains. In case of struggles in China the impact will be felt in those industrial sectors, with further attacks on the conditions and wages of workers and possibly mass redundancies.

And finally, if the economic framework between the USA and China ("Bretton Woods II")<sup>36</sup> – backbone and Achilles' heel of the global economic and monetary structure – will collapse due to the credit crisis and the decline in US-consumption or because of workers' struggles in China, then we might see global dislocations which go far beyond what we have seen so far: breakdown of the Dollar and the global currency system, bankruptcy of the hegemonic power USA, long-term collapse of world trade, increasing military confrontations and more.

## What Is To Be Done?

We should follow the developments in China in order to understand them and add the experiences to debates of new class movements elsewhere. We need to identify and underline the global context of crisis and struggles. Furthermore, we need to undermine bourgeois interpretations of crisis and nationalist tendencies. Strategies of fear (of crisis) are already being used to prepare us for the further tightening of our belts. We are told to be afraid of strangers and foreigners, like the "cheap Chinese who steal our jobs and are responsible for the price hikes". We have to emphasize the chances for social change that arise in the crisis and the struggles, and the importance of a common learning process of proletarians around the world. The circulation of struggles and the appearance of social networks can contribute to the formation of a working class on a global level. We still seem to be quite far away – so wide are the differences of living conditions world-wide – but this is the right direction if we want to finish off capitalism, in China and everywhere: Only a global class movement has the power to break the capitalist logic of crisis and create a new society based on solidarity not profit.

*rr, March 8, 2009*

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<sup>36</sup> The growth of the Chinese currency reserves has slowed down, but there is no clear drop in the purchase of US state bonds so far. China's exports dropped, but there was an even bigger drop in imports ([rgemonitor.com](http://rgemonitor.com), January 16, 2009, [www.rgemonitor.com/asia-monitor/255114/secrets\\_of\\_safe\\_a\\_sharp\\_slowdown\\_in\\_reserve\\_growth\\_and\\_large\\_hot\\_outflows\\_in\\_q4](http://www.rgemonitor.com/asia-monitor/255114/secrets_of_safe_a_sharp_slowdown_in_reserve_growth_and_large_hot_outflows_in_q4)).