

China's Third Plenum Reform Agenda

Highs and Lows

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Global Governance, Issue 4, No. 6.

On 15th November 2013, the communiqué, entitled “Decision of Major Issues Concerning Comprehensively Deepening Reforms”, for the recent plenum of the Communist Party of China was released to the public.[1] Unlike previous releases which were disseminated weeks after the conclusion of the closed-door plenum in Beijing of its Central Committee, this one was released to the public just three days after the end of the session. With the apparent build-up of expectations prior to the plenum, many foreign observers have expressed disappointment at its eventual product.[2]

Critics firstly claimed that the communiqué provided insufficient details in relation to the objectives set out within the document. Next, they also expressed regret at the level of economic reform given the backdrop of rising income inequality in particular between urban and rural centres, growth stagnation and the crowding out of credit to private enterprises by state-owned ones.[3] Furthermore, much criticism also came from the concern of over-centralisation and concentration of power within the hands of the General Secretary of the Party, Xi Jinping, through the new National Security Council and Central Deepening-Reform Leading Group, as well as the overall lack of liberal political reform.[4]

If one were to contrast these observations with those of the domestic media and academia, the contrast is significantly pronounced.[5] Domestic observers tend to view the communiqué in a more positive light. Such a perspective may perhaps be attributed to their recognition of the state of political and economic affairs in China and the long-term objectives of the Communist Party of China.

Premises in the analysis of Communist China

In order to better examine the proposals contained within the communiqué, it is necessary to lay out the premises that had led to such divergent views.

From the outset, it is worth noting that the communiqués of the Communist Party have

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historically not been concerned with specific policies and details, but rather serve the purpose of outlining key principles and directions upon the conclusion of a plenum.[6] Details and policies agreed at the plenum are on the other hand released in the more comprehensive plenum resolution that was supposedly due a week after the conclusion of the session. Hence critics who point at the lack of details may perhaps have held overly high expectations of the communiqué which were unlikely to ever be fulfilled.

That the resolution however has yet to be fully released may point to two things – that the policies agreed at the resolution have yet to be fully digested by all levels within the Communist Party or that as much as the resolution has been formally agreed upon, interest groups that are due to lose out are still tacitly resisting it. If the latter were true, it is the belief of some domestic observers that a premature release of the contents of the resolution may in fact harm the chances of reform.[7] While such a conclusion may seem counter-intuitive given that the leaders may possibly appeal to the public's general appetite for reform, it is worth noting that politics in China is still largely an elite and factional bargaining system within a single-party state. What this means is that while public support is beneficial, it is neither necessary nor sufficient to achieve one group's desired policy objectives and options. One only has to look to Bo Xilai's dismissal from power despite his popularity in Chongqing as an example of the insufficiency of appealing to the public. The act of a premature release of a resolution which has yet to be fully agreed upon by all groups may be perceived by potentially disadvantaged groups as an affront to the interests of those groups – in that the interests of those groups do not matter despite them being stakeholders within a factional and elite bargaining system. Set in this backdrop, a premature release of a resolution that has yet to be agreed by all groups on a substantive level may stiffen opposition to reform. This is the second context that ought to be featured in any analysis on Chinese politics – policymaking is an elite and factional bargaining system that is influenced and distorted by interest groups.

The foregoing conclusion then begs the following question – what are these interest groups and main factions within the Chinese Communist Party? The interest groups that influence policymaking and distort policy implementation are the state-owned enterprises (SOEs) and local governments. State-owned enterprises, by virtue of their size and contribution to the economy, influence decision-making in their favour. This includes the preferential rates on loans to SOEs over private enterprises by state banks.[8] It is also worth noting that there is a problem of the revolving door between SOEs and the Communist Party, even at its highest

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echelon of power. Zhou Yongkang, a former member of the Politburo Standing Committee, was previously an executive of the China National Petroleum Corporation.[9] When SOEs become powerbases for members of the Communist Party, the interests of those SOEs become even more influential and distortionary.

The other source of influence and distortion is the local governments. It has been noted that the ineffectiveness of reforms under the presidency of Hu can also be attributed to weak control over local governments by the centre. Local governments have been known to manipulate national policies in ways that favour local leaders.[10] While the concentration of legislative, executive and supervisory powers tend to be concentrated within the executive branch in the centre, this concentration is even greater in local governments.[11] This is worsened when judicial investigations filed at local courts are not currently conducted independently but by the local governments. Land grabs, often a source of ire among local communities, is an example of such a phenomena.

With regards to the main factions within the Chinese Communist party, it is worth noting from the outset that it is difficult to establish specific and cohesive factional units. Factions are generally loosely bound and change according to the issue at hand. However, it is possible to point at two broad and generally cohesive political factions within the party – the Shanghai clique and the Tsinghua clique. The patrons for the two cliques are former General Secretaries Jiang Zemin and Hu Jintao respectively. Reflecting that the Politburo Standing Committee was staffed by Shanghai clique loyalists during Hu's term, recent analysis of Hu's presidency have suggested that the lack of reforms was due to the strong opposition from the Shanghai clique, particularly when one considers the fact that the Standing Committee works on the basis of consensus decision-making.[12]

Some commentators also suggest that there is a third faction – the princelings – of which both Xi Jinping and Bo Xilai belong to.[13] It is in my view however that the princelings are not a faction. It is but a status that accords a person privilege and prestige due to the legacy of his family. If the princelings were a faction like that of the Shanghai or Tsinghua clique, given the prominence of both Xi Jinping and Bo Xilai as princelings, the public dismissal of latter would suggest to the other two cliques of the internal weakness and disunity of that "clique". This would leave the "clique" with a feebler bargaining position vis-à-vis the other two. Such a conclusion is definitely not in the interest of the "clique" were it to exist. Therefore the public dismissal of the popular party leader in Chongqing suggests the

improbability of a princeling faction.

Analysts have also further suggested a possible third faction with Bo Xilai as a key member of it. They suggest that this third faction was perceived to be a challenge to the existing duopoly within Chinese politics.[14] Given the position and prestige of Bo in relation to his public and humiliating dismissal, it is likely that members of the Shanghai or Tsinghua clique who have enough dirt on their sleeves would be loath to be treated in the same manner. That the dismissal went ahead despite such considerations must therefore reflect at the very least tacit consent on the part of both cliques. A plausible reason posited by analysts is that both cliques viewed Bo and his potential third faction as a challenge to the existing arrangement.

This view is lent greater credence with the recent investigations of Zhou Yongkang, a former member of the Politburo Standing Committee under the previous presidency.[15] Zhou Yongkang is also seen as the patron of Bo Xilai and was previously involved in attempts to oppose Bo's dismissal and subsequent trial. If true, this marks the first time that a member of the Standing Committee is subjected to formal investigations of corruption and abuse of power. That the family of former premier Wen Jiabao, who is seen as a member of the Tsinghua clique, has an equal amount of dirt that can lead to similar investigations must surely raise further questions as to why both cliques would have at the very least tacitly consented to the risky extension of investigations into the highest levels of power.[16] Once more, the view of a potential third faction within the Communist Party seems to be plausible. However, given recent events, it is perhaps also true to state that this third faction is not at the same level of the Shanghai or Tsinghua clique, and thus does not hold a similar degree of power or influence in policymaking.

The conclusion that there are two, or potentially three major factions within the Communist Party, then leads to the next question – which faction does Xi belong to? Given the relative lack of Shanghai clique members in the existing Standing Committee, some observers have suggested that Xi is closely aligned with that clique. The same observers have also added that the fact that he holds the National People's Congress constituency of Shanghai at large points in the direction of his association with the Shanghai clique. There are however commentators who suggest that Xi does not belong to either faction and exists either outside these factions or has intent in creating his own to protect his legacy and privileges. Such commentators point to the speculation that the influential party secretary-general of Shanghai, Hang Zhen, who has Jiang Zemin as his patron is in line to be deputy-head of the

new Central Deepening-Reform Leading Group as an example of Xi existing outside of these two factions. This is because the position of deputy-head, while seemingly glamorous, holds less power and influence than being the party leader of Shanghai due to the city's economic importance.[17] With speculation that either Xi Jinping or Li Keqiang, the current premier, will helm the group, Hang's transfer to the position of deputy-head can be seen as a policy of co-option to control Hang's influence and power. If Hang is truly reassigned and a politburo member viewed as close to Xi is transferred to Shanghai, a zone of extensive influence by Jiang Zemin, commentators suggest that this would probably reflect two conclusions – that Xi does not belong to the Shanghai clique and another round of factional politics has taken place within the Communist Party. This is the third context that ought to be considered in the analysis of Chinese politics – where does Xi belong? This questions merits pondering due to its importance in explaining the policies and objectives contained within the communiqué.

Regardless of the factions, there is a broad agreement on the position of the Communist Party in China – the continuation of the one-party state. Given how all groups benefit extensively from the current system of a one-party state despite factionalism, it is unrealistic to expect a departure from a one-party system towards a multi-party one. This position was recently reaffirmed within the communiqué which called for a stronger and better leadership by the party and thereby improved governance. The party considers the economy to be a central element which determines the party's long-term survival. This is why most of the policies or objectives contained within the communiqué are economic in nature.[18] An observer also described the communiqué as “economically reformist, politically conservative”.[19] Given the range of political reforms that can be pursued against the existing political society of China, the choice to be conservative and distance oneself from the entire range of reforms possible is viewed with disappointment by many foreign observers.

While such disappointment is valid, it nonetheless stems from a possible misunderstanding of the instrumental value of political reform to the Communist Party. Political reforms are pursued because they are necessary or supplementary to economic reforms needed for continuous economic growth to maintain the party's position over the long-term or are needed to prevent harm to the security of the party's position. As such the crackdown on corruption and reforms to the judiciary to create judicial independence in investigations are meant to remove obstacles to the functioning of the market mechanism that now holds a “decisive role” in the economy and prevent incompetence which may sap confidence in the

party and therefore its position over the long-term. In addition, political reforms in the eyes of the Communist Party, ought to be pursued in an environment of stability.[20] Given the backdrop of the rapid collapse of the Soviet Union, this position stretches back from Deng Xiaopeng's cautious opening up of China in which the catch-phrase of the day reflected an antipathy towards radical redesigns of the political economy of China and continues to ring true even today.[21] This is therefore the fourth context in the analysis of China – political reforms are driven by economic reforms due to the instrumental value of the economy to the long-term position of the party or by potential harm to its long-term security.

Being optimistic about Chinese reforms

Given this set of premises, it would now be possible to understand the cautious optimism shared by domestic observers towards the communiqué, and by extension the general agreements made at the Third Plenum on 12th November 2013.

In an imperfect world where the single-party system is likely to persist in the near future, there are three reforms which ought to be applauded for improving the state of affairs in China. Those reforms are – increased separation of powers, governance through institutionalisation, land reform.

Regarding the first reform of increased separation of powers, the plenum had for the first time recognised the severity of the concentration of legislative, executive and regulatory powers within the executive.[22] As aforementioned, this is particularly acute in local governments. This is tied with the notion of greater judicial independence in investigations. While these reforms as a whole serve to provide a solid basis for the functioning of a market economy and reduce local government power which tends to be distortionary and resistant to reforms, they nonetheless have positive impact on the state of affairs for the citizens of China. If properly pursued, citizens can look to an improved quality in the rule of law that will not disadvantage them in complaints against local governments. Citizens may also benefit from a separation of powers which prevents local governments from exercising excessive power against the interests of the former.

The second reform that is particularly noteworthy is a shift towards institutionalised rule. [23] This is reflected in the establishment of a National Security Council and the Central Deepening-Reform Leading Group. Critics have claimed that both of these new groups allow for a greater concentration of power in the hands of Xi.[24] Such critics contrast the inability

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of the previous general-secretary Jiang Zemin in establishing a National Security Council with Xi's creation of such a council within a year of his presidency. They claim that this reflects the degree of power that Xi currently holds within the Communist Party – a level that can only be matched by the former general-secretary Deng Xiaopeng. While conventional political thought deems that a concentration of power in the position of the general-secretary and the person of Xi Jinping is dangerous, there are good reasons to believe that the assumption of such power is necessary to improve the state of affairs in China.[25]

Firstly, given the dissipation of power and authority over foreign and military policy in the face of new threats and scenarios, the National Security Council should not be perceived as a power grab away from the Central Committee and from the Politics and Law Commission but fulfilling the role of coordination between the various agencies that are involved in security issues.[26]

Secondly, the fact that Xi is able to commission such a council when others have failed in light of his independent position from the Shanghai and Tsinghua cliques reflects a strengthened and independent leadership. This bodes well for China because it may finally mean that policymaking within the party is done in the general interest of the citizens rather than specific faction. Energy spent on dealing with individual factions can now be focused on pushing forth the reforms needed to improve the country. This is bolstered by the fact that Xi took personal charge of the drafting and briefing of the working paper for the plenum, suggesting that he is genuinely concerned and personally invested in the reforms to improve the country.[27] This is because such acts while reflecting his personal investment in this reform programme will become the barometer by which to judge his term in office in the future. While the consolidation of power may be of instrumental value in ensuring his legacy and position, it nonetheless reflects a real desire to change China for the better.

Critics also point to the Central Deepening-Reform Leading Group which is located outside of the party organs and state institutions as a further example of dangerous consolidation of power by Xi. It is worth noting from the outset that it is not known at this point in time if Xi or Li Keqiang, the premier, would lead such a group. In fact, observers are equally split as to the eventual head of the group. In either case, the concentration of power in the hands of Xi or Li should not be perceived as a negative but a positive because within the existing arrangement, there is no organ or institution with the power or influence to enact reforms. [28]Because these reforms are likely to run into significant opposition from interests groups

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or factions, power and influence are necessary to ensure that these reforms are carried through effectively and completely. Furthermore that the leadership intends to helm the group signals their intent at reform. It also worth noting that these reforms are aimed at institutionalising rule within the party and by extension the state to curb the influence of factionalism in policymaking.

It is also important to note that these reforms are not merely reactions to the economic challenges that China faces but recognition of the failures of the party and the need for it to modernise in the face of an ever-changing citizenship. The party recognises that the biggest threat to its survival is corruption and incompetence at all levels of government. This is due to the existing system of patronage, factionalism and pork barreling. Recognising such a problem, the leadership therefore intends to institutionalize governance away from the foregoing system towards one that is increasingly transparent and operational within established limits in particular through a separation of powers. It is on this note that a concentration of power is temporarily needed to break the existing mould of politics and move towards institutions and rule-based governance. And it is also on this note that the discussions on the source, use and scope of power is reflective of the sensitivity of the party to the new sentiments for freedom amongst the citizens, in particular the rising urban middle-class. This also reflected in the decision to close the controversial re-education camps. While far from establishing multi-party system or democratic freedoms, the acknowledgement of the limits of power, an appeal to citizenship as the ultimate source of power and the hint at the eventuality of some form of elections ought to be applauded.

In addition, it is worth noting that there is a serious dialogue at the plenum about the need to “scientific” the party’s rule. There is an increasing discussion on the source, use and scope of power.[29] The party had noted that the source of power is derived from the people, suggesting increased freedoms with the possible eventuality of elections within a single-party state. Given the existing state of affairs and the likelihood that the single-party state is to stay, such a move while limited in the eyes of Western observers ought to be applauded as a step in the right direction. Given the aim of achieving a “scientific” and modern state by 2020 according to the 383 plan, it probable that some liberal political reforms, albeit limited, may take place.[30]

The third reform that ought to be applauded are the projected land reforms that will be implemented in the country sides. Despite staggering economic growth, the income

inequality is particularly stark between the rural and urban areas. This is a result of the lack of tradability of land parcels in the rural areas as compared to the urban centres. In addition to reducing income inequality, these land reforms will provide the rural areas with property that is part of their portfolio which in turn grants them greater financial security. It also increases each person's freedom to pursue one's own careers given a reduction in the threat of needing to live from hand to mouth. When one considers land reforms as part of a broader range of policies aimed at improving the country side and collapsing the rural-urban divide into a single entity, it may finally signal an end to the prejudice that half of the population has faced given that only 50% of China is urbanised.

When one considers these reforms from the current state of affairs and the premises laid out earlier in this article, it is not difficult to see why domestic observers are cautiously optimistic at the results of the plenum. While it cannot be denied that China is still far away from the freedoms and rights that individuals in Western liberal democracies enjoy, it is important to note that this plenum at the very least marks a step in the right direction. And for this, Xi Jinping and by extension, Li Keqiang, ought to be applauded.

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<http://www.economist.com/blogs/analects/2013/11/reform-china>

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[12] Lam Willy. A house divided: contentious politics within the CCP. Association for Asia Research. 18 Aug. 2004. <http://www.asianresearch.org/articles/2258.html>

[13] Princelings are sons and daughters of parents who featured prominently in the party, particularly during the revolutions.

[14] It is worth noting that the term “threat” is never used in the party lexicon regarding domestic or intra-party affairs. It tends to only refer to external affairs.

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[20] This is reflected in the phrase “稳中求进” raised in the plenum.

[21] This is reflected in the phrase “摸着石头过河” – feeling the stones as one crosses the river – commonly associated with Deng Xiaopeng's policy of the opening up of China.

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Please cite this article as:

Im, Z. (2013). 'China's Third Plenum Reform Agenda: Highs And Lows'. Human Security Centre Global Governance, Issue 4, No. 6.