

QUICK POLICY INSIGHT

China pledges to 'deepen' reforms, though implementation remains to be seen

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On 12 November 2013, the Central Committee of China's Communist Party adopted measures to 'deepen reform'.

At the close of its third plenary session on 12 November 2013, the Central Committee of China's Communist Party (CCP) adopted a set of economic and social reforms, comprising no less 300 distinct measures. Many address issues that have arisen in European Parliament resolutions: legal reform, abolishing the system of re-education through labour and easing the country's distortive family planning policy. Such measures seem to suggest that the Chinese leaders increasingly recognise the importance of the rule of law for a harmonious and prosperous society. Whether or not the decisions will be implemented, however, remains to be seen.

The reforms would support China's economic development.

The commitments may have facilitated the dialogue between the EU's and Chinese leaders, who met on 21 November for the EU-China Summit in Beijing. An improved understanding of the Chinese authorities' objectives – as well as their limits – will also help those meeting for future EU-China dialogues and those negotiating bilateral investment agreements.

The key challenge for China will be implementation. Many of the decisions adopted on 12 November repeat previous commitments that have languished for years. For the EU, the question remains whether the reform measures – essentially all efforts to support economic development – will lead to political change. Political changes were notably absent from the resolution.

Judicial reform

Legal reform will continue, but the Party's supremacy and application of law remain key issues.

During the past 30 years, China has worked to reconstruct the legal system destroyed during the Cultural Revolution. Yet the mismatch between the country's economic and legal development has been great. China's constitution provides for rule of law and the protection of human rights,

Re-education through labour is to be abandoned.

China will gradually reduce the number of crimes subject to the death penalty.

but these are undermined by the primacy of the Party (and even of state-owned enterprises), and by the prerogative of social stability. Some of China's laws – e.g. on the environment – are among the most advanced in the world, but this has not prevented ecological disasters, many of which could have been avoided had the rules been applied.

The CCP Central Committee's resolution¹ includes a commitment to raise the population's awareness about law, streamlining judicial management, and 'moving forward with open trials'. Notably, the resolution pledges to abolish the system of re-education through labour, which was created in the 1950s to purge the country of counterrevolutionaries and other 'bad elements'. Today the practice is applied to detain petty criminals and political dissidents on the basis of administrative (police) decisions rather than court procedures². The resolution also suggests there will be a reduction in the number of crimes subject to death penalty, which the EU has made a priority of abolishing.

Most of the judicial reform measures are described as requiring further efforts to be 'perfected', 'moved forward' or 'completed' – a language that proves that the Party wants to implement earlier reform decisions rather than overhaul them.

Public ownership remains at the centre of economy

Public ownership will remain at the centre of the Chinese economic system.

State-owned enterprises will lose some of their privileges.

The private sector is encouraged to participate in

For the first time since the launch of reform and the open door policy 35 years ago, China has stated that it will shift the role of market in the allocation of resources from 'basic' to 'decisive'. The change would be tempered by the central establishment of 'competitive market prices' in the water, oil, natural gas and electricity sectors and by the conservation of government pricing in important public utilities and 'network type natural monopolies'. China will encourage the development of mixed (public and private) ownership, although the resolution states that public ownership will remain dominant³. This suggests that, rather than clearing out the most inefficient SOEs, as was done in the 1990s by Premier Zhu Rongji, the state will open them to private capital and allocate more of their profits to public projects. In the future, 30 % of SOEs' income – rather than the current 5-20 % – is to be devoted to replenishing the state's social funds. Whether the power and influence of SOEs can be 'reined in' – something that the resolution requires – remains uncertain. The resolution also promises to strengthen protection of property rights, including intellectual property rights (IPR) — something that might eventually lead to establishment of IPR courts. The plenum has also pledged to develop

¹ Titled 'Concerning some major issues in comprehensively deepening reform'. Here and further the quotations are from the unofficial translation of the CCP Central Committee Resolution Concerning some major issues in Comprehensively deepening reform, adopted on 12 November 2013. Chinese version on Xinhuanet.

² The debate on reforming 're-education through labour' began in the 1980s.

³ E.g., the authorities will allow private capital to take equity stakes in projects dominated by state owned enterprises (SOEs) and promote mixed ownership enterprises.

state-owned projects.

mechanisms that would lead to greater flexibility of the Renminbi exchange rate and the interest rate. Overall, China's acceptance of the 'decisive' role of markets may be gradual and partial, although even tentative efforts should be recognised. As the EU negotiates with China, understanding Beijing's priorities can help the Union insist on issues that interest both partners.

Easing the 'one-child policy'

Couples in which one parent is an only child will be allowed to have two children.

China will not abandon its strict birth planning policy, but will allow couples to have two children if one of the parents is an only child. The measure responds to the calls of a growing number of experts who warned that the 'one-child policy' was harmful to the economy and the aging Chinese population. The European Parliament had also severely criticised the implementation of this policy⁴. The reform plan does not address the issue of unmarried mothers, who are not entitled to a 'birth permit' and whose children therefore are sometimes deprived of legal identification⁵.

Household registration system and land ownership

The strict control over urban residence rights, which deprives millions of migrant workers social and cultural benefits, is to be loosened.

China's industrialisation has compelled millions of villagers to migrate to cities, but strict restrictions on acquiring 'urban household registration' (*hukou*) has left them and their children without basic rights such as access to education or health care. According to the plenum's decisions relaxing the registration system will form part of China's urbanisation policy, but will only be implemented gradually, as the authorities of large cities have been reluctant to assume the costs of giving economic, social and cultural rights to millions of migrants. Some Chinese economists estimate that the average cost of integration per person could be EUR 9 600⁶.

Accessing household registration rights in big cities will remain tightly restricted.

The plenum decided to completely lift restrictions on household registration in townships and small cities, but the restrictions on access to larger urban areas may remain in place, depending on the city's size — often a measure of the city's wealth. *Hukou* registration in 'especially large cities', such as Shanghai, Beijing, Shenzhen or Guangzhou, will remain strictly controlled.

The resolution specifies, 'It is to be permitted that rural

Currently, rural citizens — just under half the Chinese population — are permitted to sell their houses only to fellow villagers but are not allowed to either sell or mortgage land which is attributed to collective use. The 12 November resolution promises to allow rural collective and construction land use to be sold, rented or leased. It also pledges to reduce land

⁴ Resolution on forced abortion scandal in China ([2012/2712\(RSP\)](#), 12 July 2012.

⁵ While the national family law and juvenile protection law grant children the right of household registration, local governments often make binding rules to limit such rights.

⁶ In 2012, there were 260 million migrant workers in China. While 52.57 % of the Chinese population live in cities, only 35.29 % have been registered there. 'Human cost of China's hukou system', *Financial Times* (8 November 2013).

collective and construction land use is sold, rented or leased'.

expropriation and defines how profits are to be allocated.

Again, however, the implementation of the reform is unclear. The change would require amending the current land management law and is likely to take time. Five years ago, the Party also decided to reform land rights, although little has been accomplished so far.

The Party's authority strengthened

The reform includes shaping 'an online public opinion structure that integrates positive guidance'.

The Central Committee's resolution has offered broader economic and social rights to individuals. At the same time, it has reaffirmed the Party's authority over all reform areas and further restricted freedom of expression by reiterating instructions to 'complete structures' for correct 'public opinion orientation', to 'deal with sudden incidents online', and to generally streamline communication.

The plenary also established a National Security Council, a group of senior officials endowed with powers to oversee the country's security apparatus. The details and composition of the council were not announced, but it is expected to be chaired by President Xi Jinping and to cover both domestic security and foreign policy and.

The resolution of the Party's Central Committee includes issues that China's authorities are often reluctant to address.

In many respects, the CCP leaders' resolution appears ambitious in its efforts to address many sensitive issues, from the role of SOEs to the death penalty. What the reform package does not tackle is political reform, which many consider a precondition to effective social, judicial and economic improvement. Instead, the Party has strengthened its authority and ideological control, thereby upholding the conflict between the supremacy of the Party and that of the rule of law.

The Party has re-affirmed its authority in all areas of reform.

Most of the measures adopted, including the continuation of legal reform, support economic development – typically the main theme of the CCP leaders' third plenaries. As the title of the resolution – 'Concerning some major issues in comprehensively deepening reform' – clearly indicates, the objective was not to launch completely new reforms. The Party's aim is to 'deepen' them, i.e. pursue the economic development and open door policy initiated at the third Central Committee plenum under the leadership of Deng Xiaoping in 1978. For the most part, the 18th Party Congress's reform package is intended to 'perfect', 'complete' and 'move forward' the existing programme, rather than to establish new ones or eliminate the old.

Most proposals represent a continuation of ongoing reforms.

Political issues are usually discussed at the fourth plenary session of the Party's five-year cycle. However, the rather progressive resolution of the previous, 17th Party Congress was shelved soon after it was adopted. As the new leadership has been leaning towards a greater consolidation of the Party's role, few expect that the fourth plenum next year will bring any significant changes. A genuine implementation the reforms that have been proposed, particularly in the area of rule of law, would already constitute a major overhaul.

The measures' success will depend on their implementation.