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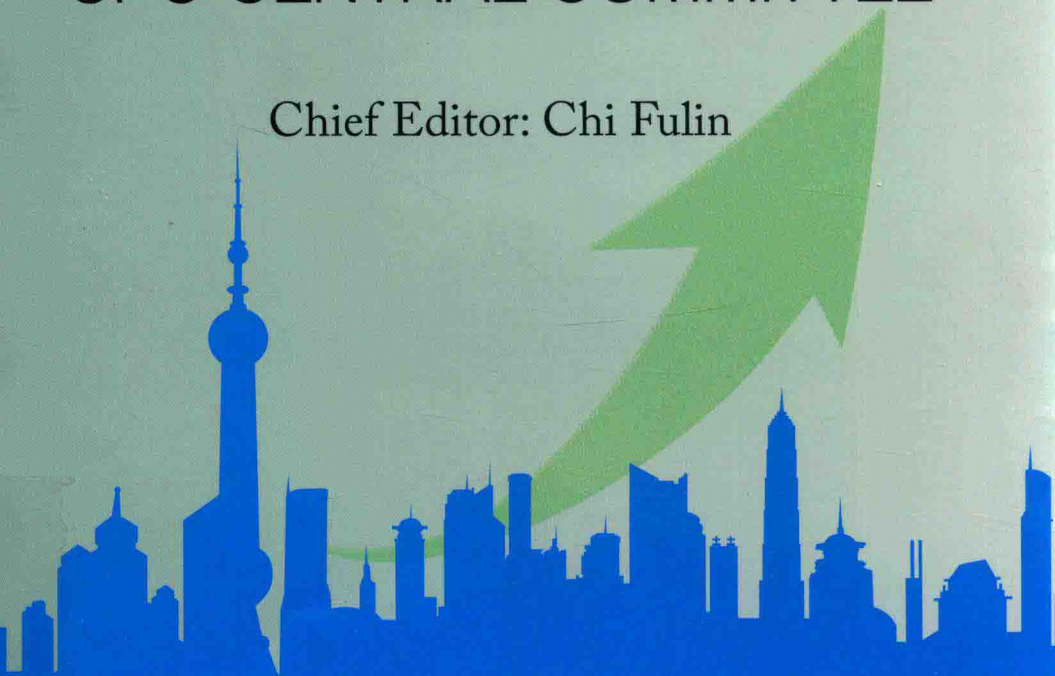


Contemporary China's
Academic classics

DECISIVE ROLE OF THE MARKET

BIG REFORM EXAM AFTER
THE 3rd PLENUM OF THE 18th
CPC CENTRAL COMMITTEE

Chief Editor: Chi Fulin



China Intercontinental Press

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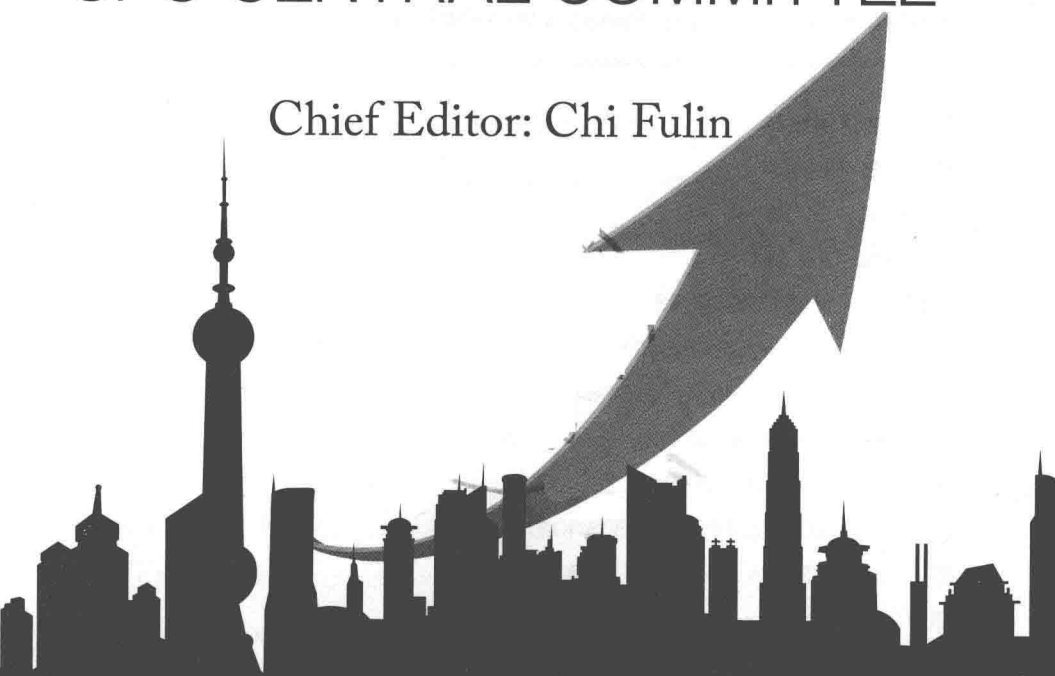


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China Institute for Reform and Development (CIRD)

China Institute for Reform and Development (CIRD), established on November 1, 1991, is a public and non-profit research institution mainly specializing in reform and development policy research.

CIRD practices a system of vesting the full responsibility with the president under the leadership of the board of directors and adheres to the operating mechanism characterized with small organization with a large network. Its organizational features of being network-based, international operations and independent research have attracted wide attention.

CIRD has, since its establishment, been working hard to make suggestions for China's reform and opening-up in its capacity as a think-tank of the Chinese Government. CIRD has submitted more than 140 sets of reform policy/legislation recommendation reports to relevant departments of the central government, published more than 400 books on the reform and more than 1,600 papers. Of which some have been directly adopted into policy documents while many others have been used as references for drafting policy documents, laws and regulations. For these research results, CIRD has won many national and ministerial/provincial awards including "Five One Project Award," "Economics Research Award by Sun Yefang Economics Foundation," and "China Development Research Award."

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Preface >

The current period for China's economic and social development is a momentous turning point in history. The reform is in deep waters and at a crucial stage. Compared with the past, the depth, complexity and difficulty of the reform are unprecedented. With transformation interweaving with reform, transformations of economy, society and governance are all directly dependent on major breakthroughs in the process of reform; the contradiction resulting from imbalanced interest is increasingly prominent, calling for adjustment of the major interest relationships; transformation forces the implementation of reform, and the time and space constraints on reform have both enhanced in an all-round way.

The Third Plenary Session of the 18th Central Committee of the CPC issued "The Central Committee of CPC's Decision on Major Issues Concerning Comprehensively Deepening Reforms" (hereinafter referred to as the "Decision"). It is to adapt to the trend of this historical turning period, and to deploy policies, under the orientation of major issues, for a comprehensively deepened reform. This is a significant strategic choice and a big test of the reform when the year of 2020 is approaching.

Firstly, "Promoting the modernization of China's governance system and governance capability" is a new big test of the reform. If we do well in the test, our country will embark on the road of a fair and sustainable development and will become one of the modern countries.

Secondly, it is a historic breakthrough to let market play a decisive role. The key of the reform test is to focus on playing the decisive role of the market to achieve substantive breakthrough in this comprehensive reform.

Thirdly, breaking through the barriers of solidified interests is a hard issue that the reform faces. It's more difficult to touch the interests than to reach the soul. Under the structure of the solidified interests, to do well in the test of reform, we need to push the reform forward with the courage of a brave man who is willing to cut off his own wrists to demonstrate his resolve.

I. HISTORICAL TEST—PROMOTING THE MODERNIZATION OF NATIONAL GOVERNANCE SYSTEM AND GOVERNANCE CAPABILITY

The "Decision" clearly put forward that, the overall goal of comprehensively deepening reform is to improve and develop the socialist system with Chinese characteristics, to promote the modernization of China's governance system and governance capability. This is a historic choice complying with the trend of historical development.

We had two big tests since our Party came into power. After the Second Plenary Session of the 7th Central Committee in 1949, Mao Zedong put forward the notion of "going in for a big exam in the capital city".

Soon after the closing of the Second Plenary Session of the 7th Central Committee (held in Xibaipo Village, Pingshan County in Hebei Province, from March 5 to 13, 1949), the Central Committee of the Communist Party of China left from Xibaipo to Peiping on March 23. Before they left, Mao Zedong said to Zhou Enlai, Liu Shaoqi, Zhu De, Ren Bishi and other comrades that: "Today, we head for Beijing, let's take the examination there", "We don't want to end up like Li Zicheng,, and we must get a good result". This is the first historical test; the Third Plenary Session of the 11th Central Committee held in 1978 confirmed "Taking economic construction as the central task" and ushered the historical process of reform and opening-up, which makes the second test. Now we are facing the third test, which is the general objective of reform put forward in the "Decision": to promote the modernization of China's governance system and governance capability, thus building a modern country.

Entering into a new historical stage of the reform and development, China's governance transformation reaches the key point. In the face of the increasingly intense social contradictions and social risks, the rather prominent corruption, and the reality that there is a lack of strict and effective constraints on power, it has been difficult for us to continue to use the method of administrative control, administrative management and the idea that "Stability is of overriding importance." to achieve long-term social stability. A country's long-term stability and social harmony depend on a democratic, legislative, institutionalized, procedural and standardized way of governance; depend on effective constraint of power so as to promise a larger development scope for market and society; depend on whether we are determined to eradicate corruption and return a piece of pure land to society. Adapting to the general trend of social development, we need a governing strategy with which long-term stability can be achieved; we need a ruling path which can lead the country to be governed under the rule of law; and we need a fundamental strategy to lock power into the cage of system.

It is under this specific historical background that the "Decision" takes it as its overall goal of comprehensively deepening reform in this new period that "improve and develop the socialist system with Chinese characteristics, promote the modernization of national governance system and governance capability". This far exceeds the category, breadth and depth of the economic restructuring started 35 years ago.

1. The basic connotation of modernizing the national governance system and governance capability

General Secretary Xi Jinping gives a high generalization of the basic connotation of "promoting the modernization of national governance system and governance capability": "That is to adapt to the change of times; this is not only to reform the systems and mechanisms, laws and regulations which do not meet the requirements posed by development, but also to continuously build new systems and mechanisms and issue new laws and regulations, so as to make the system is more scientific and more perfect in every way, to realize the institutionalization, standardization

and routinization of the management of the party's, the country's and social affairs. We should pay more attention to the governance capability construction. We should enhance the consciousness of handling affairs in accordance with regulations and law. We should be good at using regulations and laws to govern the country, turning systematic advantages of all kinds into efficacy in governing the country, raising the level of scientific ruling, democratic ruling and ruling in accordance with the law."¹

The modernization of national governance system and governance capability, is the basic requirement for constructing a modern country, and is the basic criterion of measuring whether the nation is modernized.

(1) It requires a good institutional arrangement and standard public order for government governance, market governance and social governance;

(2) It requires public governance and institutional arrangements must ensure sovereignty in people or people's autonomy;

(3) It requires the constitution and the law to become the supreme authority of public governance; everyone is equal before the law; and any organization or individual does not have the right of transcending the law.

(4) It requires that the social stability and social order be effectively maintained.

(5) It requires the center and local, the government and society coordinate with each other as a whole of unification.²

2. The modernization of national governance system and governance capability is the general objective of the reform

(1) The modernization of national governance system and governance capability is the prime symbol of building a modern country. 35 years ago, comrade Deng Xiaoping led us to reform and opening-up, to enlarge economy aggregate and change the poor and backward situation. That goal, the first goal, has been generally achieved. For the present, to adapt to the new trend of historical development, the second goal of reform is to build China into a modern country. A modern country requires not only a strong economy, but also the modernization of national governance system and

governance capability. A modern country is one which develops towards democracy, legalization, civilization as well as harmony.

(2) The modernization of national governance system and governance capability is the fundamental way of realizing national lasting stability and peace. The long-term stability of a country cannot rely on administrative control or social control; instead, it must rely on institutional civilization. Furthermore, it must rely on the establishment of a modern civilization which conforms to human development, world development and China's national conditions. We should resolve big chaos by resolving little mess in modern institutional civilization, and avoid local and even global turmoil, so as to form the systematic foundation and systematic guarantee for keeping the country's stability and social harmony.

(3) The modernization of national governance system and governance capability is a scientific summary of historical experiences. There have been two kinds of voices for 35 years since the implementation of reform and opening-up: some advocates that Chinese society should carry out "elite politics". In fact, for such a big country like China, it's necessary to emphasize authority and moderate centralization in a certain period and stage, so as to promote reform and opening-up. However, after the stage of historical development changes, the fundamental reason why we need "elites" is that we need them to push forward reform vigorously, to establish modern system in the process of reform, and to advance the process of democratization and legalization. This is more consistent with China's national conditions than advocating "elite politics".

Still, the other proposition is that "stability supersedes all". In a specific period, the idea that "stability supersedes all" is objectively required; however, it is no cure for long. Facing the general trend of social development, we have come to a time to put an end to this idea. We should establish as soon as possible a national governance system with democracy and rule of law as its basis, under the leadership of the party and with all social aspects widely participated. Only in this way, can we develop in a permanently harmonious and stable society.

3. Major tasks in promoting the modernization of national governance system and governance capability

Pushing forward the construction of the national management system needs to promote the reforms in various areas, including economy, policy, culture, society, ecological civilization and the Chinese Communist Party's construction.

(1) To build China under the rule of law

—To uphold the authority of the Constitution and laws as the top priority of building China under the rule of law. A system should be established and improved for the whole society to be loyal to; to abide by, to maintain, and to use the Constitution and laws, insisting that everyone is equal under the law with no organizational or individual privileges beyond the Constitution and laws, and all violations of the Constitution and the law must be investigated.

—To exercise the adjudicative and procuratorial powers independently according to the law. This is an important condition to realize fairness and justice and the key to the construction of the Chinese rules of law.

—To realize the judicial publicity. The judicial processes should be open to the whole society and be supervised by the whole society. The whole society's supervision on the judicial processes is vital to guarantee the judicial justice.

—To get rid of the administration in judicial operation and to establish a specialized legal team.

—To get rid of the localization in judicial operation and to explore the dual court system at central and local levels. It is recommended that the court system at the central level should be responsible for the economic cases such as land, tax, finance, bankruptcy, intellectual property rights and foreign cases so as to overcome the local protectionism of justice in economy; while the local courts still accept the general civil and commercial cases, public security criminal cases, family cases in marriage and succession, juvenile criminal cases.

(2) To practice effective governance. The "Decision" puts forward that "we must practically change the government function, deepen the reform of the administrative system, innovate the management style, enhance the