

Chief Consultant Zhang Zhuoyuan **Chief Editor** Wu Li

TRENDS IN CHINA ECONOMIC SYSTEM REFORM

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The Third Plenary Session of the 18th CPC Central Committee

Beijing Times Chinese Press

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Introduction

I

The reform and opening up that began in 1978 has brought about tremendous changes in China, while also helping promote progress and development of the whole world. Through 35 years of reform and development, China has increased its GDP from 364.5 billion Yuan in 1978 to 5,688.8 billion Yuan in 2013. The proportion of national industrial revenue occupied by the primary industry has dropped to about 10 percent, while the country's urbanization rate has risen to 53.7 percent. Through 35 years of efforts, people's living standards have changed from inadequate access to food and clothing to moderate prosperity. In 2013, per capita income reached US\$6,800, enabling China to join the ranks of middle-income countries. It has significantly reduced the rural population living in poverty, made remarkable achievements in political, economic, cultural and social development, and ecological civilization construction, and improved overall national strength significantly. China's development and opening up also has promoted the development of the world economy. In economic aggregate, Mainland China has risen from 10th in 1978 to second in 2012. It ranks first in the world in foreign exchange reserves, and also in total volume of import and export trade (since 2013). China has become the world-recognized

emerging economic power, with significantly improved international status and influence.

The achievements mentioned above, the profound changes in physical and mental outlook of Chinese people, socialist China and the CPC, as well as the pivotal role of China in the international community, should be attributed to reform and opening up. We can say that it is a new great revolution of the Chinese people under the leadership of the CPC, and is the most distinctive feature of contemporary China. During his inspection tour of the southern provinces in 1992, Deng Xiaoping said : “If we do not adhere to socialism, do not implement the policies of reform and opening up to the outside world, do not develop the economy and raise the people’s living standards, we will find ourselves in a blind alley.” It’s obvious now that what Deng Xiaoping said is profound and correct. Chinese people today have formed the following consensus: China could not have done without socialism and reform and opening up. In the past 35 years, the CPC’s enormous political courage has vigorously promoted reform of the economic, political, cultural, social and ecological civilization systems, as well as the system of Party building, and has continuously expanded the scope of opening up. Its achievements are unprecedented in determination, reform depth and influence.

Despite great development achievements, however, China has also encountered many difficulties and problems. It is recorded in Xi Jinping’s Explanatory Notes for the Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform: “As extensive and profound changes are taking place domestically and internationally, China’s development faces a series of prominent dilemmas and challenges, and

there are quite some problems and difficulties on its path of development: Unbalanced, uncoordinated and unsustainable development remains a big problem. It is weak in scientific and technological innovation. The industrial structure is unbalanced and the growth mode remains extensive. The development gap between urban and rural areas and between regions is still large, and so are income disparities. Social problems are on the rise markedly. There are many problems affecting the people's immediate interests in education, employment, social security, health care, housing, the ecological environment, food and drug safety, workplace safety, public security, law enforcement, administration of justice, etc. Some people still lead hard lives. Going through formalities and bureaucratism as well as hedonism and extravagance are serious problems. Some sectors are prone to corruption and other types of misconduct, and the fight against corruption remains a serious challenge for us. To solve these problems, the key lies in deepening reform."

In the face of new situations and new tasks, China must deepen reforms in an all-round way, spare no effort to solve many prominent contradictions and problems relating to development, and continuously promote self-improvement and development of the socialist system with Chinese characteristics. On April 20, 2013, the CPC Central Committee issued the Notice on Soliciting Opinions about Studying the Issues of Comprehensively Deepening the Reform at the Third Plenary Session of the 18th CPC Central Committee. Deepening reform in a comprehensive way conforms to the wishes of the majority of Party members, cadres and general public.

It was in this very context that the Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform was drafted. Five aspects are

highlighted: Firstly, meet the new requirements for development of undertakings of the Party and the State, and implement the strategic tasks about comprehensively deepening reform and opening up proposed at the 18th Party Congress. Secondly, focus on new specific initiatives for comprehensively deepening reform, instead of writing down general and repetitive measures. Thirdly, seize the key, respond to the issues of most concern to the people, and highlight key fields and aspects, as well as the generative role of economic system reform. Fourthly, adhere to the principle of being “active and steady”, and design reform measures more boldly and steadily. Fifthly, propose reform tasks based on the timeline of 2020, and strive to make decisive achievements in key fields and aspects by then. Thus, the Decision clearly outlines the direction and goals for the future reform and system construction in China.

II

The Decision passed at the Third Plenary Session of the 18th CPC Central Committee in November 2013, rationally determines the strategic focus, priorities, main direction, working mechanism, promotional ways, timetable and route map for deployment and mobilization to comprehensively deepen the reform, with many new theoretical and policy breakthroughs.

The Plenary Session set as the framework of the Decision the important issues that China needs to deal with, and arranged the Decision according to its various points. In addition to the Foreword and Conclusion, there are 16 parts divided into three main sections. The first part is also the first

section and the General Remarks that mainly elaborates on the significance, guiding thoughts and overall direction of deepening reform comprehensively. Section 2 consists of Part 2 to Part 15, introducing the arrangement of the main tasks and important measures for deepening reform in six aspects – the economy, politics, culture, society, ecology and national defense/armed forces. Part 16 composes the third section, Organizational Leadership, which mainly elaborates on strengthening and improving the Party's leadership in the course of deepening reform comprehensively.

The Decision points out: "The overall goal of deepening the reform comprehensively is to improve and develop socialism with Chinese characteristics, and to promote the modernization of the national governance system and capacity. We must pay more attention to implementing systematic, integrated and coordinated reforms, promoting the development of socialist market economy, democratic politics, advanced culture, a harmonious society and ecological progress. We must make sure that the vigor of labor, knowledge, technology, managerial expertise and capital keeps bursting forth, all the wealth-creating sources fully flow, and that the fruits of development benefit all people still more and equally."

In the past, the CPC mentioned many modernizations covering such sectors as agriculture, industry, technology and national defense, etc. The concept of "modernization of the country's governance system and governance capacity" was first put forward in the Decision. The key of implementing various reform initiatives is to deeply understand and accurately grasp the overall goal. The country's governance system and governance capacity reflect the national system and system implementation capacity in a concentrated way, and complement each other. They are

inseparable. The national system plays the fundamental, overall and long-term role in governing the country. However, without effective governance, it is difficult for any system to play its full role alone. We should also notice that the CPC faces many difficulties to promote the construction of the national governance system and enhance national governance capacity.

The Decision points out: "To deepen the reform comprehensively, we must bear in mind the fact that China is still in the primary stage of socialism and will remain so for a long time to come. We should adhere to the major strategic judgment that development is still the key to solving all problems in China, take economic construction as our central task, give full play to the leading role of economic system reform, balance the relations of production with the productive forces as well as the superstructure with the economic base, and promote sound, sustainable economic and social development." With regard to the reform in such fields as economics, politics, culture, society, ecological civilization, national defence and army, and self-construction of the CPC, the Decision points out: "Economic system reform is the focus of deepening the reform comprehensively. The underlying issue is how to strike a balance between the role of the government and that of the market, and let the market play the decisive role in allocating resources and let the government play its functions better."

With regard to the way the reform is undertaken, the Decision points out: "What is the most important is to uphold the leadership of the Party, adhere to the Party's basic line, reject both the old and rigid closed-door policy and any attempt to abandon socialism and take an erroneous path, firmly take the socialist road and ensure that our reform is in the right direction. We should emancipate the mind, seek truth from facts, keep

up with the times, be realistic and pragmatic, base ourselves on reality in everything we do, summarize successful domestic experience, learn useful experience from other countries, and boldly promote innovation both in theory and practice. We should put people first, respect the people's central position in the country, give full rein to their creativity, promote reform with the close support of the people, and promote well-rounded development of the person. We should strike a balance between reform, development and stability, implement reform boldly and steadily, combine the top-level design with cautious advance, promote both comprehensive advance and breakthroughs at key points, improve scientific decision-making, rally consensus from all sides and form joint force for reform."

For the reform timetable, the Decision also proposes: "Reforms are progressive. We should make breakthroughs in reform, and also should promote reforms gradually and steadily"; "By 2020, decisive results will have been achieved in the reform of important areas and crucial segments. The reform tasks put forward in this Decision are to be completed within this period, and institutions and systems that are structurally complete, scientifically standardized and effective in operation are to be formed, to ensure that institutions in all areas become more mature and complete." In his Explanatory Notes for the Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform, Xi Jinping said: "As we say 'we must push reform forward boldly and steadily.' Here 'steadily' means adopting a holistic approach in planning, doing overall research and making decisions scientifically. Reforms in economy, politics, culture, society and ecology are closely connected to and integrated in the reform of the Party building. Reform in one sector will always affect other sectors,

and requires other sectors to reform accordingly. If the reforms in different areas do not support each other, and the measures taken in some sectors turn out to check the progress of other sectors, we will find it difficult to deepen reform comprehensively, and will get into a muddle with the reform if we disregard these factors.”

III

From the implementation of the Decision to February 2014, the CPC Central Committee established the CCCPC Leading Group for Comprehensively Deepening Reforms and its Office, as well as six special groups, made clear the plans for implementing the reform measures proposed at the Third Plenary Session of the 18th CPC Central Committee, listed 336 separate tasks, and determined the role of coordination, leading and participating units. These units have started functioning in full speed. Everyone is showing high enthusiasm, fast action, accurate orientation, and good response. Preliminary results have been achieved.

To further promote the implementation of the Decision, Xi Jinping pointed out on February 17, 2014: “We should make more efforts in studying and publicizing the Decision, and lay the solid ideological foundation for comprehensively deepening the reform. We should prevent a piecemeal approach, garbling or mechanically applying the Decision, and should clarify the relationship between overall policies and certain policy, between the system policy chain and certain policy links, between top-level policy design and hierarchical policy connection, between policy unity and policy difference, and between long-term policy and that to be achieved in

stages. The global and the local both have an inseparable role. Flexibility and principle are inseparable and should not affect each other. Instead of waiting and looking on, and seeking quick success and instant benefits, we must have a sense of both urgency and responsibility. Reforms are progressive. We should make breakthroughs in reform, and also should promote reforms gradually and steadily.

In short, comprehensively deepening the reform aims to optimize the systems and mechanisms of China, achieve the modernization of the national governance system and governance capacity, and provide the power and the guarantee for China's comprehensive and sustainable development. China's development undoubtedly will promote the development of the world, drive the development of the global economy and play a bigger role in maintaining global peace and stability. China should and can make greater contributions to human development.

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