



Council on  
Geostrategy

*Report*

Geopolitics Programme

No. GPR02

November 2023

# Plateau China: Reform in the ten years after the Third Plenum of 2013

---

*By Charles Parton*

---

*New geostrategic thinking for a more competitive age*

<https://www.geostrategy.org.uk>

[This page is deliberately left blank.]



## Contents

<b>Executive Summary</b>	<b>1</b>
<b>1.0 Introduction</b>	<b>3</b>
<b>2.0 The Third Plenum of 2013: ‘comprehensively deepening reform’</b>	<b>4</b>
2.1 Limits on reform of the PRC’s ‘bird-cage economy’ at the 2013 Third Plenum	7
<b>3.0: Four crucial areas of reform</b>	<b>9</b>
3.1 Progress in the four areas of economic reform	9
3.1.1 Administration and authorisations	9
3.1.2 State owned enterprise reform	12
3.1.3 Financial and fiscal reform	15
3.1.4 Labour mobility: hukou and rural land reform	18
<b>4.0 Do the three ‘uns’ still apply?</b>	<b>22</b>
4.1 Reform amidst ‘high winds, choppy waters and even dangerous storms’	22
4.2 Bumping up against the limits of Leninism – no political reform	23
<b>5.0 The 2023 Third Plenum delayed; Expectations for reform?</b>	<b>25</b>
5.1 Longer term expectations	25
<b>About the author</b>	<b>27</b>
<b>About the Council on Geostrategy</b>	<b>28</b>
<b>Notes</b>	<b>29</b>

---



## Executive Summary

- In the Chinese political system, Third Plenums take place a year after a Party Congress and usually set the agenda for economic development and reform. For example, the Third Plenum of the landmark 11th Central Committee (1978) launched ‘reform and opening up’; that of the 14th (1993) established the socialist market economy; and that of the 16th (2003) centred on ‘perfecting the socialist market economy’.
- On the tenth anniversary of the 2013 Third Plenum this Report revisits its scope and intentions, considers progress in implementing reforms, and thus highlights how an autumn 2023 plenum needs to put things back on track. Given the enormous scope of Xi Jinping’s 2013 ambitions – the ‘Decision’ contained 15 chapters, 60 sections and 380 items – the focus is on the issues most fundamental to making the model sustainable in the long-term.<sup>1</sup> Four areas are key: relations between the party-state and the market/private enterprise; reforms to state owned enterprises (SOEs); fiscal reform, particularly tax reform and balancing central/local government shares of expenditure/revenue; and labour mobility (the closely linked issues of *hukou* [户口] (the People’s Republic of China’s household registration system) and land reform). These four issues spill over into each other.
- Despite its aspirations and deadlines, the CCP has failed to implement these underlying reforms. It has not substantially changed the old, unsustainable model. This will make it difficult to deal with the problems which the PRC currently faces, in particular rising debt, demographic decline, water scarcity, and a mismatch of skills/education versus industry needs. Ultimately, behind the inadequacies of the economic model, which the CCP does admit, lie the inadequacies of the political model, which the party cannot acknowledge. Reform of the political system was not

---

<sup>1</sup> ‘Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform’, The Central People’s Government of the People’s Republic of China, 16/01/2014, <https://bit.ly/48ZWBjm> (checked: 18/10/2023).

---



on the 2013 agenda; tightening of CCP control was.

- Despite the above, it is possible that the Third Plenum will not be held this year. No date was set at the November Politburo meeting. A December Third Plenum would be unusual. Thus a necessary re-energising of reform may be delayed. The 19th Central Committee left consideration of economic affairs until its Fifth Plenum in October 2020 – perhaps because the 2013 reform programme set a deadline of 2020 for completion, to coincide with the 2021 ‘First Centennial Goal’, the establishment of a ‘moderately prosperous society’. That 2020 plenum also coincided with the adoption of the 14th Five-Year Plan (2021–2025) and the ‘Long-Range Objectives Through the Year 2035’, all of which underpinned Xi’s bid for a third term as CCP leader. It is possible that Xi has decided to align the economy centred plenum with the adoption of the 15th Five-Year Plan, scheduled for 2025. On the other hand, current economic problems make the need for a new model more pressing. Welcome once again to the black box of CCP politics.



## 1.0 Introduction

In November 2013, Xi Jinping, General Secretary of Chinese Communist Party (CCP), launched the manifesto for his decade in power (no one then anticipated a third term) at the Third Plenum of the 18th Central Committee. ‘The Decision on Major Issues Concerning Comprehensively Deepening Reforms’ was intended to be an epoch-defining set of changes.<sup>2</sup>

It needed to be, because the CCP leadership had concluded that the economic and social model followed since the Third Plenum of the 11th Central Committee in 1978 was ‘unbalanced, uncoordinated and unsustainable’. Wen Jiabao, former Premier of the People’s Republic of China (PRC), had used this phrase in 2007.<sup>3</sup> Xi repeated it in his remarks on the 2013 ‘Decision’, and even as recently as last year.<sup>4</sup>

If the economic and social model was indeed ‘unsustainable’, then the purpose of the Third Plenum in 2013 was to reverse out of the cul-de-sac and find an alternative route forwards. This begs the question of whether the intervening decade has defined and implemented the reforms outlined to a degree such that a new model, or a ‘new development concept’, as Xi likes to say, has successfully been put in place. Such success or failure in turn begs the question of what role an economy focused plenum ten years later can play in reinforcing success or rectifying failure.

---

<sup>2</sup> ‘Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform’, The Central People’s Government of the People’s Republic of China, 16/01/2014, <https://bit.ly/48ZWBjm> (checked: 18/10/2023).

<sup>3</sup> Wen had used a fourth ‘un-’, ‘unstable’, but it proved too much for Xi. ‘Wen confident in maintaining economic growth’, *China Daily*, 16/03/2007, <https://bit.ly/3Sooxnn> (checked: 18/10/2023).

<sup>4</sup> Xi Jinping, Speech: ‘Explanation concerning the “CCP Central Committee Resolution Concerning Some Major Issues in Comprehensively Deepening Reform”’, *China Copyright and Media*, 19/11/2013, <https://bit.ly/3M5njq4> (checked: 18/10/2023); and, ‘长安导论’ 钟政声：从四大维度深刻领悟“两个确立”的决定性意义 [‘Introduction to Chang’an Zhong Zhengsheng: Deeply understand the decisive significance of “two establishments” from four dimensions’], 中央政法委 [Central Political and Legal Affairs Commission (PRC)], 14/03/2022, <https://bit.ly/3RYK3Mc> (checked: 18/10/2023).

---



## 2.0 The Third Plenum of 2013: 'comprehensively deepening reform'

In the 2013 Third Plenum documents, Xi set out a highly ambitious and wide-ranging reform programme. He dealt not just with the economy. As Xi himself set out in his 2013 'Explanation concerning the CCP Central Committee Resolution Concerning Some Major Issues in Comprehensively Deepening Reform', the 'Decision' itself had sixteen chapters, which he divided into seven areas (excluding the introduction) (See Box 1).<sup>5</sup>

### **Box 1: Sections of the 2013 'Decision'**

#### Introduction

- I. The Significance of and Guiding Thoughts on Deepening the Reform Comprehensively

#### Economy

- II. Adhering to and Improving the Basic Economic System
- III. Accelerating the Improvement of the Modern Market System
- IV. Accelerating the Transformation of Government Functions
- V. Deepening the Reform of the Fiscal and Taxation Systems
- VI. Improving Mechanisms and Institutions for Integrated Development of Urban and Rural Areas
- VII. Building a New Open Economic System

#### Politics

- VIII. Strengthening Building of the Socialist Democratic System
- IX. Promoting the Rule of Law
- X. Strengthening Check and Oversight System of Exercise of Power

#### Culture

- XI. Promoting Innovation in Cultural Systems and Mechanisms

---

<sup>5</sup> Xi Jinping, Speech: 'Explanation concerning the "CCP Central Committee Resolution Concerning Some Major Issues in Comprehensively Deepening Reform"', *China Copyright and Media*, 19/11/2013, <https://bit.ly/3M5njq4> (checked: 18/10/2023).

---



## Society

XII. Promoting Reform and Innovation of Social Undertakings

XIII. Making Innovations in Social Governance System

## Environment

XIV. Accelerating Ecological Progress

## National defence

XV. Deepening Reform of National Defence and Armed Forces

## Organisational leadership, strengthening and improving Party leadership

XVI. Strengthening and Improving the Party's Leadership in the Course of  
Comprehensively Deepening the Reform

XVII. XX

Economic reform was clearly the most important. But the other six elements both underpinned economic reform and reflected Xi's wider ambitions. It is worth briefly highlighting the more important of the other elements, before moving on to the four 'bones' of economic reform.

An enduring preoccupation of Xi has been '**law based governance**' [依法治国]. This was the theme of the Fourth Plenum in 2014. Professionalising the law, broadening and systematising its application, but above all building trust in it as the legal basis for economic and other activity represent important aims. Without impartial law to protect entrepreneurs and build trust in the system, the energies of private enterprise are likely to be blunted. However, building protection and trust is undermined by the CCP declaration that the party itself is above the law. While the party wishes to keep politics and national security for its, and not the courts', discretion, both can be used by local officials or business rivals as cover to disadvantage private sector companies and competitors.

Important too in 2013 was the intention to **strengthen CCP control over the military**. Xi's seven areas of reform were broken down into '5+1+1', the '1s' being the military and CCP construction.<sup>6</sup> This was the first time that military matters appeared as a separate topic at such

---

<sup>6</sup> '中国改革正啃“硬骨头” 倒退无出路' ['Experts assess China's reform: "gnawing hard bones", going back is no way out'], 中国中央电视台 [China Central Television], 10/09/2014, <https://bit.ly/48Y6dUH> (checked: 18/10/2023).





a plenum. Since 2015, Xi has greatly transformed control of the People's Liberation Army (PLA) by revamping the Central Military Commission and the area commands. He has also replaced most commanders with those whom he trusts.

Particular emphasis was placed on party-building and discipline/corruption. Under the Leading Small Group on Comprehensively Deepening Reform, whose establishment was announced at the Third Plenum, were six other special groups covering the economy, ecology, democracy and the legal system, culture, the social system, party-building and discipline inspection. The importance of the last was shown because '...the Disciplinary Inspection System Reform Group is listed separately' and 'In the list of members of the deep reform team, five deputy secretaries of the Central Commission for Discipline Inspection participated, more than any other unit.'<sup>7</sup> This is hardly surprising, since corruption had reached horrific levels, such that Wen said that it could threaten the CCP's hold on power.<sup>8</sup> How could reform, which must involve upfront expenditure before gains could be made, proceed if so much money was disappearing into cadres' pockets?

Finally, it is worth noting that in the case of social issues, the Third Plenum was not just about reforms to improve the people's lot, but also about tightening control and practices which had grown flabby under the leadership of Jiang Zemin and Hu Jintao. Those who at the time hoped that Xi might be of a liberal persuasion clearly had not read the October 2011 Sixth Plenum, whose 'Decision' presaged the Xi-era controls over the media, education, the internet, religion, civil society and more.<sup>9</sup> While Xi was in charge of the drafting committee for the 2011 Sixth Plenum 'Decision', preparation for the promised tightening of control had started before he came to power. In other words, to avoid the risk of losing power, CCP leaders had earlier decided to restore a muscular Leninism, even if Xi subsequently took it further than many may have anticipated.

---

<sup>7</sup> *Ibid.*

<sup>8</sup> 'China's Wen: corruption could threaten power structure', *Reuters*, 26/03/2012, <https://bit.ly/3S4duMR> (checked: 18/10/2023).

<sup>9</sup> 'Central Committee of the Chinese Communist Party Decision Concerning Deepening Cultural Structural Reform', *China Copyright and Media*, 18/10/2011, <https://bit.ly/46VJWFc> (checked: 18/10/2023).

---



The Third Plenum reforms were to be completed in seven years, by 2020, in time to meet the ‘first centennial goal’ of achieving a ‘moderately prosperous society’:

By 2020...The reform tasks put forward in this Decision are to be completed within this period, and institutions and systems that are structurally complete, scientifically standardised and effective in operation are to be formed, to ensure that institutions in all areas become more mature and complete.<sup>10</sup>

A government report on a 31st December 2020 ‘tea party’ of the National Committee of the Chinese People’s Political Consultative Conference, at which Xi spoke, claimed that:

More than seven years after the Third Plenary Session of the 18th Central Committee was held, a total of 2,485 reform programmes have been launched by various parties, and the reform targets and tasks...have generally been completed as scheduled.<sup>11</sup>

Such a claim sits ill with many other CCP pronouncements on the need for reform made since 2020.

## *2.1 Limits on reform of the PRC’s ‘bird-cage economy’ at the 2013 Third Plenum*

In the PRC’s Leninist system, economic reform is necessarily circumscribed. The best known sentence from the Third Plenum is ‘...ensuring that the market has a decisive role in the allocation of resources and *giving better rein to the functions of government*’.<sup>12</sup> This was ‘...a major theoretical viewpoint in this Plenum Resolution.’<sup>13</sup> Most

---

<sup>10</sup> *Ibid.*, section one, subsection four.

<sup>11</sup> ‘全国政协举行新年茶话会 习近平发表重要讲话’ [‘The National Committee of the Chinese People’s Political Consultative Conference held a New Year’s tea party and Xi Jinping delivered an important speech’], 中华人民共和国中央人民政府 [The Central People’s Government of the People’s Republic of China], 31/12/2020, <https://bit.ly/3S3TcTR> (checked: 18/10/2023).

<sup>12</sup> ‘Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform’, The Central People’s Government of the People’s Republic of China, 16/01/2014, <https://bit.ly/48ZWBJm> (checked: 18/10/2023).

<sup>13</sup> Xi Jinping, Speech: ‘Explanation concerning the “CCP Central Committee Resolution Concerning Some Major Issues in Comprehensively Deepening Reform”’, *China Copyright and Media*, 19/11/2013, <https://bit.ly/3M5njq4> (checked: 18/10/2023).

---



commentators have focussed on the ‘decisive role’, a step up from earlier language of ‘basic role’, but failed to consider the significance of strengthening the government role. Yet Xi was clear: ‘...give rein to the positive role of the Party and the government. The market has a decisive role in resource allocation, but it does not have the total role.’<sup>14</sup>

How could it in a Leninist system? In the famous ‘Document Number 9’, which proscribed seven ‘Western’ influences, the fourth ‘don’t speak’ inveighs against the promotion of neoliberalism, which attempts to change the PRC’s basic economic system:

[Neoliberalism’s advocates] actively promote the “market omnipotence theory.” They claim our country’s macroeconomic control is strangling the market’s efficiency and vitality and they oppose public ownership, arguing that China’s state-owned enterprises are “national monopolies”, inefficient, and disruptive of the market economy, and should undergo “comprehensive privatisation.” These arguments aim to change our country’s basic economic infrastructure and weaken the government’s control of the national economy.<sup>15</sup>

No self-respecting Leninist can let go of the main economic levers, since the accumulation of wealth could lead to demands for political power: ‘no taxation without representation’ echoes beyond North America of the 18th century. The CCP runs a ‘bird-cage economy’ – the words of Chen Yun, former Vice Premier of the PRC who led on economic policy. The question at issue has always been the size of the cage allowed by Leninism.<sup>16</sup>

---

<sup>14</sup> *Ibid.*

<sup>15</sup> ‘Document 9: A ChinaFile Translation’, China File, 08/11/2013, <https://bit.ly/2P94oko> (checked: 18/10/2023).

<sup>16</sup> Wudunn, S. Chen Yun, ‘Chen Yun: A Chinese Communist patriarch who helped slow reforms, is dead at 89’, The New York Times, 11/04/1995, <https://bit.ly/46xrwuJ> (checked: 18/10/2023).

---



## 3.0 Four crucial areas of reform

Amongst the myriad of 2013 reforms of the economic system, four areas stand out:

1. The system of administration and authorisations (which impinges upon the private sector);
2. SOEs;
3. Finance and taxation; and,
4. The connected issues of the *hukou* system and rural land reform (which affect labour mobility and common prosperity)

These are the pillars of reform set out in a book published in March 2017, which assessed reform progress after three years.<sup>17</sup> The authors worked for the Institute of Economic System and Management (IESM), a think tank under the National Development and Reform Commission (NDRC). Since the NDRC is charged with planning and implementing reform, their views are likely to carry weight. The book considered reform under the four headings above – a fifth was health reform, but, while important, this does not underpin other wider economic reforms. The authors were remarkably candid about the failure to reform after three years. It is unlikely that they would be so today, in the era of Xi's 'positive energy'.

### 3.1 Progress in the four areas of economic reform

#### 3.1.1 Administration and authorisations

'Administration and authorisations' encapsulate the intention that, as the Third Plenum 'Decision' put it:

We will persist in equality of rights, opportunities and rules, abolish all forms of irrational regulations for the non-public

---

<sup>17</sup> Zhang Linshan and Sun Fengyi, *The Phenomenon of the reform obstruction in China: the performance, origin and solution* (Beijing: Social Sciences Academic Press, 2017), pp 21–29.

---



economy, remove all hidden barriers, and adopt specific measures for non-public enterprises to enter franchising fields.<sup>18</sup>

Despite 30 years of reform and (relative) encouragement of the private sector, it was still besieged by red tape, arbitrary interference, unreliable recourse to legal redress, locally imposed taxes, charges, fines, and much more.

In 2017, the NDRC's IESM listed some success in tackling the problems of red tape and interference: 618 provisions had been cancelled or remitted to lower levels of government; and the central government level had passed down 40% out of a total of 200 powers.<sup>19</sup> But that was the extent of its optimism. Among other problems it noted that:

1. There was no legislation to back up the measures;
2. Movement was government driven rather than by enterprises or their people, and therefore was often inappropriate;
3. Many provisions had been abolished only in name;
4. Lower levels did not have competent or technically qualified personnel to manage matters at their level;
5. Powers had not been adequately defined;
6. The new systems necessary for the exercise of powers were not in place; and,
7. Organisations were not sharing information and resources which would allow enterprises a 'one stop shop' for efficient registration and operation.

The claim made in 2020 that '...reform targets and tasks...have generally been completed as scheduled' fails to convince in the light of subsequent remarks from CCP leaders. In his Government Work Report (GWR) to the National People's Congress in 2023 Li Keqiang, Former Premier of the PRC, claimed that:

---

<sup>18</sup> 'Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform', The Central People's Government of the People's Republic of China, 16/01/2014, <https://bit.ly/48ZWBjm> (checked: 18/10/2023), section two, subsection eight.

<sup>19</sup> Zhang Linshan and Sun Fengyi, *The Phenomenon of the reform obstruction in China: the performance, origin and solution* (Beijing: Social Sciences Academic Press, 2017), pp 21–29.



Over the years, we have cancelled or delegated to lower-level authorities the power of administrative approval for over 1,000 items and slashed the number of investment items subject to central government approval by over 90 percent.<sup>20</sup>

But it is not just the central government which presents a problem to the private sector. Local government, to whom many approval powers were delegated, has continued to interfere.

It is clear from the section in the 2021 GWR on 'Advancing reforms in key areas and further energising market entities' that reforms set out in 2013 had not been completed by the 2020 deadline, because a year later Li was still outlining the necessity of implementing these measures:

We will build a cordial and clean relationship between government and business, remove barriers to the development of private businesses, and promote an entrepreneurial spirit.<sup>21</sup>

The 2022 GWR largely repeats this. Even in 2023 at the July Politburo meeting on the economy, work remained to be done to '...provide private enterprises with an enabling environment', and in particular 'Firm actions must be taken to crack down on arbitrary charges, fines and quotas, and get outstanding payments owed by governments to enterprises cleared.'<sup>22</sup> Because of the impoverishment of local government these extortions have risen in recent years. Additionally, the high-profile treatment dished out to Alibaba, as well as to other leading private companies, enforced charitable donations (the 'third distribution mechanism' – a fine euphemism), and the establishment and strengthening of CCP cells or branches inside companies have all sent discouraging messages to entrepreneurs about the balance between market and government. Morale and investment appear low.

Another problem was regional protectionism. Counties and provinces made it difficult for businesses to sell or expand across local

---

<sup>20</sup> Li Keqiang, 'Report on the Work of Government', The State Council of the People's Republic of China, 05/03/2023, <http://bit.ly/3msXsic> (checked: 18/10/2023), p. 14.

<sup>21</sup> *Ibid.*, pp. 18–21.

<sup>22</sup> 'CPC leadership holds meeting to analyse the economic situation, make arrangements for work in the second half of the year', *Xinhua*, 25/07/2023, <https://bit.ly/45DSuQ2> (checked: 18/10/2023).





boundaries. Local governments favoured their own and kept outsiders away. This problem was recognised in 2013; a unified national economy remains a key concern of Xi. Hence the emphasis then on the setting up of the Beijing–Tianjin–Hebei zone ('JingJinJi'):

The *People's Daily* published an article stating that it is unprecedented for the general secretary of the party to preside over the meeting to study the coordinated development of a region...The Beijing–Tianjin–Hebei Coordinated Development Leading Group...will take the lead in making breakthroughs in three key areas: transportation integration, ecological environment protection, and industrial coordinated development.<sup>23</sup>

Subsequently, the CCP set up the integration of the Yangtze River Delta, the Yangtze River Economic Belt, the Chengdu–Chongqing Economic Circle, and Greater Bay Area in southern PRC. But clearly progress in breaking down regional obstructionism was slow. In 2018, the Central Committee published 'Opinions on Establishing a More Effective New Mechanism for Regional Coordinated Development.' Shortly afterwards, it set up the Central Regional Coordinated Development Leading Group, whose existence only came to light in September 2023.<sup>24</sup>

That progress has lagged is confirmed by Xi's call at the 9th September 2020 meeting of the Central Finance and Economics Commission that it was 'necessary to accelerate the improvement of the domestic unified large market'.<sup>25</sup>

### 3.1.2 State owned enterprise reform

There was never any doubt in 2013 that SOEs would retain their central role in the economy:

---

<sup>23</sup> '中国改革正啃“硬骨头” 倒退无出路' ['Experts assess China's reform: "gnawing hard bones", going back is no way out'], 中国中央电视台 [China Central Television], 10/09/2014, <https://bit.ly/48Y6dUH> (checked: 18/10/2023).

<sup>24</sup> '中央区域协调发展领导小组亮相, 从更高层面统筹重大区域战略' ['The Central Leading Group for Coordinated Regional Development unveiled, to coordinate major regional strategies from a higher level'], 搜狐 [Sohu], 07/09/2023, <https://bit.ly/3FmA37X> (checked: 18/10/2023).

<sup>25</sup> '构建新发展格局, 习近平总书记这样战略布局' ['Build a new development pattern, General Secretary Xi Jinping's strategic layout'], 求是 [Qiushi], 23/09/2020, <https://bit.ly/3FjJW6J> (checked: 18/10/2023).

---



We must unswervingly consolidate and develop the public economy, persist in the dominant position of public ownership, give full play to the leading role of the state-owned sector, and continuously increase its vitality, controlling force and influence.<sup>26</sup>

The aims of these reforms were to regularise decision-making over operations, grow the value of state assets, set up a level playing field with other enterprises, raise production efficiency, strengthen vitality, and meet their social obligations.<sup>27</sup> Through the setting up of state investment companies, investment was to be directed to important sectors of the economy, national defence, the environment, strategic and emerging industries. SOEs would work under different conditions depending on whether they provided services, were monopolies, or could be exposed to market competition. There was to be greater professionalism, regularised salaries (not least to stop managers milking SOEs) and transparency. Central SOEs would be consolidated, while some local SOEs might succumb to competitors. Under ‘mixed ownership reforms’ private sector investment in SOEs and vice versa were to be encouraged to promote an exchange of good business practice.

In sum, there was a strong emphasis on separating SOE management from government oversight. As much as possible they would be run on proper commercial lines, not as administrative adjuncts of government.

By 2017, reform had not progressed as planned. The IESM was not complimentary. Despite the August 2015 ‘Guiding Principles on SOE Reform’ and 13 supplementary documents, there had been little implementation for six main reasons:

1. Rampant vested interests – not just in SOEs, but in central ministries and the NDRC – meant no unity and weak design at the central level;

---

<sup>26</sup> ‘Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform’, The Central People’s Government of the People’s Republic of China, 16/01/2014, <https://bit.ly/48ZWBjm> (checked: 18/10/2023), section two, subsection eight.

<sup>27</sup> *Ibid.*, section two, subsection seven.

---





2. The Central Committee failed to appreciate the concerns at local levels and how SOEs actually operated;
3. Proposals were not sufficiently scientific (e.g., salary reductions killed managers' enthusiasm);
4. Instructions on implementation were insufficiently clear and detailed;
5. Fear among implementers. No one wanted to take responsibility, not least for disposing of or reassigning assets; and,
6. Local governments looked to their own interests and were unwilling to take action, not least if it might mean missing job evaluation targets, such as for employment or gross domestic product. They therefore worked with SOEs to ensure little change and few cuts.<sup>28</sup>

In 2020, the Central Committee and State Council promulgated 'Opinions on Speeding up and Perfecting the Socialist Market Economic System in the New Era'.<sup>29</sup> The first substantive section, 'Adhere to public ownership as the main body and the common development of various ownership economies, and enhance the vitality of micro entities', makes it clear that, although SOE reform should have been completed by 2020, little progress had been made in its essence, namely the better use of state capital, mixed-ownership reforms and the altering of natural monopoly industries.<sup>30</sup>

This still appears to be the case. Li's 2021 GWR gave an unconvincing assessment:

We will continue to implement the three-year action plan for SOE reform, and work to strengthen, expand, and increase the returns on state capital and enhance the strength, quality, and size of SOEs. We will also push ahead with mixed-ownership reform in SOEs.

---

<sup>28</sup> Zhang Linshan and Sun Fengyi, *The Phenomenon of the reform obstruction in China: the performance, origin and solution* (Beijing: Social Sciences Academic Press, 2017), pp 21–29.

<sup>29</sup> '中共中央 国务院关于新时代加快完善社会主义市场经济体制的意见' ['Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Improvement of the Socialist Market Economic System in the New Era'], 新华社 [Xinhua], 18/05/2020, <https://bit.ly/3S4UKgf> (checked: 18/10/2023).

<sup>30</sup> *Ibid.*, section two.



The 2022 GWR was no more positive. Nor was Xi himself, speaking at this July's first meeting of the Central Commission for Comprehensively Deepening Reform under the 20th CCP Central Committee:

Efforts should be done to deepen reform of state-owned enterprises, and focus on addressing inadequacies, strengthening weak areas, consolidating fundamentals and giving full play to strengths, so as to build a management system of the state-owned sector that has top-level coordination, clear rights and responsibilities, efficient operation and powerful supervision.<sup>31</sup>

Recall that this is a decade after reforms were announced and three years after the deadline for completion.

### 3.1.3 Financial and fiscal reform

'Finance is the foundation and an important pillar of state governance': so declared the introduction to section V of the 'Decision' of 2013's Third Plenum. As Lou Jiwei, former Minister of Finance, stressed in 2015:

Only by achieving fundamental breakthroughs in the reform of the fiscal and taxation systems can we provide the material foundation and institutional guarantee for realising the modernisation of national governance and the "Two Centenary Goals".

Lou affirmed that it was not just a question of 'tinkering with the system and mechanisms'.<sup>32</sup>

Reform was to be divided into three parts:

1. 'Establishing a comprehensive, standardised, open and transparent modern budget system';

---

<sup>31</sup> Chen Tianhao, 'Xi stresses solid efforts to write a new chapter in reform and opening up', *China News Service*, 22/04/2023, <https://bit.ly/3QjWvoA> (checked: 18/10/2023).

<sup>32</sup> 楼继伟 [Lou Jiwei], '深化财税体制改革 建立现代财政制度' ['Deepen the reform of the fiscal and taxation system and establish a modern fiscal system'], *中国共产党新闻网* [China Communist Party News Network], 11/11/2015, <https://bit.ly/47d6kKL> (checked: 18/10/2023).

---



2. 'Establishing and improving a tax system conducive to scientific development, social equity, and market unity'; and,
3. 'Adjusting the fiscal relationship between the central and local governments, and establishing a system in which administrative powers and expenditure responsibilities are compatible'.<sup>33</sup>

The June 2014 'Overall Plan for Deepening the Reform of the Fiscal and Taxation System' set a deadline for basic completion by 2016, while also stating that a '...modern fiscal system will be basically established in 2020'.<sup>34</sup>

Lou was clear that the task would be tough to fulfil. He reiterated several times the CCP cliché of 'crossing the river by feeling the stones'. The opinion of the NDRC's IESM in 2017 was that while the reform of the budgetary system had largely been implemented, the other two tasks had 'made slow progress'.<sup>35</sup>

Surprisingly hard-hitting though the NDRC IESM is, 'slow progress' is an overstatement. There has been some feeling of stones, but little crossing of rivers. Thus, real estate tax, long talked of, has not arrived. Shanghai and Chongqing have carried out 'shidian' [试点] (experimental zones), and the necessary preliminary of registering ownership of property is, apparently, largely complete.<sup>36</sup> But a decade on from the 2013 reforms, the tax remains unimposed, and last year further experiments were put on hold.<sup>37</sup> In practical terms, a property tax is not difficult to implement; hiding ownership is hard. But in political terms, it is. How many CCP officials and their families have multiple properties, which their salaries cannot possibly have afforded? And how would the people react to what in effect is a tax on their savings, so much of which has been put in property, and which is now falling in value? What about the impact on the already troubled property companies? The CCP's motto for economic progress has long

---

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*

<sup>35</sup> Zhang Linshan and Sun Fengyi, *The Phenomenon of the reform obstruction in China: the performance, origin and solution* (Beijing: Social Sciences Academic Press, 2017), p. 25.

<sup>36</sup> 计思敏 [Ji Simin], '我国全面实现不动产统一登记: 摸清不动产家底, 对普通人意味着什么' ['my country has fully realized the unified registration of real estate: What does it mean to ordinary people to find out the real estate family background?'], 澎湃新闻 [The Paper], 26/04/2023, <https://bit.ly/45vUTfT> (checked: 18/10/2023).

<sup>37</sup> 'China Puts Property Tax Pilot Expansion on Hold to Ease Market Jitters', *Caixian Global*, 16/03/2022, <https://bit.ly/3QjMol9> (checked: 18/10/2023).



been ‘amidst stability seek progress’ [稳中求进], but stability, i.e., the party’s political security, always comes first.

Nor has income tax reform helped national finances. Income tax makes up around 6% of the state’s revenue, compared to an average of 23.5% in countries of the Organisation for Economic Cooperation and Development (OECD) in 2016.<sup>38</sup> The ‘Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Improvement of the Socialist Market Economic System in the New Era’, released on 18th May 2020, show that no progress had been made. It recognised a need to:

Deepen the reform of the tax system, improve the direct tax system and gradually increase its proportion...Establish and improve a comprehensive and classified personal income tax system.<sup>39</sup>

The 2023 NDRC work report promised to ‘...improve local tax systems and the individual income tax system’. This again shows how little has been done in the last decade.<sup>40</sup>

The other major task listed in the 2020 ‘Opinions’ was to:

Optimise the division of administrative and financial powers among governments, establish central and local fiscal relations with clear powers and responsibilities, coordinated financial resources, and balanced regional arrangements, and form a stable system in which the administrative powers, expenditure responsibilities, and financial resources of governments at all levels are compatible.<sup>41</sup>

---

<sup>38</sup> ‘Money Matters: Local Government Finance in the People’s Republic of China’, Asian Development Bank, 14/12/2014, <https://bit.ly/3Ql6N7I> (checked: 18/10/2023), p. 71.

<sup>39</sup> ‘中共中央 国务院关于新时代加快完善社会主义市场经济体制的意见’ [‘Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Improvement of the Socialist Market Economic System in the New Era’], 新华社 [Xinhua], 18/05/2020, <https://bit.ly/3S4UKgf> (checked: 18/10/2023), section five, subsection two.

<sup>40</sup> ‘Report on China’s national economic, social development plan’, State Council of the People’s Republic of China, 16/03/2023, <https://bit.ly/3M5y37H> (checked: 18/10/2023), p. 52.

<sup>41</sup> ‘中共中央 国务院关于新时代加快完善社会主义市场经济体制的意见’ [‘Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Improvement of the Socialist Market Economic System in the New Era’], 新华社 [Xinhua], 18/05/2020, <https://bit.ly/3S4UKgf> (checked: 18/10/2023), section five, subsection two.

---



Yet, that task is merely a repeat of the reform set out at the Third Plenum of 2013 and in the 2014 ‘Plan’, which aimed to correct the problems caused by local governments being responsible for around 85% of expenditure on social services, while receiving only just over 50% of revenue (the rest going to central government).<sup>42</sup> The 2013 ‘Decision’ talks of dividing responsibilities into three categories of central, joint centre/local, and local. Responsibility for expenditure would be delineated accordingly.<sup>43</sup> As the IESM put it, the August 2016 ‘Guiding Principles for the Division of Central and Local Government Responsibilities and Revenues’ contained no practical implementing regulations. Nor has the situation improved.

In sum, much of financial and fiscal reform is, as the IESM summarised it, ‘loud thunder, sparse rain.’<sup>44</sup>

### 3.1.4 Labour mobility: hukou and rural land reform

The *hukou* (household registration system) is an important feature of a Chinese citizen’s life. Everyone is registered to a particular city, town, or rural area and that locality is responsible for supplying their basic services such as education, health, retirement or unemployment insurance. Changing the location of one’s *hukou* has never been easy. This is a brake on urbanisation, labour mobility and productivity, as well as a cause of hardship and discontent. Those classified as rural migrants do not enjoy the *hukou* of their city of residence. They can only access medical treatment or education where they are registered, usually back in their villages. They are second-class citizens.

Services are far better in the major cities, but they are not sufficient to cover all comers. Those enjoying an urban *hukou* resent rural migrants taking up scarce places in good schools or beds in hospitals, and there have been protests. Given that 70% of the PRC’s children are in the countryside, this is a severe restraint on bright children picking up the skills needed in a high-tech economy.

---

<sup>42</sup> ‘Money Matters: Local Government Finance in the People’s Republic of China’, Asian Development Bank, 14/12/2014, <https://bit.ly/3Ql6N7I> (checked: 18/10/2023).

<sup>43</sup> ‘Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform’, The Central People’s Government of the People’s Republic of China, 16/01/2014, <https://bit.ly/48ZWBjm> (checked: 18/10/2023), section five, subsection nineteen.

<sup>44</sup> Zhang Linshan and Sun Fengyi, *The Phenomenon of the reform obstruction in China: the performance, origin and solution* (Beijing: Social Sciences Academic Press, 2017).



The 2013 ‘Decision’ speaks of granting the *hukou* at four different speeds.

We will introduce new population management methods, accelerate the reform of household registration system, completely lift restrictions on new residence registration in administrative townships and small cities, relax restrictions on new residence registration in medium-sized cities in an orderly manner, lay down appropriate conditions for new residence registration in large cities, and strictly control the population size of megacities.<sup>45</sup>

Attempts to reform the *hukou* system began well before the Third Plenum of 2013. Unifying rural and urban labour standards also appears in the 2003 Third Plenum ‘Decision’ and in 2008.<sup>46</sup> The 12th Five-Year Plan released in March 2011, the product of long preparation, was the first specifically to mention household registration reform in a stand-alone chapter on urbanisation.<sup>47</sup>

The *hukou* problem is intimately linked with rural land reform. Migrant workers would protest if they were deprived of their land use rights, since the land represents an insurance policy if times turn hard in the city; they have something to return to, which would ward off privation, even starvation. Yet the land is often not being properly used and farms can be too small – all at a time when food security is a major policy preoccupation.

Again, the IESM reveals that by 2017 progress was minimal. It highlighted a lack of a clear policy direction, provisions which only touched the surface of the problem. Decreeing the abolition of the *hukou* was one thing, providing equal access to benefits for all was quite another. Land reform had not taken place, not least because without

---

<sup>45</sup> ‘Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening the Reform’, The Central People’s Government of the People’s Republic of China, 16/01/2014, <https://bit.ly/48ZWBjm> (checked: 18/10/2023), section five, subsection nineteen.

<sup>46</sup> ‘3rd Plenum of the CPC 16th Central Committee Convened’, Chinese Consulate-General in Khabarovsk (Russia), 22/05/2024, <https://bit.ly/3FGekYZ> (checked: 18/10/2023); and, Joseph Fewsmith, ‘Tackling the Land Issue – Carefully’, China Leadership Monitor, 09/01/2009, <https://bit.ly/3tIr12o> (checked: 18/10/2023).

<sup>47</sup> For a detailed exposition of the *hukou* system and the reforms pre-2013 see: Annika Melander and Kristyna Pelikanova, ‘Reform of the *hukou* system: a litmus test of the new leadership’, ECFIN Economic Brief, 22/07/2013, <https://bit.ly/3M8ixrP> (checked: 18/10/2023).





financial and fiscal reform local governments continued to rely on exploiting rural land for revenue. Nor did they have the money to underwrite the provisions of social security (granting the *hukou* to one person in the Haidian district of Beijing would cost around ¥1 million (£110,600)). Too many organisations were involved in the *hukou*, each with their own vested interests. Those bigger cities which had instituted a points system for qualification for an urban *hukou* kept the target too high. The IESM lists solutions, but they involve large sums of money, the politically delicate question of land reform, a solution to the division of costs and revenues between central and local governments, allowing local governments flexibility, and breaking up the vested interests of organisations and ministries.

Progress since has been laboured. In 2019, Lou (by then ex-Minister of Finance) described the current household registration system as ‘...a major and unreasonable institutional issue.’ He went on: ‘Due to the differences in basic public services between urban and rural areas, between regions, between large and medium-sized cities, and the difficulties in the free flow of people, the reform is difficult.’ He laid much of the blame on the failure to implement land reform: ‘The [rural] labour force should flow freely and should not be treated differently [from urban workers]; the land should be freely traded under the control of use.’<sup>48</sup>

The NDRC report to the NPC in March 2023 promised to speed up the work of expanding permanent urban residency and associated social services to migrants.

We will steadily advance people-centred new urbanisation. We will work faster to grant permanent urban residency to eligible people who move from rural to urban areas, advance reform of the household registration system in a prudent and orderly manner, promote equitable access to basic public services in cities, and step up efforts to provide people who move from rural to urban areas with basic public services such as employment assistance, skills training, and social security.<sup>49</sup>

---

<sup>48</sup> 楼继伟《比较》撰文呼吁户籍和土地制度改革 [‘Lou Jiwei writes an article in “Comparison” calling for household registration and land system reform’], 财新传媒 [Caixin Media], 29/11/2019, <https://bit.ly/45EgiDz> (checked: 18/10/2023).

<sup>49</sup> ‘Report on China’s national economic, social development plan’, State Council of the People’s Republic of China, 16/03/2023, <https://bit.ly/3M5y37H> (checked: 18/10/2023), p. 58.

---



Other plans and announcements throughout 2023 also show that *hukou* reform has a long way to go three years after it should have been completed. In July, the Zhejiang government published its plan for widening the *hukou* by 2027.<sup>50</sup> Zhejiang province is the ‘experimental zone’ for the ‘common prosperity’ policy, which aims to reduce inequalities, so other areas are likely to be further behind. In August the Ministry of Public Security announced new measures aiming to:

...promote the complete abolition of settlement restrictions in cities with a permanent urban population of less than three million, fully relax the settlement requirements for Type I large cities with an urban permanent population of three to five million, and improve the point-based settlement policy for super-large cities with an urban permanent population of more than five million. Ensure that the social insurance payment period and the residence period score account for the main proportion, and encourage the cancellation of the annual settlement quota limit.<sup>51</sup>

Jiangsu province also released draft measures eliminating *hukou* restrictions everywhere except in its two major cities.<sup>52</sup> All this represents an advance in intention. But, as ever, implementation is all and deadlines are distant.

---

<sup>50</sup> ‘浙江省人民政府办公厅关于印发浙江省推动落实常住地提供基本公共服务制度有序推进农业转移人口市民化实施方案（2023—2027年）的通知’ [‘Notice of the General Office of the People's Government of Zhejiang Province on Printing and Distribution of the Implementation Plan (2023–2027) of Zhejiang Province to Promote and Implement the System of Permanent Residence and the Provision of Basic Public Services, and to Promote the Orderly Urbanisation of the Agricultural Migrant Population’], 03/07/2023, <https://bit.ly/3S3U1Mr> (checked: 18/10/2023).

<sup>51</sup> 户籍政策迎来新措施’ [‘The household registration policy ushered in new measures’], 新浪 [Sina Corporation], 04/08/2023, <https://bit.ly/3S4nUvT> (checked: 18/10/2023).

<sup>52</sup> 张瑜 [Zhang Yu], ‘除南京、苏州市区外，拟全面取消落户限制政策’ [‘Except for Nanjing and Suzhou urban areas, it plans to completely cancel the settlement restriction policy’], 第一财经 [China Business News], 09/08/2023, <https://bit.ly/46YD8ad> (checked: 18/10/2023).

---





## 4.0 Do the three ‘uns’ still apply?

For all Xi’s claim that 2,485 reforms had been launched, without reform of the above four main pillars, the Chinese economic and social model remains ‘uncoordinated, unbalanced and unsustainable’ – and, like Wen, it is tempting to add ‘unstable’. This would suggest that this year there needs to be a Third Plenum as momentous as its 2013 predecessor was intended to be.

### *4.1 Reform amidst ‘high winds, choppy waters and even dangerous storms’*

Since 2013, both the internal and external environment for reform have taken a turn for the worse. Internally, the chickens of the system’s inadequacy have come home to roost. The problems of debt, local government financing, the real estate sector, and a failure to rebalance investment, exports and consumption, all stem from the current unsustainable model. Other problems, such as demographic decline, unemployment, an inadequately educated workforce, and a skills mismatch may also have been exacerbated by mistakes, systemic delays or difficulties in implementing policies. A long-term water scarcity crisis threatens provinces containing over half of the PRC’s agriculture, industry, power generation and population.<sup>53</sup> Externally, free and open countries have awoken to the threat which the CCP’s model and its ambitions pose. A willingness to help or to tolerate its effects is changing to a determination to minimise that threat.

CCP rhetoric has changed accordingly. The ‘major difficulties, prominent challenges and contradictions, the deep water zone’ of Xi’s 2013 ‘Explanation’ have moved through ‘gnawing hard bones’ to ‘high winds, choppy waters and even dangerous storms’.<sup>54</sup> Reform is destabilising at the best of times. It is one thing to reform when

---

<sup>53</sup> Charles Parton, ‘China’s Looming Water Crisis’, China Dialogue, 17/04/2018, <https://bit.ly/3eYBOPo> (checked: 18/10/2023).

<sup>54</sup> ‘中国改革正啃“硬骨头” 倒退无出路’ [‘Experts assess China’s reform: “gnawing hard bones”, going back is no way out’], 中国中央电视台 [China Central Television], 10/09/2014, <https://bit.ly/48Y6dUH> (checked: 18/10/2023); and, ‘Full text of the report to the 20th National Congress of the Communist Party of China’, Ministry of Foreign Affairs (PRC), 25/10/2022, <https://bit.ly/3Sb9ytA> (checked: 18/10/2023).



optimism abounds, resources plentiful and problems smaller; quite another when the economy is in trouble. In 2014, Zhang Gaoli, then a Politburo Standing Committee member, rightly ‘echoed the British historian [Thomas] Carlyle: we should face the morning light as we carry out China’s reform, not dream as we face the sunset.’<sup>55</sup> This year’s plenum is certainly late in the day.

### *4.2 Bumping up against the limits of Leninism – no political reform*

Some credit the CCP with a reputation for flexibility. This was easier to justify as it cut away from the straitjacket of Maoism. Both Deng Xiaoping and Jiang Zemin were able to make economic gains while relaxing, but still staying inside, ideological boundaries. But by the time of Hu Jintao, the strains were showing. The CCP feared that further political, social and some elements of economic laxity would threaten its hold on power.

Xi was chosen as leader because the CCP saw him as the person to restore discipline and control. The last decade has seen the return of Marxist ideology, centralisation, ‘participation’ (strengthening of the CCP in all organisations and sectors), and the prioritisation of national security over economic performance – of the 16 elements of national security, political (i.e., CCP) security is the most important. This is detrimental to initiative, experimentation and innovation in governance.

Xi’s belief – or bet – is that the PRC can thrive economically and socially under a political model of totalitarian control, and that the CCP can continue to eschew political reform. He will persist in running the PRC’s enormous economy and population through top-down command, inspection and campaigns. Considerable energy and time will have to be spent on party discipline, activities and study. Such a political model dispenses with four elements which could help make the model more self-regulating:

---

<sup>55</sup> ‘中国改革正啃“硬骨头” 倒退无出路’ [‘Experts assess China’s reform: “gnawing hard bones”, going back is no way out’], 中国中央电视台 [China Central Television], 10/09/2014, <https://bit.ly/48Y6dUH> (checked: 18/10/2023).

---



1. An independent press, to stimulate ideas and policies, highlight abuses of power and promote discipline in government;
2. An independent judiciary, to engender trust both in business and in wider society;
3. Civil society, to raise ideas and pressure – both rarely come from government officials in any political system; and,
4. Some form of political accountability, real democracy, to encourage rulers to serve the people more effectively rather than their own or the CCP's interests.

These four elements are anathema to Xi – and almost certainly to whomever succeeds him – since allowing them to flourish would lead either to the CCP losing power or having to transform itself, perhaps in the way in which the Guomindang (KMT) did in Taiwan.



### 5.0 The 2023 Third Plenum delayed: Expectations for reform?

According to the Constitution of the CCP, it is for the Politburo to convene a plenum and at least one must be held annually. Against expectations, the Politburo meetings of September and October did not announce a date for a Third Plenum. If the Third Plenum is to be held in 2023, it will now have to be in December, given that the Politburo meets monthly and at the end of the month. Yet this would bump up against the important annual Central Economic Work Conference, which usually takes place around 10th December. Since the Second Plenum took place in February, as usual just before the convening of the National People's Congress, there is no requirement to hold the Third Plenum this year, if Xi so decides.

It is also possible that the Third Plenum might not centre on the economy, as happened, if unusually in 2018. Xi may for example wish to align an economy focused plenum with the adoption of the next Five-Year Plan, due in 2025.

But whenever a plenum centred on the economy does take place, despite the need for new measures to help the PRC through current turbulence, it is hard to expect much more than the repetition of the reform rhetoric of the last few years. Talk of action over the four pillars of reform, of unifying the market, of reducing inequalities (Xi's 'common prosperity' agenda) will abound. But, to take the example of SOE reform, it is hard to conceive of breakthroughs beyond the latest three-year plan, which is due to be completed shortly. The bars of Chen's ideological bird-cage for the economy are not going to be removed. The underlying reason is ultimately a refusal to countenance meaningful reform of the political system.

One thing which is likely to be seen is yet more emphasis on innovation, science and technology as the way of cutting the political and economic Gordian knot. This has been a constant theme from Xi and very large sums of money have been dedicated to innovation – with some impressive results. But the jury remains out on whether this will be sufficient to make up for the negatives of an otherwise 'unbalanced, uncoordinated and unsustainable' system. 'Top-down' innovation, funded and directed from the centre, can only go so far. Political control



reinforces cultural biases against iconoclasm or the freedom to wander down paths unauthorised, which are major contributors to innovation, whether in technology or governance. Another factor is the skills mismatch. Currently, high-tech companies cannot find sufficiently expert staff (yet youth unemployment exceeds 20%), a long-term problem resulting from insufficient investment in basic education, something exacerbated by the failure to reform the *hukou* system.<sup>56</sup>

### 5.1 Longer term expectations

The CCP has long declared its ‘Second Centenary Goal’ (by the hundredth anniversary of the founding of the PRC in 2049) as the establishment of a ‘strong, democratic, civilised, harmonious, and modern socialist country’. Translated from party-speak, this means supplanting the United States as the pre-eminent superpower and making global governance the handmaid of the PRC’s own interests and values. Increasingly, too, Xi has talked about Chinese modernisation setting ‘...a good example for developing countries to move towards modernisation independently and has provided them with a new choice.’<sup>57</sup>

In the years before Covid-19 many assumed that the PRC would inevitably become the world’s biggest economy and most powerful nation. This author has long doubted that.<sup>58</sup> Now the optimism of others has curdled into warnings of stagnation or even collapse. Talk is of ‘Peak China’. This is the wrong geological metaphor. Peaks rise and fall sharply. The CCP’s economic and social model by its own admission is unsustainable without reform. Nevertheless, even without reform the likelihood is that the PRC will remain a powerful force over the coming decades. It has plateaued, but plateaus can stretch considerable distances – although it is true that sometimes they descend precipitately at the far end. For the sake of the Chinese people and

---

<sup>56</sup> For a masterly treatment of this question, see: Natalie Hell and Scott Rozelle, *Invisible China* (The University of Chicago Press, 2020).

<sup>57</sup> ‘习近平在学习贯彻党的二十大精神研讨班开班式上发表重要讲话’ [‘Xi Jinping delivered an important speech at the opening ceremony of the seminar on studying and implementing the spirit of the 20th National Congress of the Communist Party of China’], 中华人民共和国中央人民政府 [The Central People’s Government of the People’s Republic of China], 07/02/2023, <https://bit.ly/3S1NS3a> (checked: 18/10/2023).

<sup>58</sup> Charles Parton, ‘Foresight 2020: The Challenges Facing China’, RUSI, 11/02/2020, <https://bit.ly/3tK2Wlv> (checked: 18/10/2023).

---



indeed global economic interdependencies the hope must be that the descent from the plateau is gradual.



## About the author

**Charles Parton OBE** is an Associate Fellow in Indo-Pacific Geopolitics at the Council on Geostrategy. He spent 22 years of his 37-year diplomatic career working in or on China, Hong Kong and Taiwan. In his final posting he was seconded to the European Union's Delegation in Beijing, where, as First Counsellor until late 2016, he focussed on Chinese politics and internal developments, and advised the European Union and its Member States on how China's politics might affect their interests. In 2017, he was chosen as the Foreign Affairs Select Committee's Special Adviser on China. He is currently a fellow at Royal United Services Institute (RUSI) and Mercator Institute for China Studies (MERICS).



## About the Council on Geostrategy

The Council on Geostrategy is an independent non-profit organisation situated in the heart of Westminster. We focus on an international environment increasingly defined by geopolitical competition and the environmental crisis.

Founded in 2021 as a Company Limited by Guarantee, we aim to shape British strategic ambition in a way that empowers the United Kingdom to succeed and prosper in the twenty-first century. We also look beyond Britain's national borders, with a broad focus on free and open nations in the Euro-Atlantic, the Indo-Pacific, and Polar regions.

Our vision is a united, strong and green Britain, which works with other free and open nations to compete geopolitically and lead the world in overcoming the environmental crisis – for a more secure and prosperous future.



[illegible]

[This page is intentionally left blank.]



# Council on Geostrategy



*Dedicated to making Britain, as well as other free and open nations, more united, stronger and greener.*

ISBN: 978-1-914441-47-9

Address: 14 Old Queen Street, Westminster, London, SW1H 9HP

Phone: 020 3915 5625

Email: [info@geostrategy.org.uk](mailto:info@geostrategy.org.uk)

© 2023 Council on Geostrategy

Disclaimer: This publication should not be considered in any way to constitute advice. It is for knowledge and educational purposes only. The views expressed in this publication are those of the authors and do not necessarily reflect the views of the Council on Geostrategy or the views of its Advisory Council.

Please do not print this document; protect the environment by reading it online.

Geostrategy Ltd., trading as Council on Geostrategy, is a company limited by guarantee in England and Wales. Registration no. 13132479. Registered address: Geostrategy Ltd., Lower Ground Floor Office, 231 Shoreditch High Street, London, E1 6PJ.

---

*New geostrategic thinking for a more competitive age*

<https://www.geostrategy.org.uk>