



Understanding Xi Jinping's 'reform and opening up'

By Charles Parton

The Party must fundamentally reform the economic structure that constrains the development of the productive forces and uphold and improve the socialist market economy; and in congruence with this it must undertake political structural reform and reform in other fields. The Party must uphold the fundamental national policy of making China open to the world – Constitution of the Communist Party of China.¹

Overview: Chinese modernisation

Democratic parties announce their manifestos before an election; autocratic parties do so after their (s)election. The Chinese Communist Party (CCP) sets out its longer-term goals at party congresses held every five years, and at the main annual plenums. Xi Jinping, General Secretary of the CCP, described the Third

¹ 'Constitution of the Communist Party of China', Communist Party of China, 22/10/2022, <https://news.cgtn.com/> (checked: 14/09/2024).



Plenums of 1978 and 2013 as ‘epochal’ for their role in ‘reform and opening up’, the two main contributors to the People’s Republic of China (PRC)’s rise. Xi implied that this July’s plenum should also be seen as ‘epochal.’ Its measures are to be completed by 2029, and six years later, they will have helped the PRC on its way to achieving the first part of its two-step strategy to build ‘a great modern socialist country in all respects.’²

‘Reform and opening up’ have long been the party’s nostrum for success. ‘Reform and opening up are the only way to make our country strong,’ says the 2002 version of the Party constitution.³ In his ‘Explanation’ of the Third Plenum Resolution, the conclave’s formal document, Xi declared that, ‘...If we are to break new ground in advancing Chinese modernisation on the new journey in the new era, we must continue to rely on reform and opening up.’⁴ The word ‘reform’ duly appears 139 times in the Resolution, ‘opening up’ 27 times.

But we should interpret CCP use of these words carefully. As for Humpty Dumpty, words mean what the party wants them to mean.⁵ The ‘reform and opening up’ under Deng Xiaoping, (former ‘Paramount Leader’ of the PRC), launched at the Third Plenum of the 11th Central Committee in 1978, brought in enormous changes to the agricultural and enterprise systems. Deng opened – gradually – what had been a closed economy and society to foreign joint ventures. This was later extended to wholly owned foreign companies and broader investment. Conservative elements resisted hard, but were eventually defeated (symbolised by Deng’s ‘southern journey’ to Shenzhen in 1992). Jiang Zemin and Hu Jintao, previous General Secretaries of the CCP, also brought in reform and opening up, making big changes to the system, not least state-owned enterprise (SOE) reform, joining the World Trade Organisation (WTO) and the privatisation of housing.

Xi’s ‘reform and opening up’ come with the added qualifier ‘with special Chinese (or Xi) characteristics.’ He has made it clear that ideology, politics, national security (the three overlap) come before the economy. The political, economic, and social system will remain Leninist, with the state (i.e., the party) dominating all aspects. The constitution of the PRC,⁶ as well as that of the CCP

² ‘中国式现代化: 发展之路’ [‘Chinese Modernisation: The Way Forward’], Institute of Party History and Literature of the Central Committee of the Communist Party of China, 04/05/2024, <https://english.news.cn/> (checked: 14/09/2024).

³ ‘Constitution of the Communist Party of China’, Intelligence Resource Program, Federation of American Scientists, 14/11/2002, <https://irp.fas.org/> (checked: 14/09/2024).

⁴ ‘Constitution of the Communist Party of China’, Communist Party of China, 22/10/2022, <https://news.cgtn.com/> (checked: 14/09/2024).

⁵ ‘When I use a word’, Humpty Dumpty said in rather a scornful tone, ‘it means just what I choose it to mean—neither more nor less.’ as seen in: Lewis Carroll, *Through the Looking-Glass, and what Alice Found There* (London: Macmillan, 1871).

⁶ See articles 6 and 7: ‘Constitution of the People’s Republic of China’, The State Council of the People’s Republic of China, 20/11/2019, <https://english.www.gov.cn/> (checked: 14/09/2024).



itself, ordain that the state sector of the economy shall be the leading force in the economy. Too often, commentators focus on the ‘overall objective’, repeated in the Third Plenum Resolution, of ensuring that ‘We will see that the market plays the decisive role in the allocation of resources’, but fail to appreciate the important (over)rider ‘and that the government (i.e., the CCP) better fulfils its role.’ The market and private sector are to flourish – but within the CCP’s Leninist cage.

Thus, for Xi, unlike his predecessors, ‘reform’ means improving and making more efficient CCP governance, but not introducing radical changes to the system itself. Strict ideological and political limits apply. Similarly, ‘opening up’ comes heavily qualified. ‘Opening up’ is more like a one-way valve. The key to understanding the apparent contradiction between calls for opening up and the CCP’s insistence on self-reliance, dual-circulation and increasingly autarkic industrial policies is the realisation that the PRC applies an open-door policy to those companies, technologies, innovations, know-how which it still needs, while remaining shut to many others. Increasingly, national security concerns rule out opening in high technology sectors. Where markets do eventually open, it is after Chinese companies have ensured an unassailable domination of domestic markets. Competition on a level playing field is not the aim. With non-western, less advanced countries the door may remain open, because they pose no competitive or other threat.

Chinese modernisation is the goal, reform and opening up are the means. The language used is carefully chosen: it is ‘*Chinese style* [中国式现代化] modernisation’, not ‘China’s [中国的现代化] modernisation.’ While not intent on exporting the Chinese model wholesale, Xi has been clear that he believes that developing countries, in particular, should adopt certain aspects of the CCP governance system. As the penultimate paragraph of the Resolution, which focuses on the PRC’s place in the world, makes clear, ‘Chinese style modernisation is the modernisation of peaceful development’,⁷ and therefore to be shared – even if it does come embedded with ideological baggage.

A frequent western criticism of Chinese policy is that it contains contradictions. It is easy enough to call these out in the Third Plenum and other CCP documents: self-reliance and dual circulation versus going out/opening up; calls for common prosperity and increased consumption versus devoting government resources to investment, industrial policy and exports; favouring SOEs over more productive and innovative private business; measures which put economic development in contention with national security demands. The CCP is

⁷ ‘Resolution of CPC Central Committee on further deepening reform comprehensively to advance Chinese modernisation’, The State Council of the People’s Republic of China, 21/07/2024, <https://english.www.gov.cn/> (checked: 14/09/2024).



less bothered by contradiction, which after all is an essential part of communist dialectics. The Resolution acknowledges these tensions in the guiding principles:

Applying systems thinking. We must properly handle the major relationships between the economy and society, between the government and the market, between efficiency and fairness, between vitality and order, and between development and security, thus pursuing reform in a more systematic, holistic, and coordinated manner. (section 4)

The policies and actions which result may not be in perfect alignment, but ‘holistically’, they are intended to serve the main purpose of keeping the CCP in power, both by reinforcing legitimacy through continued and rising economic prosperity, and by building a technological totalitarianism able to ensure control over society.

This paper aims to elucidate what the CCP means by ‘reform and opening up’, drawing upon what emerged from the Third Plenum and reinforced by leaders’ subsequent pronouncements, as party members set about the exhausting business of ‘studying the plenum documents.’ It looks at the domestic and external implications of how Xi sees the march towards ‘Chinese modernisation’ over the next decade of his rule and at what that might mean for other countries. It does not look in detail at the immediate problems facing the PRC,⁸ notably debt, real estate, demographic decline, climate change challenges (especially water scarcity) – but nor does the Third Plenum Resolution. A plenum sets forth the direction of policy, not its detail. Specific policies come in annual and five-year plans, whose next parturition, the 15th, will be delivered in 2026.

Control, control and more control

What emerges most strongly from the plenum documents and leaders’ post-plenum pronouncements is an emphasis on control, in all fields. This should be no surprise: during Xi’s 12 years of power the governance system has seen increased centralisation; the party’s presence strengthened in decision-making and business; and an advance towards technological totalitarianism in society. Xi has made much of national security. As his Explanation to the Third Plenum Resolution puts it:

⁸ For a detailed look at the economic aspects of the 3rd Plenum, see: George Magnus, ‘Xi Jinping sticks to his guns: The 2024 Third Plenum’, Council on Geostrategy, 31/07/2024, <https://www.geostrategy.org.uk/> (checked: 14/09/2024).



National security provides a pivotal foundation for ensuring steady and sustained progress in Chinese modernisation. Giving higher priority to national security, the draft resolution puts forth a set of requirements with a focus on modernising China's system and capacity for national security.⁹

For the first time national security earns its own heading among the 15 sections of the Resolution. In August Wang Xiaohong, the minister of public security, listed over 20 constituents of national security.¹⁰ He quoted Xi's 'Ten Insistences', one of which is insisting that 'political security be in first place.'¹¹ Political security means the CCP's security, or, put bluntly, the secure retention of power by the party. In Xi's words, quoted by the People's Daily after the plenum:

.....No matter how the reform is carried out, the fundamental things such as adhering to the overall leadership of the Party, adhering to Marxism, adhering to the path of socialism with Chinese characteristics, and adhering to the people's democratic dictatorship must not be shaken.¹²

The guarantors of national/CCP security are the military and the party itself. Both feature as one of the 15 main headings in the Resolution. Building on the People's Liberation Army (PLA) reforms unveiled at the October 2014 Gutian gathering, heading 14 emphasises Xi's control over the PLA:

We will improve the institutions and mechanisms for implementing the system of ultimate responsibility resting with the chairman of the Central Military Commission (CMC) and continue to enhance political loyalty in the military.

Heading 15 covers the need for the CCP to follow closely the party leadership (section 57); to strengthen party building, and control over cadres and

⁹ 'Explanation of the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernisation', *Xinhua*, 21/07/2024, <https://english.news.cn/> (checked: 14/09/2024).

¹⁰ 王小洪 [Wang Xiaohong], '推进国家安全体系和能力现代化（学习贯彻党的二十届三中全会精神）' ['Promoting the modernization of the national security system and capabilities (studying and implementing the spirit of the Third Plenary Session of the 20th CPC Central Committee)'], *人民日报* [People's Daily], 08/08/2024, <http://politics.people.com.cn/> (checked: 14/09/2024).

¹¹ *Ibid.*

¹² 张晓松, 林晖, 胡浩 [Zhang Xiaosong, Lin Hui, Hu Hao], '又踏层峰辟新天——《中共中央关于进一步全面深化改革、推进中国式现代化的决定》诞生记' ['Climbing the peaks and creating a new world—The birth of the "Decision of the CPC Central Committee on Further Comprehensively Deepening Reforms and Promoting Chinese-style Modernisation"'], *人民日报* [People's Daily], 23/07/2024, <http://paper.people.com.cn/> (checked: 14/09/2024).



their promotion (section 58); to improve conduct and discipline, and to fight corruption (section 59); and to ensure that officials implement reforms ‘with relentless perseverance’ (section 60).

A Third plenum is about more than just the economy. It also encompasses politics, society, law, culture and external relations (albeit this last, briefly). A brief consideration of all these areas shows ‘reform’ reinforcing control.

In the economic sphere what the Explanation says about ‘the pivotal issue of balancing the relationship between the government and the market’ is illustrative:

To promote the implementation of national development plans and major strategies, we will foster greater synergy between our fiscal, monetary, industrial, pricing, and employment policies, improving the allocation of newly acquired resources and adjusting the mix of existing resources. (section 16).

The last clause in particular says more about the visible hand of the state than it does about the invisible hand of the market, or its decisive role in the allocation of resources.

There is little in the plenum to suggest a readjustment of the balance which favours and prioritises the state-owned sector over the private sector (to which the Chinese often add the tag ‘56789’ – the private sector being responsible for 50% of tax, 60% of gross domestic product, 70% of innovation, 80% of employment, and 90% by number of enterprises). While section five may declare that, ‘We will refine the modern corporate system with distinctive Chinese features and promote entrepreneurial spirit’, the SOE sector must remain dominant – as the PRC constitution and CCP charter lay down – and the CCP will continue to strengthen the role of party branches and cells inside businesses, even if this is deleterious to ‘56789.’ No self-respecting Leninist can do any different, because an unrestrained business sector is a political danger. Money translates into political power; monopolising the later necessitates controlling the former.

Economic reform under Xi represents increased control, the private sector serving the state sector and always under political command.

Political reform is something of which the party talks, using the convoluted description ‘Advancing Whole-Process People’s Democracy.’ There is nothing new in the four sections entitled ‘Strengthening the institutions through which the people run the country’ (section 29). ‘Improving the mechanisms for consultative democracy’ (section 30), ‘Enhancing democracy at the primary



level' (section 31), 'Building a broad united front' (section 32), this last meaning, ensuring that 'people from outside the Party can better play their roles'. The somewhat oxymoronic promise to 'improve the mechanisms for conducting community-level self-governance under the leadership of Party organisations at the primary level' conveys the intent. This is not reform, it is tweaking the systems of control.

The legal sphere is an important area of CCP governance. The 4th Plenum of 2014 was a major step in establishing law with Chinese characteristics. It, and every party pronouncement since, made it clear that:

The leadership of the Party is the most fundamental guarantee for comprehensively advancing the rule of law and accelerating the construction of a Socialist rule of law country. We must strengthen and improve Party leadership over rule of law work, and let Party leadership penetrate into the entire process of comprehensively advancing rule of law.¹³

The CCP will always control the law, but the last decade has seen efforts to standardise and improve legal work, a necessary foundation for trust in business and society. The result is at best rule by (party) law, rather than rule of law, since the CCP always leaves room, where necessary, to put its own interests above the law, even as it covers its decisions and interventions with a cloak of legality. This year's plenum offers no groundbreaking reforms, but continues efforts already in train. A difference with 2014 is the emphasis on 'strengthening the rule of law in foreign-related affairs' (see below under 'opening up').

The party's control over society will not veer from its current trajectory of tightening. On the contrary, present in the Resolution are all the phrases expected for a further speeding up along the motorway leading towards technological totalitarianism: 'further develop the Fengqiao model for promoting community-level governance'; 'enhance the party organisation-led urban and rural community governance system'; 'explore avenues for establishing a unified national population management system'; 'better guide community-level governance through Party building'; and 'make improvements to the management system for social organisations' (section 52). The promise to 'create new institutions, mechanisms, and methods for social governance and build a new security architecture' is ominous.

¹³ Section VII: 'Decision of the Fourth Plenary Session of the 18th Central Committee of the Communist Party of China', trans. by Jeremy Daum and Rogier Creemers, Law Genius, 23/10/2014, <https://genius.com/> (checked: 14/09/2024).



Culture in the free world is a matter of personal development and freedom of choice and expression. Where governments play a role, it is to provide funding, facilities, and education. Creativity is not incubated in government departments. By contrast, as ever, the party's first section in 'Deepening reform in the cultural sector' centres on ideology, 'improving the responsibility system for ideological work.' Section 38 continues: 'we will improve the mechanisms for guiding public opinion'; 'promote a systemic transformation in mainstream media. We will improve the mechanisms for guiding public opinion'; and 'firm steps will be taken to oppose 'historical nihilism' (views of history which contradict the CCP's ordained interpretation of China's and its own past). In sum, 'comprehensive governance of the cultural and recreational industries will be advanced' (Section 39). Also listed under the culture section are better control of the online environment and improved projection of the PRC's soft power. There is little new in this batch of cultural reform measures, merely an updating of intention, better to fit technology's advance.

Reforming the Science and Technology system

The sole area where CCP talks of loosening control is over science, technology, and innovation. The CCP has had to accept that control is often inimical to innovation, which sits uncomfortably with central planning. Under the slogan 'new quality productive forces' – defined by Xi as 'revolutionary technological breakthroughs, innovative allocation of production factors, and deep transformation and upgrading of industries, ... and the substantial improvement of total factor productivity as the core symbol'¹⁴ – science and technology, innovation, and the nurturing of talent are essential to the country's future well-being and strength. Xi underlined this in speeches in December 2023 and at the National People's Congress in March 2024.¹⁵ A People's Daily commentary shortly after the Plenum made the same point:

The report of the 20th National Congress of the Communist Party of China for the first time elaborated on education, science and technology, and

¹⁴ 全国政协经济委员会新质生产力研究课题组 [New Productivity Research Group of the Economic Committee of the National Committee of the Chinese People's Political Consultative Conference], '新质生产力的理论贡献、内涵特征和发展路径' ['Theoretical contributions, connotation characteristics and development paths of new productivity'], 人民日报 [People's Daily], 17/07/2024, <http://paper.people.com.cn/> (checked: 14/09/2024).

¹⁵ Excerpts of speeches from: 习近平 [Xi Jinping], '全面深化改革开放, 为中国式现代化持续注入强劲动力' ['Comprehensively deepen reform and opening up, and continue to inject strong momentum into China's modernisation'], 求是 [Qishi], 10/2024, <http://www.qstheory.cn/> (checked: 14/09/2024).



talents as a special chapter ... We must deeply realise that science and technology are the primary productive force, talents are the primary resource, and innovation is the primary driving force. Only by ... comprehensively promoting the reform of the system and mechanism of education, science and technology, and talents, and improving the new national system, and improving the overall efficiency of the national innovation system, can we form a multiplier effect to promote high-quality development and support and lead China's modernisation.¹⁶

As section 14 of the Resolution sets out, when it comes to central government research funds, scientists will be given a 'greater say in deciding on technology roadmaps, spending funds, and allocating resources', whilst public institutions engaged in scientific research will be allowed to 'implement a more flexible management system as compared to general public institutions.' Researchers will also be granted greater rights over their outputs (Explanation III.2). Further reform aims to align better education and innovation:

We will advance reforms of higher education institutions on a categorised basis and develop discipline adjustment mechanisms and talent training models to meet the needs of China's scientific and technological development and national strategies. (section 13).

These reforms are important for several reasons: to avoid the hitherto considerable reduplication and waste of government funds devoted to innovation; to meet more effectively the challenges of a shrinking workforce, insufficiently educated and trained to realise Xi's vision of a high-technology society; and, internationally, to help the PRC overtake the American lead in science and technology, a vital step in becoming the dominant global superpower.

In the face of current macroeconomic headwinds, Xi is not reforming and opening up the economic system so much as trusting in innovation to advance the PRC towards dominance and prosperity. Yet reform in innovation may not proceed as smoothly as Xi wishes. Most innovation happens in the private sector, and Xi is not loosening his grip on private companies. Furthermore, given the lack of freedoms accorded to the private sector, institutions and individuals, it is

¹⁶ '更加注重突出重点, 发挥经济体制改革牵引作用——论学习贯彻党的二十届三中全会精神' ['Pay more attention to highlighting key points and give full play to the leading role of economic system reform —On studying and implementing the spirit of the Third Plenary Session of the 20th CPC Central Committee'], 人民日报 [People's Daily], 23/07/2024, <https://www.gov.cn/> (checked: 14/09/2024).



not clear that the innovations which may emerge can be diffused throughout the economy to cure its current ills.

Freedom of action contributes towards a different form of innovation: in management, administration and governance, as vital as technological excellence in realising the CCP's aims for the PRC. Since 1978 change and improvement have owed much to bottom up, local initiatives, often carried out in defiance of existing government rules, and only later accepted to form part of government orthodoxy. Xi's centralisation of power discourages this form of innovation. He has also eviscerated the productive suggestions and pressures of civil society groups. This is an inevitable result of his more Leninist political model. And the General Secretary is not for turning.

In sum, Xi appears to believe that innovation and 'new high-quality productive forces' can guarantee a sustainably strong economy; and that, even if greater freedoms or a bigger bird cage might bring better economic results, nevertheless the model is sufficient to provide the means to sustain the party in power; to ensure that the PRC can eventually overthrow United States (US) leadership of the global system, and to align the world more closely to CCP interests and values.

The reforms of 2013 revisited: what progress promised in 2024?

In a paper published in November 2023, 'Plateau China: Reform in the ten years after the Third Plenum of 2013',¹⁷ the author used CCP assessments and statements in reaching a judgement that the more than 300 reforms laid down in the 2013 plenum had not led to fundamental changes to a system judged by Xi himself as 'unbalanced, unco-ordinated and unsustainable'. The underlying reason is that necessary economic and social changes would only be possible if accompanied by political reform. But that the CCP would not allow, since it could – and probably would – lead to challenges to its hold on power. Thus 'reform' was condemned to remain within its cage, decked out in radical robes, but underneath still wearing its Leninist hairshirt.

¹⁷ Charles Parton, 'Plateau China: Reform in the ten years after the Third Plenum of 2013', Council on Geostrategy, 09/11/2023, <https://www.geostrategy.org.uk/> (checked: 14/09/2024).



The November 2023 ‘Plateau China’ paper set out the main areas identified by a National Development and Reform Commission (NDRC) think tank as the most important:¹⁸

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).

How this year’s Resolution deals with these areas is instructive of the party’s approach to reform. To give the CCP the benefit of the doubt, the fulfilment – or not – of stated intentions will only be apparent in future years, but past performance is not encouraging. Unfulfilled undertakings made in 2013 are repeated, and many declarations of reform are hedged with caution or limitations.

The first important area of reform identified by the NDRC think tank related largely to the administrative burdens endured by **the private sector**. The language of the Resolution is positive, if general.

We will continue to implement principles and policies that help foster a favourable environment and create more opportunities for the development of the non-public sector. We will formulate a private sector promotion law. We will do more to remove barriers to market access, work to see that the competitive areas of infrastructure are open to market entities in a fair manner, and improve the long-term mechanism by which private enterprises participate in major national projects ... We will refine financing support policies and systems for private enterprises to resolve the difficulties they face in accessing affordable financing. We will improve the legal framework for the long-term regulation of charges levied on enterprises and for clearing overdue payments owed to them ... We will refine the modern corporate system with distinctive Chinese features and promote entrepreneurial spirit. (section 5).

The emphasis on building a unified national market should also help cut local administrative interference:

¹⁸ 张林山 [Zhang Linshan] and 孙凤仪 [Sun Fengyi], ‘改革梗阻现象：表现、根源与治理’ [‘The Phenomenon of the Reform Obstruction in China: the Performance, Origin and Solution’] (Beijing: 社会科学文献出版社 [Social Sciences Academic Press], 2017), pp. 21-29.



We will enhance the binding force of fair competition review, take stronger action against monopolies and unfair competition, and review and abolish regulations and practices that impede the development of a unified national market and fair competition. (section 6).

Perhaps it is unreasonable to expect in a plenum resolution more detail on how these aims are to be achieved, but if unfulfilled party imperatives in the past are a guide to the future, they may not go far in liberating private companies, which, as discussed above, would be dangerous in political terms.

When it comes to **the state-owned sector**, Article 7 of the PRC constitution states:

The state sector of the economy ... shall be the leading force in the economy. The state shall ensure the consolidation and development of the state sector of the economy.

The Resolution provides nothing new to the SOE reform process launched in 2013, which was to have been completed by 2020. Section 5 declares:

We will deepen reform of state capital and SOEs, improving the institutions and mechanisms for management and oversight, strengthening strategic coordination between relevant administrative departments, and working to refine the layout of the state-owned sector and adjust its structure. All this will help state capital and SOEs get stronger, do better, and grow bigger, with their core functions and core competitiveness enhanced.

Finance and taxation constitute an area where the Resolution sounds more positive. It promises to tackle the fiscal relationship between the central and local governments. Local governments have responsibility for around 85% of expenditure, but receive only around 50% of revenue.

To place more fiscal resources at the disposal of local governments, we will expand the sources of tax revenue at the local level and grant greater authority for tax management to local governments as appropriate. To improve the system of transfer payments, we will overhaul special transfer payments and increase the scale of general transfer payments. These will help ensure that the fiscal resources of prefecture and county-level governments are commensurate with their powers. (section 17).



While the details are not specified, the central government is set to take more responsibility for expenditures. Some Chinese economists have urged a centrally administered social security system, which would also help labour mobility. If (we shall see) the measures and their implementation run deep, then – in this area – it becomes meaningful to talk of reform.

The plenum language is vague on reform of the taxation system:

...refine the system of direct taxes, improve the personal income tax system
... Reform of the tax collection and administration system will be deepened.
(section 17).

But the pessimism is understandable: in June 2014 the ‘Overall Plan for Deepening the Reform of the Fiscal and Taxation System’ set a deadline for basic completion by 2016, while a ‘...modern fiscal system will be basically established in 2020.’¹⁹ There is no mention in this year’s plenum of imposing a real estate tax, which is technically not difficult, although politically, it is highly sensitive.

Reform of the household registration (hukou) system and the transfer of rural land made up the fourth major area noted by the NDRC think tank. Both are crucial to increasing labour mobility, which Lou Jiwei, Minister of Finance of the PRC between 2013–2016, in 2019 blamed for making reform difficult. His prescription was that, ‘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.’²⁰

The Third Plenum repeats earlier promises to ‘...allow people to obtain household registration and access basic public services in their place of permanent residence.’ Migrant labour will ‘enjoy the same rights as registered local residents with regard to social insurance, housing support, and access to compulsory education for their children living with them’ (sections 20, 44). And the process of granting these rights ‘will also be accelerated.’ On 28th August a Ministry of Public Security official announced the acceleration of measures to remove hukou restrictions: they would be fully removed in cities with a population less than three million, ‘fully relaxed’ in cities of between three and five million inhabitants, and for ‘super large’ cities of over five million the

¹⁹ 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: 14/09/2024).

²⁰ 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: 14/09/2024).



point-based system would be improved and the points criteria streamlined.²¹ Some acceleration: the words mirror precisely those used five years earlier in the December 2019 ‘Opinions of the General Office of the Communist Party of China Central Committee and the General Office of the State Council on Promoting the System and Mechanism Reform for Social Mobility of Labour Force and Talented People.’²²

Lou’s insistence that reforming the transfer of land rights was essential for labour mobility and reducing inequality between rural and urban citizens receives a wan welcome in the Resolution, which promises to ‘explore avenues to facilitate voluntary, paid transfers of these rights’ (section 20), to ‘deepen the reform to separate the ownership rights, contract rights, and management rights of contracted land, and develop appropriately scaled agricultural operations’ (section 21, italics added).

Section 23 promises to:

...allow rural households to put houses under their legal ownership to good use by leasing them out, contributing them in the form of shares, and engaging in cooperative ventures. We will promote orderly reforms for market-based transfers of rural collective land designated for business construction...

But constraints apply. First, what is at issue is rural land designated for residential use, but not other uses such as growing crops. Secondly, inhabitants can transfer their rights only to other members of the same local rural collective (the constitution lays down that all rural land shall be collectively owned). Thirdly, according to the acting minister of agriculture speaking after the plenum, the reforms will advance ‘steadily, prudently, and cautiously’,²³ which is party-speak for ‘watch this space’ – and possibly for a long time.

All the above reforms are subject to the CCP’s ideological constraints, none is intrinsically easy. For example, the Resolution talks of renewing the 30 year lease

²¹ ‘推动高质量发展系列主题新闻发布会（公安部）’ [‘Themed Press Conference on Promoting High-Quality Development (Ministry of Public Security)’], 国务院新闻办公室 [State Council Information Office], 27/08/2024, <http://www.scio.gov.cn/> (checked: 14/09/2024).

²² 中共中央办公厅, 国务院办公厅 [General Office of the CPC Central Committee and General Office of the State Council], ‘关于促进劳动力和人才社会性流动体制机制改革的意见’ [‘Opinions on Promoting the Reform of Systems and Mechanisms for Social Mobility of Labor Force and Talented People’], 25/12/2019, <https://www.lawinfochina.com/> (checked: 14/09/2024).

²³ ‘回放：国新办举行“推动高质量发展”系列主题新闻发布会（农业农村部）’ [‘Replay: State Council Information Office Holds “Promoting High-Quality Development” Series Themed Press Conference (Ministry of Agriculture and Rural Affairs)’], 人民网 [People’s Daily Online], 27/08/2024, <https://zhibo.people.cn/> (checked: 14/09/2024).



rights rural migrants maintain on their land (a legacy of post-Mao reforms initiated by Deng) even after they settle in cities. These should surely be forgone in return for social security guarantees. But the party does not dare effect that reform for fear of unrest. It does not help that in the years since reforms were first mooted – some even before 2013 – both the domestic economy and foreign relations have turned unfavourable.

Opening up

Over the last four decades the words ‘opening up’ have beguiled foreigners. Relative to 1978, the PRC is a different world; but in absolute terms, opening up falls far short of rhetoric, promises (for example, those made on joining the WTO), and outsiders’ hopes. Recent CCP pronouncements, including the plenum documents, follow that rhetorical tradition. Section 24, entitled ‘Steadily expanding institutional opening up’ declares that:

We will promote alignment with high-standard international economic and trade rules and harmonise rules, regulations, management, and standards relating to property rights protection, industrial subsidies, environmental standards, labour protection, government procurement, e-commerce, the financial sector, and other areas, in an effort to create an institutional environment that is transparent, stable, and predictable. We will seize the initiative by opening China’s commodity, services, capital, and labour markets wider to the outside world in an orderly manner and unilaterally opening our doors wider to the world’s least developed countries.

A month after the plenum, Wang Yi, Foreign Minister, waxed lyrical and at greater length on the same themes when expounding on the significance of the plenum to external work.²⁴

Yet the Resolution language has the tell-tale signs of hedging. ‘In an orderly manner’ is a qualification which can be stretched beyond the horizon. ‘Promote wider opening with regard to telecommunications, the internet, education, culture, medical services, and other sectors...’ will be done in ‘a

²⁴ 王毅 [Wang Yi], ‘全面深化改革，为中国式现代化营造良好外部环境’ [‘Foster a Favourable External Environment For Further Deepening Reform Comprehensively To Advance Chinese Modernisation’], 中华人民共和国外交部 [Ministry of Foreign Affairs of the People’s Republic of China], 13/08/2024, <https://www.fmprc.gov.cn/> (checked: 14/09/2024).



well-conceived way' (section 26), which given the CCP's overriding need to control these areas may not be so welcoming to foreign interests. The promise in 'unilaterally opening our doors wider to the world's least developed countries' carries an implied contrast with developed countries. The world's poorest nations are not going to threaten or compete with the CCP's economic model. And section 3's overall objective; to 'uphold and improve China's basic socialist economic systems, achieve greater self-reliance and strength in science and technology, and promote high-standard opening up' has a whiff of contradiction. Self-reliance and opening up are not natural bedfellows.

Elsewhere the whiff becomes an effluvium. During the plenum, the party's theoretical magazine 'Qiushi' published an article entitled 'To promote Chinese-style modernisation, we must adhere to independence, self-reliance and self-improvement.' This self-regarding troika was repeated 22 times, and, as the article pointed out, is in line with the 'six musts' of the 20th Party Congress, namely to 'adhere to self-confidence and self-reliance.'²⁵

The reality is that the watchwords of Xi's vision of Chinese modernisation are self-reliance, dual circulation (in essence, domestic wherever possible, foreign only where necessary), national security, control of data, and maintaining a complete industrial set of capabilities. 'China's door ... will only open wider and wider', declared the Qiushi article, but its aim is not so much to share as to:

...actively absorb all the outstanding achievements of human civilisation, continuously improve the level of opening up to the outside world, and expand the development space of Chinese-style modernisation.

Section 14 of the Resolution talks of expanding cooperation in science and technology. This is to meet the PRC's needs and make good its deficiencies, which is understandable as an aspiration, but foreigners' past experiences no longer incline them to view this as 'win-win.'

Not under the sections on 'opening up', but nonetheless relevant to it is section 53 'Improving the mechanisms for ensuring national security in foreign-related affairs':

Mechanisms for countering foreign sanctions, interference, and long-arm jurisdiction will be strengthened. We will enhance the mechanisms for

²⁵ 中共中国社会科学院党组 [Party Group of the Chinese Academy of Social Sciences], '推进中国式现代化必须坚持独立自主自立自强' ['Advancing Chinese-style Modernisation Must Adhere to Independence and Self-reliance'], 求是 [Qiushi], 16/07/2024, <http://www.qstheory.cn/> (checked: 14/09/2024).



safeguarding China's maritime rights and interests, as well as those for China's participation in global security governance.

This was not a feature of the Third Plenum in 2013, but has been a preoccupation in recent years, accentuated by western sanctions on Russia.

In sum, opening up is a policy designed to gain for the PRC the things which it lacks, while avoiding putting its technologies and industries at a competitive disadvantage. Wherever possible, the CCP wants it to be a one-way valve. There is nothing new in the Resolution to suggest any deviation from the intention to decouple wherever possible, while continuing to benefit from foreign technology and expertise where it is needed and available. It is a continuation of a 40-year-old model. That is not to say that foreign companies have not benefited over the years, and some may continue to do so. But the direction of CCP intention and travel is clear, the benefits may be harder to accrue, and geopolitics will increasingly obtrude.

Conclusion

The Third Plenum did not provide a blueprint of detailed reforms. It was not meant to. Rather, it provided party members with an overview of the direction of travel, of aspirations, intentions and limits. More detailed plans will follow at the appropriate times. But it is hard to believe that, as laid out in the plenum, Xi's latest iteration of reform and opening up, those midwives of modernisation, will prove to be 'epochal.'

Domestically, there is little which suggests that talk of rebalancing towards consumption as the main driver of economic growth will be translated into serious change in the direction of policy. It is hard to see that the market will play a bigger part in the allocation of capital and resources. These economic concerns have been well set out in a paper for the Council on Geostrategy by George Magnus, 'Xi Jinping sticks to his guns: the 2024 Third Plenum'²⁶, and so do not require repetition here.

Internationally, there is nothing in the July plenum which may calm tensions over the exporting of the PRC's industrial overcapacity and resultant 'dumping' into foreign markets. Indeed, leadership pronouncements and party media articles before the plenum denied that a problem of overcapacity existed. Interestingly, Huang Yiping, a noted Chinese economist, did not follow the

²⁶ George Magnus, 'Xi Jinping sticks to his guns: The 2024 Third Plenum', Council on Geostrategy, 31/07/2024, <https://www.geostrategy.org.uk/> (checked: 14/09/2024).



script: ‘That’s why during the last 45, 46 years of Chinese reform, we almost always had the overcapacity problem.’²⁷ Overcapacity is baked into the model. ‘Global issues are becoming more acute, and external attempts to suppress and contain China are escalating’ (Explanation, end of section 1). Overcapacity is not the only cause, but it is a major one.

How well reform and opening up will raise efficiency in the system depends on the detail of future changes – and on their effective implementation. But ever since his rise to power, Xi and leading officials have been alternatively cajoling and inveighing against cadres, because of a failure to implement central directives. The Resolution’s section 60, entitled ‘Ensuring the implementation of reforms with relentless perseverance’, repeats earlier calls on the whole party to ‘take pragmatic, resolute, and effective steps to ensure implementation of the Party Central Committee’s decisions and plans on further deepening reform comprehensively.’ Further imprecations to be ‘good executors, action-takers and doers’ have fallen like autumn leaves since the plenum.²⁸ But 12 years of strengthened discipline and oversight have left officials more inclined to keep their heads down than to show initiative and enthusiasm.

In sum, just as ‘core socialist values’ convey special CCP content, so ‘reform and opening up’ have special CCP meaning. Xi is not reforming the economic and social model: he seeks to make the existing system more efficient, and to refine the one-way valve of foreign economic and commercial relations in order to make both better serve self-reliance. And he is certainly not reforming the political model.

The current economic imbalances, the debt and real estate problems stem from the economic, and especially political, model; and these – added to by an external environment which is hostile largely in response to the PRC’s actions – require ‘reform and opening up’ in Deng’s radical sense. Yet Xi is betting that a more efficient, controlled, streamlined model of modernisation will lead him to the 2049 goal of ‘a great modern socialist country in all respects.’ Despite repetition of the words ‘reform and opening up’, a constant tattoo worthy of Ravel’s Bolero, the model will remain as before: largely one which he himself has described as ‘unbalanced, unco-ordinated and unsustainable’. This punter, at least, is not convinced by the odds.

²⁷ ‘Transcript: Huang Yiping & Tu Xinquan decode Third Plenum’, 中国与全球化智库 [Centre for China and Globalisation], 24/07/2024, <https://ccgupdate.substack.com/> (checked: 14/09/2024).

²⁸ ‘李强主持召开国务院党组会议 学习贯彻习近平总书记在党的二十届三中全会上的重要讲话和全会精神’ [‘Li Qiang presided over a meeting of the Party Leadership Group of the State Council to study and implement General Secretary Xi Jinping’s important speech at the Third Plenary Session of the 20th CPC Central Committee and the spirit of the plenary session’], 人民日报 [People’s Daily], 20/07/2024, <http://paper.people.com.cn/> (checked: 14/09/2024).



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