

## China's Third Plenum communiqué moves from nouns to adjectives

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Since China's Party plenums are closed-door events, with nothing emerging except what the leadership wants us to hear, the public is still reduced to tea-leaf reading and old-school Zhongnanhai-ology to divine what goes on.



And although Xi Jinping has been praised for using more flowery language and showing genuine emotion, the communiqué issued at the end of the Third Plenum of the 18th Party Congress is a bland document — one that potentially heralds substantial reforms, but leaves a lot, perhaps too much, to the imagination.

Communiqués from previous Party plenums that signalled major policy changes introduced new nouns to the ideological lexicon, including phrases such as ‘commodity economy’ or ‘socialist market economy’. Perhaps the key word from the 12 November communiqué is ‘decisive’, as in having ‘the market play the decisive role in resource allocation’. The 11th, 13th and 14th Party Congresses all ushered in greater change; but by focusing on an adjective and not a noun, the Party is now trying to clarify and sharpen the direction it wants China to go in, not set a fundamental new course.

The word ‘decisive’ is only ‘perhaps’ the key phrase because the summary provided by Xinhua at the end of the text did not focus on that point at all. It definitely is significant because it goes beyond previous statements of markets playing a ‘basic’ role in allocating resources. But is it the most important thing in the document? No one can say for sure.

There were, however, other significant elements.

On the positive side of the ledger, it looks like there will be a lot of experiments and new national policies in a wide variety of areas, including general government administration, further

price liberalisation, central and local government finances and budgets, cadre assessment, property rights and land ownership, taxes, environmental protection, the judicial system, household registration, greater access to capital and industries for private and foreign industry, and ensuring competitive markets.

There was a clear sense of the need to nationalise and unify policies by reducing inter-regional barriers and standardising government administration across the country. The word 'innovation' was used several times, including with regard to science and technology, but the adjective 'indigenous' (??) never appeared. This continues Li Keqiang's pattern of never saying 'indigenous innovation', in contrast to Wen Jiabao and Hu Jintao, and portends a more liberal approach to sci-tech policy.

The government will also create a national security council. It's unclear precisely what its job will be, but it could potentially operate like the US National Security Council and help coordinate foreign and security policy across the ministries. This could help alleviate inconsistent signals and bickering between the People's Liberation Army, the military police, intelligence agencies, government ministries and the central bank, among others. There was no mention of border disputes, the South China Sea, the island dispute with Japan or cybersecurity. Any emphasis on a threatening external environment could be used to justify greater defence spending or a more aggressive international posture, but this did not eventuate.

On the negative or unclear side of the ledger, there could have been more details about specific kinds of reforms. Instead, there were lots of hints — and hints are often critical — but more detail would have provided less wiggle room to opponents. Many of these details will emerge over the next month, and then we will be able to judge whether the plenum established a genuine framework for reform is will be an empty shell.

There was a strong emphasis on the continued importance of the public, state-owned economy. Not only are state-owned enterprises (SOEs) important in 'pillar' (??) sectors, but they are also now supposed to raise their overall competitiveness in the entire economy. That may be the politically safe thing to say, but it suggests genuine constraints on reforms in these sectors and walling off SOEs to standard rules regarding competition policy, market access and financial markets. On the other hand, it is possible that this means SOEs will be pushed to be much more efficient, to hand over a much larger percentage of their earnings, to standardise their internal governance, and to compete more head to head with private and foreign companies. Either way, the vagueness is not reassuring.

The creation of a Leading Small Group to Deepen Reform could be a way to get around the gridlock that exists in the standard policy making process and the special interests within the Party, government and SOEs that oppose change. This could help speed up adoption and make implementation go more smoothly. If so, the big loser would be the National Development and Reform Commission (NDRC). But its creation may also signal that there is significant opposition and that making headway will be quite difficult. Much will depend on who heads the group and composes its membership, and the authority it has to draft policies and push them through the entire system.

Aside from emphasising the need for judicial reform and genuflections toward democracy, human rights and other standard elements of the constitution, there was very little new in this Plenary document that would give one confidence the Party is willing to accept systematic constraints on its authority, either through rules governing how it operates or ways it and the government can be held accountable. The discussion of “governance,” as opposed to regulation, may allow for slightly more room for NGOs, but not radically liberalize their operating environment. For those who think greater political space is needed for markets to work well and for state–society relations to be genuinely stable, this document does not openly provide a lot of hope.

And, finally, there was no mention of family planning policy despite signals it would be an important reform. Just the day before, the Chinese state press ran stories to this effect. So we will need to wait to see if the one-child policy is adapted further into an essentially two-child policy.

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