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### OPINION ASIA

# China's Shift Toward Real Reform

*Politics in Beijing could become more unified, inclusive and accountable.*

By SCOTT KENNEDY

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Last week's decision by the Chinese Communist Party's [Third Plenum](#) to pursue an economic reform agenda signals a fundamental turning point in the relationship between state and society. It also should settle a long-running debate by China watchers on what drives Chinese politics, factionalism or ideas.

From Friday's decision we know that there are reformers and that they hold sway over conservatives. The composition of the reformist camp is not fixed, but Xi Jinping and [Li Keqiang](#) are their leaders.

The willingness to embrace a progressive economic and social policy agenda reflects the evolving background of China's leadership. In 1993, more than 80% of Politburo members were engineers; today only 40% are, with the rest trained in economics, history, law and literature. They are younger, from the coast, and have more international experience than their predecessors. The age of technocrats is over.

Predictions of the Third Plenum's outcome based on personal factional ties proved wrong or irrelevant. Many believed that former leader [Jiang Zemin](#) and, to a lesser extent, Hu Jintao, stuffed the current leadership with their cronies and that this would prevent an economic reform breakthrough. Instead the leadership has embraced a risky strategy of reform with the sense that without doing so the party, not just themselves, would be doomed.

A veteran from Chinese industry told me last week he was certain no big changes were coming because the leaders "wouldn't dare cut off their own arm" and bring SOEs to heel. Doing so would hurt the party and their individual fortunes. The next morning another long-time observer replied that the leadership had no choice because the arm was cancerous. The leadership didn't cut out SOEs, but chemotherapy is on the way.

According to another hypothesis of China watchers, the exercise of power has become institutionalized. Whereas Deng was supreme leader despite only being a vice premier, Messrs. Xi and Li could not rule the country without officially occupying the top spots in the Party, government, and military. This also explains why it was necessary to create new organizations—the Leading Small Group on



China's top leaders vote at the Third Plenum meeting last week. *Xinhua/Associated Press*

Comprehensively Deepening Economic Reform and the National Security Commission—so they could control and coordinate both foreign and domestic policies.

Yet institutions still do not stand on their own in China. Xi and Li remade the bureaucratic landscape like farmers carving rice paddies out of a Guizhou mountainside. At the same time, the Party and state are so intertwined that one still can't imagine a government agency challenging this decision. In the blink of an eye, the super-powerful National Development and Reform Commission has been cut down to size. Once the new bodies have outlived their usefulness,

the leadership can quickly jettison them too.

Aside from the window last week's decision opened into elite politics, the reforms also offer the possibility of transforming Chinese politics writ large. Democracy is not in the cards, but everyday politics will be remade.

A core operating principle of China's policy process since the late 1970s has been particularism, with privileges distributed to select beneficiaries. Standards and policies vary by province, sector and individual. Last week's decision instead aims to institute a principle of unification, reducing regional barriers and policy differences, treating rural and urban residents according to a common standard, reducing the privileges of SOEs relative to those of domestic private and foreign companies, and moving toward a unified system of laws and courts.

Picking winners and losers has been fundamental to industrial policy, but it is also a key source of rampant corruption that is damaging the economy and eating at the fabric of society. As a result, the discretion that many officials now have will narrow substantially.

In addition, for the past three decades China has been a country by, of and for industry. Profits and raw economic growth have been the barometer of success. Companies can still expect a welcoming environment, but they will increasingly share the stage with their employees, retirees, homeowners, the sick, families, and anyone who breathes. The new currency of political success in China will be overall human welfare.

Finally, the party has put forward a platform that portends the rise of other sources of authority over which it does not exercise direct control. The most important will be decentralized markets, but other mechanisms could play a growing role, including NGOs and the media.

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