**From General Design to Comprehensive Development**

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In November 2013, the Third Plenary Session of the 18th Central Committee of the Communist Party of China reviewed and approved of the *CPC Central Committee Decision on Major Issues Concerning Comprehensively Deepening Reforms* and proposed the overarching target of comprehensively deepening reforms. This consists of perfecting and developing socialism with Chinese characteristics and promoting the modernization of national governance systems and governance capabilities. It also includes drawing up an all-encompassing roadmap to comprehensively deepening reforms in six basic areas of economics, politics, culture, society, ecological civilization and the development of the party, all of which should revolve around the overarching target of modernizing the national governance system and national governance capabilities. The decisions of the Third Plenary Session could be said to be a major component of the national governance strategies proposed by the CPC Central Committee led by Xi Jinping as its General Secretary. It is also the comprehensive plan and top-down design for China’s comprehensively deepening reforms for the next decade, and marked the beginning to China’s quest for modernizing its national governance systems and capabilities.

2014 is the beginning for the modernization of China’s national governance. In 2014, the Central Committee formed the Central Leading Group for Comprehensively Deepening Reforms, and constructed mechanisms for making major decisions, coordination, and supervision and inspection regarding comprehensively deepening reforms. Under the leadership of the top-down design and overall planning set by the Third Plenary Session, the Central Leading Group for Comprehensively Deepening Reforms and the State Council hosted a series of meetings during which hundreds of plans for specialized reforms were reviewed and approved. In some perspectives these specialized reform plans are the blueprint or the detailed construction plan for comprehensively deepening reforms. In order to create a beneficial external environment for comprehensively deepening reforms, the Central Committee had fought hard against corruption, established new and stronger political authority, and, through the *CPC Central Committee Decision on Major Issues Concerning Comprehensively Deepening Reforms*, integrated comprehensively deepening reforms into the implementation of the rule of law.

At the same time, the Central Committee had organized and carried out a series of strong, unique and influential pilot reforms. If 2013 was the year for the general planning and top-down designing of comprehensively deepening reforms, then 2014 could be said to be the year for planning the construction of and drawing up blueprints to the top-down design’s implementation. In 2014, blueprints were drawn for the goal of comprehensively deepening reforms. And, through various breakthroughs brought by pilot reforms, 2014 saw a fruitful beginning to comprehensively deepening reforms and became the ice-breaking year for comprehensively deepening reforms.

2015 was the key year for comprehensively deepening reforms. Under the direction of the Central Committee leaders, China’s plans for comprehensively deepening reforms had reached the phase of full implementation following its pilot reforms and other fundamental efforts in 2013 and 2014 such as the top-down design for modernizing the national governance system and capabilities, development planning and blueprints drawing. The reform had realized a series of strong and influential achievements. It is now showing various signs of a healthy growth: it is blooming and making various breakthroughs on all levels, rushing forward steadily and taking roots deep within society. The reform, in terms of breadth, covers multiple areas such as China’s economy, administration, political realm, society, legal system, ecology, culture and opening-up. In terms of depth, various reforms are all linked to some of the society’s deepest problems. These reforms involve major restructuring of the current structure of interests, and display the determination and confidence on the part of the Central Committee in resolving difficult conflicts and persistently pushing forward with the reforms. At the same time, the Central Committee had concentrated its efforts in implementing the issued reform plans and making them take root locally. These plans had greatly influenced China’s political and economic opening-up. It can be said that in 2015, China’s reforms had completed its leap from general design to comprehensive development, and had helped the reform based on the overarching goal of modernizing China’s national governance systems and national governance capabilities enter into a new phase.

The reforms to modernize national governance systems and capabilities mark the beginning of a new era. With enhancing Shenzhen’s as well as the country’s innovation in reforms as its mission, the Shenzhen Innovation and Development Institution acts as a constructive and unique social public policy think tank. It followed closely China’s glorious journey in reform and innovation in the new era and was dedicated to making its share of contributions to China’s magnificent reforms. In order to achieve this, starting in 2014, the SZIDI hosts an annual gathering of experts in relevant fields coming in from all across China. These experts gather to write and publish the *China Reforms Report*, a report which talks of the new developments in reforms in major fields such as politics, economics, society, culture and ecology happening under the guidance of the overarching goal of modernizing national governance every year. Our goal is to make the *Report on China’s Reform* into a trustworthy record of the major reforms occurring in China, a societal third-party assessment report on China’s reforms, a vital research report which provides various key reform recommendations to the country, and a literature masterpiece which provides theoretical thoughts on deepening reforms.

On the basis of the *2014 Report on China’s Reform* which had ‘The First Year in the Modernization of China’s National Governance’ as its theme, the 2015 Report had chosen ‘From General Design to Comprehensive Development’ as its theme. In the report, the first part makes an objective assessment of China’s reforms in ten major areas and addessing achievements and problems; the second part raise nine recommendations on how to further comprehensively deepen reforms; the third part proposes five reform measures to solve the major problems and difficulties during the implementation of comprehensively deepening reforms in 2015.

1. **Comprehensively Deepening Reforms Evaluation 2015**

As the year for the comprehensive development stage of deepening reforms, in 2015, the Central Committee Deepening Reforms Leadership Group had released a series of opinions, measures and plans, covering a range of areas such as the economy, the political realm, society, culture, ecology and the development of the party. The State Council had also released a series of administrative regulations, legal documents and guidance opinions regarding the reform, which had made deepening reforms take roots deep within the various facets of the country and all aspects of citizens’ economic and social daily lives. Comprehensively deepening reforms had integrated into the ‘Four Comprehensives” strategy on multiple dimensions and had greatly influence China’s politics, economy, society, culture and the lives of its people. We will describe, analyze and assess the achievements made by reforms in the following ten areas.

1. **Comprehensively deepening economic reforms is still faced with great difficulties.**

In 2015, both the depth and width of economic systems reforms had expanded greatly. Plans had been designated in areas such as state-owned-enterprises reform, pricing reform, factor markets construction, fundamental industries, and finance and taxation. A series of reform projects had been initiated, each making progress at their own pace. At the same times, in the economic arena, some reforms which had been difficult to implement had made certain breakthroughs in 2015. These reforms include administrative review and approval reforms, major commodities pricing reforms, financial reforms, household registration reforms etc. Some of these projects are already being implemented in phases.

Aside from these, 2015 saw the deepened integration between deepening reforms and an expansion of the opening-up in China, which, through several free trade pilot zones, had been of great help to the government in promoting reforming administrative review and approval systems, the negative list system, and the internationalization of RMB. The major economic system reforms promulgated in 2015 includes:

--Positive progress in administrative review and approval reforms. In 2015, the State Council removed more than 200 items from the list of issues requiring administrative review, gave to lower levels of administration more power of review and approval, promoted reforms in professional qualifications, cancelled several professional qualification certifications, reduced the review processes before and after business registration, and removed various intermediary services in the administrative review and approval process. In order to further institutionalize reforms in administrative review and approval and ensure its legality, the State Council had also introduced reforms such as the government power checklist system reform.

--The *Guidance Opinions by CPC Central Committee State Council on Deepening State-Owned Enterprises Reforms*. This document completes the development plan and implementation blueprint for state-owned enterprises and formally initiated the difficult process of state-owned enterprises reform. This document proposes key principles and goals such as the continued development of the mixed-ownership system, the realization of the state-owned asset management system of the switch from managing assets to managing capital, and the enhancing of the development of a modern enterprise system by state-owned enterprises.

--Systematic reforms in some major industries. This includes the publishing of the *Opinions by the CPC Central Committee State Council Regarding the Further Deepening of the Electricity System Reforms*. This is yet another new round of electricity system reforms after the previous round in 2002. It promotes the orderly opening up of the price-competitive components in the electricity price aside from transmission and distribution, the orderly opening up of electricity distribution and sales services to social capital, and the orderly opening up of electricity generation plans and electricity usage plans (this excludes plans involving the regulation of electricity for the good of the public). Aside from this, the *Three Networks Integration and Promotion Plan* pertaining to telecommunications, radio and television and the internet had also been introduced.

--Pricing reforms for major commodities and services. The distribution of resources in the market is based on and guided by the market price. In 2015, a series of reforms had been introduced including the ten major commodities and services pricing reforms in various sectors such as transportation and shipping, the reduction of the government pricing catalogue and the lowering of administrative fees.

--Deepening tax system reforms and enhancing the public financial system. This includes the promulgation of the nine specific reform measures, the further reform of the central finances transfer and balancing system, the adjustment of several mineral resource taxes, resource taxation system reforms, the continued expansion of pilot areas for the implementation of the “change from operation taxes to VAT” reform, the lessening of operational burdens on many industries and enterprises, and the deepening of reforms in tax collection and management systems.

--Deepening financial reforms and the continued opening-up of the financial industry. Financial reform is the strongest component of the 2015 economic system reforms. It includes further encouraging and guiding private capital toward entering the banking industry, building the deposit insurance system which had been continuously optimized in the past decade, continuing with the reform in the marketization of interest rates, formally announcing reforms regarding the midpoint rate quotation mechanisms as a part of exchange rate marketization reforms, and further perfecting mechanisms for the marketization of the RMB.

The comprehensive unfolding of the 2015 round of economic system reforms and the major breakthroughs it made are beneficial to institutional innovations under a new economic norm. It is also beneficial for marketization reforms, and raises the efficiency of resource distributiony. It ensures the stable growth of the national economy and avoids hard landings due to a rapidly growing economy.

But there are also problems in the 2015 round of economic system reforms. Aside from the difference in the level of implementation of various reform measures, some reform contents are also problematic. For example, is the goal of state-owned enterprises reforms to make them stronger or larger? Or are we talking about enhancing the vibrancy, level of influence and level of control of the state-owned economy, continuing to restructure the state-owned economy, and building an environment of fair competition and mutual growth for reforms in all forms of business ownership? How can we strengthen reforms in marketization, further break the monopoly and establish a consensus in society regarding reforms in major industries such as the electricity industry, the telecommunication industry and the radio and television industry? In capital markets reforms, there is too much focus on innovation on the technical level and a lack of attention to reforms in the fundamental mechanisms of capital markets. Financial and tax reforms weigh too heavily towards demand-side management and does little for reforms regarding supply-side management, there is a clear lack in reforms in the supply of government services centered on the public services sector. Here we must point out that there are some major mistakes in the 2015 securities market reform measures which include “innovations in security financing” and the “circuit-breaker mechanism”. These mistakes had brought on major setbacks for the reform and development of the national securities market and brought about turbulent stock prices, causing serious damages to stock investors as well as China’s economy.

1. **Strict Party Governance Sees Tremendous Results; Battle Against Corruption Brings Countless Victories.**

Reforms and innovations in the party are major components of the Third Plenary Session of the 18th Central Committee of the CPC’s decision in comprehensively deepening reforms. It is core to the efforts in strengthening restraint and supervision mechanisms in the use of government authority and is the most important mission in realizing the modernization of China’s national governance system and capabilities. In 2015, development of the party continues to be implemented surrounding the central ideas proposed by the 18th Central Committee. The work adhered to the fundamental principle of strict governance, continued to crack down hard on corruption, focused on institutional development, fundamental development and building a good internal atmosphere. Tremendous achievements had been realized in this area as well as in the battle against corruption, and some of the persistent negative issues had been mostly resolved.

1. **Battle against corruption achieves countless victories.**

In 2015, the battle against corruption raged on with full force against both higher-level and lower-level government officials. 37 mid-level officials were investigated in 2015, of which more than one third is chief cadres in charge. The army had announced the removal of 45 high-level officials, and former state-level officials in the party, government and army such as Zhou Yongkang, Su Rong, Guo Boxiong, Xu Caihou and Ling Jihua had been tried and punished in accordance with the law, thus eliminating potential political risks in the party. This was met with overwhelming success and served as a warning to all. Alongside investigations of top officials, party discipline committees on all levels also took to cleaning up all the corruption occurring at a grassroots level. This is another major component of the work done in 2015. According to sample-based statistics, over twenty thousand lower-level officials had been punished, and a new political environment where politicians no longer dare to try for corruption has formed within the party.

1. **A corruption-free atmosphere of righteousness and diligence is forming in the party.**

In 2015 the Central Committee continues to implement the “Eight-Point Regulation” and initiate education programs based on the “Three Stricts and Three Practicals[[1]](#footnote-2)” principles. A series of party-discipline related regulations and documents had been published to ensure strict governance of the party. These regulations and documents include the *Chinese Communist Party Integrity and Self-Discipline Code* and the *Chinese Communist Party Discipline Penal Rules*. In 2015, 27,328 cases of violations to the Eight-Point Regulations had been investigated by all levels of the Party Discipline Committee. 36,699 officials had been dealt with, of which 23,951 officials received party discipline political penalties, including four provincial level officials. A new environment is forming in the party where party officials no longer dare to break party discipline, and integrity and righteousness is gradually becoming the new norm inside the party.

1. **Steadily advancing party institutional development, letting these institutions form a cage of strict party governance.**

In 2015, visible progress was made in strengthening institutional development within the party. For example, an internal supervisory system based on local stationing and patrol inspection of the party, governmental and central agencies had been gradually perfected. *The Chinese Communist Party Integrity and Self-Discipline Code*, the *Chinese Communist Party Discipline Penal Rules* and the *Chinese Communist Party Patrol and Inspections Regulations* had been published. These three documents are vital internal regulative documents and connect the educational, precautious and penal aspects of party discipline. The *Party and Government Agencies Frugality and Anti-Wasting Regulations* and the *Party and Government Agencies Domestic Regulations Regarding Hosting Guests* and seventeen other strict management and control regulations aimed at managing party and governmental power and activities had been published. There were problems especially with the selection and promotion of officials, and documents such as the *Party and Government Leadership Promotion and Appointment Regulations* had been published. These regulations are aimed at party officials and helped to gradually clear the path for the selection or removal of officials as well as their promotion or demotion.

Due to the influence and limits of some deeper underlying factors, there are still obvious problems with the party’s development, and it is very difficult for efforts in party development reform innovations to make solid progress. These problems include the impact made on party members’ ideals by changes in society. This is especially apparent for the higher-level leadership. Many party members and leaders waver, stray, and become confused to some degree when it comes to their ideals. In some places and agencies, the party’s internal political ecology had taken a turn for the worse and caused corruption on a massive scale, where the corrupt officials group together and form little interest groups, causing extreme damage with their corruption. Some party and government officials lack all spirits, and act with extreme negligence—this is one of the most apparent problem impeding the overall carrying out of current tasks. The years of vigorous corruption-fighting and the strict implementation of the Eight-Point Regulation had made apparent improvements in the party’s working atmosphere and style, but also brought on subtle and complex changes to the mentality of party officials. Their laziness, negligence and lack of action when working directly and indirectly hindered the implementation of deepening reforms and society’s development, and had become a key problem which had been the center of public outcries and widespread attention.

1. **Comprehensive implementation of judicial reforms and major breakthroughs in working towards a society based on the rule of law.**

As a major component of the rule of law, in 2015, China’s judicial reforms aim to remove administration processes and regional variations and to move towards judicial independence. 2015 saw the publication of the *Implementation Plan for Further Deepening Judicial Systems and Social Systems Reform* as Decided by the 4th Plenary Session of the 18th Central Committee of the Communist Party of China” (hereinafter known as the *Implementation Plan*). As the blueprint for judicial reform, the Implementation Plan clarified policy targets for various judicial reforms as well as the schedule and individual responsibilities involved. Immediately after the publication of this document, the courts, procuratorates, public security agencies, judicial agencies, administrative agencies and other agencies began to gradually come up with various reform plans, marking a major step forward in the process of legal reforms.

--In terms of comprehensive reforms, various opinion documents had been published regarding accountability of the courts and the procuratorates, and permanent accountability pertaining to cases had been established. The goal of “Let prosecutors prosecute and let judges pass judgement” had been passed down to ensure justice, fairness and independence in verdicts reached in courts. At the same time, accountability mechanisms aimed towards the leadership had been established, and *Rules Regarding Leaders and Officials Interfering with Judicial Activities and with the Recording, Reporting and Accountability of Cases* was published to prevent officials from interfering with judicial activities and to ensure the independent and just use of authority on the part of judicial agencies. Aside from this, a series of measures aimed at comprehensive judicial reforms was also published. This includes mechanisms for dealing with personal assets in criminal cases, proceedings related to the review of death sentences, and judicial reform contents within the legislation process.

--In terms of court reforms, the *Opinions of the Supreme People’s Court Regarding Comprehensively Deepening Reforms in the People’s Courts* was published. Pilots schemes for major items of reform were initiated, this includes measures such as carrying out pilot projects in jury mechanism reforms, setting up IP courts and establishing circuit courts under the Supreme People’s Court, exploring the establishment of cross-jurisdiction courts, promoting guidance mechanisms in case guidance and case filing and registration, and strengthening progress made in the digitalization of information. These measures brought positive trends to the comprehensive deepening of court reforms.

--For procuratorate reforms, the Supreme People’s Procuratorate had published the *Opinions Regarding Deepening Procuratorate Reforms (2013-2017 Work Plan)*, in which six major reform tasks were proposed, including perfecting mechanisms ensuring the independent and just usage of procuratorial power, strengthening procuratorial operating mechanisms, enhancing supervisory mechanisms for anti-corruption law, strengthening the supervisory function of the law, and strengthening supervisory mechanisms pertaining to the usage of procuratorial power. Alongside the establishment of an overall plan for reforms in supervisory mechanisms, a series of pilot reforms were officially launched in 2015. The *Plan for Pilot Schemes Regarding Procuratorates Litigating Public Welfare Cases* and *Plans for Deepening Reforms in Civilian Supervisors Mechanisms* had been published, and much progress had been made: review mechanisms for the necessity of detention had been enhanced, the People’s Procuratorate case referral system had been established, judicial interpretation procedures had been standardized and regulated.

--A series of detailed plans regarding deepening reforms had also been published in the public security and administration arena. The *Opinions by the Public Security Bureau Regarding Perfecting Mechanisms for Accepting and Filing of Cases*, for example, explores the implementation of the separation between case accepting and case filing as well as the designated case filing management system and ensures the basic rights of the persons involved. The document also deals with problems in the public security system such as the police refusal to accept, hear or file cases, delaying case filing, making false filings or evading responsibilities. Another document would be the *Opinions Regarding Enhancing the System for the Standardized National Admission to Practice Law*. This document enhances the standardization, professionalization and specialization of lawyer teams, and perfected the entrance mechanisms into the legal industry. Other reform opinions and measures had also been released in areas such as mechanisms for lawyer involvement in legal and litigation matters, lawyer management and legal aid mechanisms.

This round of judicial reforms covers a very broad range and is large in scale. Under the guidance of the Central Committee, all departments worked hard in its implementation and considerable achievements and developments were realized. However, In the process of judicial reforms, when it comes to removing administrative components, regional differences and the prevention of relevant organizations and individuals from interfering with the judicial process, there are still many unbreakable barriers. For example, provincial-level procuratorial personnel asset management is proceeding very slowly. The effectiveness of the Supreme People’s Court’s circuit courts, cross-jurisdiction courts and IP courts are unsatisfactory. Reform regarding mechanisms limiting the number of legal personnel in courts and procuratorates had not reached its target. The resignations of judges and prosecutors are a worrying phenomenon, the de-administration reforms within the court system had not seen any solid progress, and the implementation of various regulations ensuring the rights of lawyers is far behind schedule. Thus, it can be concluded that there is still a long way to go for judicial reforms.

1. **Simplifying bureaucracy, power decentralization, integrating decentralization, fair competition and high quality services, and deepening administrative institutional reforms.**

In 2015, administrative system reforms became the main battlefield in the war of comprehensively deepening economic institution reforms. Administrative system reforms had developed more depth based on previous reforms two years ago. Simplifying bureaucracy and decentralizing authority is the main event in deepening administrative institution reforms, it made apparent its functions in coordinating the relationship between government and society, and lent strong support to the development and growth of the government. Administrative approval institution reforms are broad in coverage and strong in force, this displays the courage and determination of the party Central Committee and the state council in carrying out these reforms. Decentralization of power is a main theme in 2015, but also saw a focus on the supervision and services after decentralization and the efforts in coordinating decentralization, management and services.

--Expanding the simplifying of bureaucracy and decentralization, accelerating review and approval mechanism reforms, and greatly reducing issues requiring administrative review. In 2015, the State Council published documents such as the *Decision Regarding the Cancellation and Adjustment of Several Issues Requiring Administrative Review*, *Notification Regarding the Removal and Regulation of State Council Branches Administrative Intermediary Services*, *State Council Decisions Regarding the Removal of Issues not Covered by the Administrative Licensing Law*, *Opinions Regarding Accelerating the “Three into One[[2]](#footnote-3)” Registration Mechanism Reforms* and the *Decision Regarding the Cancellation of Various Professional Management Licensing and Certification*. Under the planning and efforts of the State Department, various branches and agencies of the State Council as well as local governments had gradually formulated administrative review reform plans in their respective jurisdiction. These plans include reforming various issues pertaining to various government powers and authority, the cancellation of the need for administrative review over a wide range of issues, advanced the transformation of the government, released the vibrancy in markets and in the society, and raised the service capabilities and level of the government.

--Innovating administrative management models, promoting the government’s internal growth, accelerating the establishment of rule of law, integrity and innovation in a service-orientated government. Administrative institution reform stresses the relationship between innovation, reform and governance by the rule of law. It focuses on the rule of law in the reform ideals as well as methodology, especially in the development of the government’s various checklist institutions which includes powers checklist, responsibilities checklist and negative checklist. The principle of “no action should be taken without authorization and no duties should be neglected” should apply to all government checklists. The General Office of the CPC Central Committee and the State Council published the *Guidance Opinions Regarding the Promotion of Power Checklist Mechanisms by Local Governments*, and, before next year, governments at a provincial and municipal level would have announced their respective power checklist and responsibility checklist, enhancing simplifying bureaucracy and decentralization and raising government work efficiency.

--Strengthening mechanism innovations for internal operations of the government, lowering government costs and raising government efficiency. This includes accelerating reforms in government-bought services as to raise the quality of public services and the efficiency of finance capital usage, improving social governance structure and lessening the government’s burdens, and conducting scientific assessments of government performance or instituting third-party assessment mechanisms. At the beginning of 2015, the Central Committee and the State Council had published the *Opinions Regarding Strengthening the Development of New Type Think Tanks with Chinese Characteristics*. The development of think-tanks in China, especially societal think-tanks, plays a very positive role in the growth of scientific and democratic elements in the government decision-making process.

Reforms in mechanisms for government review and administration are reforms of the government itself. It involves the adjustment of government power and interest. The reduction of government power is very difficult, thus, even though it is of high importance to the Central Committee and State Council leaders and had made great progress in 2015, we should not exaggerate this progress and see that in practice, there are still many problems to be solved.

The first problem pertains to administrative review. The State Council had designated various measures regarding simplifying bureaucracy and power decentralization, but these measures and decisions are low in efficiency and do not touch upon core powers. The implementation of these measures is also met with various barriers. Many of the State Council’s decisions were not well-implemented by local and grass-root level governments. There also exist various problematic phenomena such as “decentralization of responsibility without giving relevant authority”, “imbalance between decentralization and management”, and “mismatching decentralization and management. Aside from this, there exists an untreatable vicious cycle where decentralization or management of power would immediately lead to deadlocks, and the government will centralize and take back power as soon as something went wrong.

The second pertains to the checklist mechanism. Some agencies and local offices view completing and publishing checklists as merely a way of fulfilling a political task, thus leading to their checklists being vague in its contents. Many checklists are proposed as a purely-governmental document and had not gone through the review of any legislative agency, thus raising questions regarding their legality and practicality. The powers list focuses mainly on powers and speaks of many law enforcement powers and review powers and is far not enough when it comes to contents related to the limiting of power. There is a lack of review mechanisms and dynamic adjustment mechanisms regarding government checklists, and the checklists may become government tools for solidifying and expanding power instead of a major tool for simplifying bureaucracy and decentralizing power. When it comes to writing these checklists, most government officials complete this process behind closed doors, and the lists end up lacking societal participation. This leads to lists with a lack of societal support and understanding and could hardly fulfill their purpose of benefiting the people.

The third is regarding negligence of government officials and how it had become a new and prominent problem in administrative mechanism reforms. One of the targets of administrative mechanism reforms is to raise government efficiency and provide better public services to the society. But a new phenomenon arose where the more the reforms proceed, the less the officials work, and the lower the efficiency. Ineffective work, the lack of action from officials and a lethargic administration had become a new experience direly in need of an explanation. The participants in these reforms need to reflect upon this and solve this through continuously deepening reforms.

1. **Societal institutions reforms face breakthroughs; various reforms are being gradually introduced**

As China’s reform and opening-up deepens day by day, the societal conflicts became more apparent. There is an imbalance in the societal structure. National awareness for social institutions and governance reforms is continues to deepen. Societal reforms are becoming the center of attention and had become an important component in comprehensively deepening reforms and in the modernization of national governance system and national governance capabilities. 2015 is a vital year for societal governance reforms. The Central Committee and the State Council had designated the path for societal governance reforms as well as well societal governance framework for the next few years and introduced several reform plans regarding societal governance. This brought new trends to China’s societal governance reforms as well as new upcoming breakthroughs.

First, the Central Committee had decided on the general path for the societal governance reforms for the next few years. This includes strengthening and innovating societal governance and developing and perfecting a societal governance structure overseen by party committees, led by the government, supported by society, participated in by the public and protected by the law. This also includes elaborating societal governance details and constructing a societal governance structure with the participation of all and beneficial to all. Though the reform path designated by the Central Committee is only a set of principles, it still caused great transformations in the path of China’s societal governance, which had taken a major step forward, going from a purely government-led societal management and control model based on administrative measures or even forceful implementation to a modern societal governance system based on diversity, participation of the public and legal measures.

Next, a series of major reform measures and major policies had been introduced surrounding social system and societal governance reforms. This includes reforms in retirement insurance mechanisms for various agencies, sanitation system reforms and public hospital reforms, household registration reforms, residential permit mechanism reforms, and city law-enforcement and management mechanism reforms. Reform paths, reform plans and initial reform implementations had been carried out notably in four areas:

The first are reforms in the public security governance system. Targets and paths for public security system reforms had been proposed, making public security one of the core goals of societal governance innovations. Issues such as anti-terrorism, social order comprehensive management, food safety, production safety, public safety and internet and information safety are designated as vital components of societal governance reforms. In the process of societal public safety governance, the level of law-enforcement, supervision and prevention had been brought to attention, and public participation and “open governance” are designated as the major targets for societal public safety governance. Aside from this, hierarchical and categorical accountability mechanisms had been established.

The second are social organization reforms. In 2015, the Central Committee had introduced a series of reform measures and plans for reforms regarding issues such as social organizations such as reforms in registration without the need for approval, the decoupling of administrative agencies and industry associations, and civilian organizations. These enhanced the development and standardized management of social organizations, further released the vibrancy in social organizations, and built a solid foundation for China’s long term social organization reforms.

The third are household registration reforms. In 2015, based on *Opinions Regarding the Further Development of Household Registration Reforms* introduced in 2014, various regional governments had introduced a series of specific opinions on implementation. This had helped to implement household registration reforms locally. Efforts in giving local residential status to long-term residents and employees are reinforced, and basic public services are being expanded to cover all local long-term residents. In small to medium-size cities, household registration limitations and management are slowly loosening, giving some capable rural workers with long inner-city working hours the opportunity to become a city resident. The continued deepening of household registration reforms will have long term deep influences on the transformation of China’s social management and societal governance.

The fourth are innovations in grass-root level societal governance. Under the overarching principles of societal governance reforms designated by the Central Committee, regional governments had all introduced large quantities of reform measures regarding grass-root level societal governance, and actively explored areas such as the development of grass-root level societal self-governance, expanding grass-root level democracy, raising public awareness and participation, and strengthening grass-root level vitality.

Societal governance reform is a long-term strategic mission. If we are to realize the target of social institutions and societal governance reforms, 2015 is only the beginning. Currently, we are still going through a period of imbalance of interest structures, sharp societal conflicts, the clashing of social interests and public safety incidents. There are still many unresolved issues in societal governance reforms which require the further deepening of reforms spanning across the next few years and the gradual step-by-step realization of the target of modernizing societal governance systems and capabilities.

1. **Blueprints for ecological civilization system reforms and the formal initiation of various reforms**

Eco-civilization system reform is yet another new and significant strategic reform in the Third Plenary Session of the 18th Central Committee of the CPC’s decision to comprehensively deepen reforms. It holds significant relevance to the restoration of the Chinese nation and the modernization of national governance. In 2015, the Central Committee and the State Council introduced the *General Plan for Eco-Civilization System Reform*, thus completing the fundamental framework for eco-civilization system reform and the overall planning of system development. The document called for the development of eco-civilization systems based on diversified participation, incentives and restrictions, and system completeness. It also calls for the organization of multiple-ended systems without clear accountability and a comprehensive management system which has standardized internal functions, high efficiency in operation and coordination, and runs to a set of logical rules. It establishes a functional national land planning system, carries out compensated resource usage and eco-compensation mechanisms as a part of resource usage restrictions in accordance with land planning and ecological red line, and establishes and perfects pollution prevention management systems.

During the creation of the overall design for eco-civilization system reforms, relevant pilot projects had also been initiated. This includes pilot projects such as the *Pilot Plan for the Creation of Natural Resources Balance Shee*t, the *Pilot Plan for Ecology and Environment Damage Compensation Mechanisms,* the *Environmental Protection Supervision and Inspection Plan (Trial Version)*, and the *Natural Resources and Assets Audit Pertaining to Cadres’ Term-of-Office Pilot Plan*. Under the guidance of relevant national departments, local governments had initiated many explorative tasks in eco-civilization system reforms.

But, because eco-civilization system reforms are a completely new part of China’s long history of reform theories and practices, it lacks systematic theoretical research as well as a solid foundation based on practice. Not only are these reforms still in the initial stage of exploration and testing, they also contain a series of theoretical and practical problems.

1. There are major barriers and missing components to eco-civilization system reform theories. The overall design for eco-civilization system reform and its specific plans raised many new concepts, but many of these theories and concepts, such as the natural resources property right mechanism and the theory of the value natural resources and environmental assets, lack a solid foundation made up of mature theories and actual practice. Because of this, relevant departments and parties find it hard to reach a consensus when it comes to many of these theories and concepts, which naturally made the designing of systems very challenging.
2. The implementation of reforms is limited by the interest of each involved department. Each department and agency had designed their own reform plans and lacks any sense of coordination, thus leading to conflicts in the implementation of those reforms. This hindered the rapid implementation of pilot reforms and restricted the progress made by those reforms.
3. The results of eco-civilization system reforms are not satisfactory. Some of the currently ongoing pilot reforms had become the channel through which local government fight for projects and capital and various departments of the State Council sought to strengthen departmental interests. If this is not resolved and adjusted in time, these pilot projects will lose their value as an indicator for the exploration of eco-civilization development and institutional innovation.
4. Since there is still some confusion in the relationship between the government and the market as well as between the Central Committee and local governments, the market still could not play a key role in resources distribution. This is just one out of the many problems waiting to be solved in the implementation of eco-civilization system reform plans as well as the full execution of relevant policies. For example, in the reform plans, the Central Committee had clearly stated reform opinions regarding the guidance of social capital such as third-party governance and PPP. But during the implementation of these reform plans on a local level, local governments use their locally-owned state-owned enterprises as social capital in bidding and winning local PPP projects. The lack of division between government, enterprises and capital is prominent, this forms a barrier keeping out true private enterprises and social capital and preventing the formation of fair competition.
5. **Continual deepening of rural reforms, rural land system reforms bring upcoming breakthroughs**

Rural reforms continued through 2015. The Central Committee clarified the target and direction for the future of China’s rural reforms and introduced a series of innovative major institutional reform measures, building up to major breakthroughs in China’s rural reforms and the modernization of the agricultural industry. Since China’s reform and opening-up, the Party, Central Committee and State Council had prioritized rural reforms. At the beginning of 2015, the very first document published by the Central Committee is the *Various Opinions Regarding Strengthening Innovation in Reforms and Accelerating Modernization in Agriculture*. This document provides the top-down design and general planning for the future of rural reforms. It designated 26 reforms on five major issues: the rural collective ownership mechanism, the agricultural business operation system, agriculture support and protection mechanism, the mechanism for the unified growth of urban and rural regions, and the rural society governance system. It clarified the basic direction and principles behind rural reforms, and was followed by a series of detailed reform plans including the *Guidance Opinions on Rural Contracted Land Rights and Rural Residents Housing-and-Assets-Backed Mortgage Pilot Programs*, *Opinions Regarding Guiding the Healthy Development of Markets for Rural Property Rights Transfer and Trading*. These documents provide vital protection for comprehensively deepening rural reforms.

In 2015, major breakthroughs and innovations in rural reforms had been made in the following areas:

1. Allowing for the exploration of mechanisms for the compensated transfer of contracted land rights and the compensated relinquishing of housing built on collective land. In the documents published by the Central Committee regarding deepening rural reforms, mechanisms for the compensated voluntary forgoing of and usage of housing on collective land was brought into the spotlight for the first time. The document also allowed exploring the compensated transfer of contracted land rights. This document is a breakthrough in rural reforms. It gives more autonomy to rural residents and is helps to deepen marketization reforms. Perfecting regulations regarding the division of land ownership rights, contracting rights and usage rights enhances rural property rights reforms and holds historical significance to the modernization of the agriculture industry as well as bringing prosperity to farmers. It also has a positive effect on the development of a dynamic rural economy based on private businesses.
2. Developing demonstrative rural cooperatives allows for the bold exploration and development of reforms in rural business organizations. This allows farmers to share in the profits from the industrial chain and is of fundamental importance to efforts in raising farmers’ income. In 2015, the Central Committee published a document which clearly proposed the establishment of demonstrative rural cooperatives. These cooperatives no longer focus on the quantities of agricultural-production-centered cooperatives built, but rather, it focuses on the cooperatives’ structural reforms and raises cooperatives’ quality. It takes the original agricultural-production-only cooperatives and turns them into demonstrative cooperatives which partake in profits made in industrial chains such as agricultural services, manufacturing, and the movement of products through the supply chain. This major adjustment in rural reform policies will make it more convenient to integrate knowledge of modernizing agriculture taken from Europe and America. And, if these reforms succeed, they will provide institutional and systematic protection for the modernization of China’s agriculture.
3. Adjusting household registration transfer policies, taking a human-centered approach to urbanization, and realizing the unification of urban and rural regions. In accordance with the reform goal of unifying urban and rural regions, in 2015, the Central Committee, State Council and various local governments proposed a series of opinions and detailed implementation plans. Included in these documents are issues such as the integration of rural and urban household registration mechanisms, the comprehensive implementation of the residential permit system, and the steady expansion of the coverage of basic public services such as urban compulsory education, employment services, basic pension medical insurance systems for local long-term residents.
4. In rural reforms, the perfecting of village governance mechanisms is of vital importance to the deepening of rural reforms and is significant to the modernization of rural governance system and governance capabilities. Relevant opinion documents on reforms clearly states that rural governance mechanism reforms should be based on rural residents’ autonomy, adapt to the new phenomenon of floating population, allow for the participation of non-local participants when it comes to public issues, expand democracy, allow for the exploration of a separation between cooperatives and the enterprises under the cooperatives, enhance the harmonious development of rural regions and improve societal management levels.

Rural reform is a complicated, long-term and difficult mission and systematic project which is impossible to achieve in the short term, especially given the irresolvable high agricultural costs. This meant a lack of competitiveness on a global scale. The development of mechanisms for lifelong contracted land is sluggish; protective policies regarding housing on collective land and farmland are unsuitable; farmers are faced with multiple barriers when trying to enter cities; there are all key problems faced by rural reforms and can only be solved gradually through long-term comprehensively deepening reforms.

1. **Political system reforms are proceeding smoothly, democracy-building is making progress**

The overarching goal of comprehensively deepening reforms is the perfecting of socialist institutions and the modernization of national governance system and governance capabilities. Thus, it is only natural that deepening political system reforms and strengthening socialist democracy are two main components in comprehensively deepening reforms. Political system reforms and strengthening socialist democracy encompass a wide range of issues including the rule of law in governance, legal system reforms, socialist democracy, unifying party efforts across all levels into a single front, administrative institution reform, the party’s internal development, and the battle against corruption. In 2015, under the overall coordination of the Central Committee, the building of socialist democracy had made varying degrees of success in all of the above mentioned fields, and had even made some breakthroughs in fields such as anti-corruption, judicial reforms and administrative institution reform. It had become the major field of reforms leading comprehensively deepening reforms in China. Aside from this, there are four other areas of political system reform in which major progress had been made in 2015.

1. The development of deliberative socialist democracy. Taking into consideration the most important principle and fundamental national trait of socialism institutions with Chinese characteristics and following the leadership the party, one would see that electoral democracy in China could not possibly be just a replica of the Western model. This is why deliberative democracy, as a supplement to electoral democracy, had become the unique phenomenon and advantage in China’s socialist democracy. In 2015, the Central Committee introduced the *Opinions Regarding Strengthening Deliberative Socialist Democracy*, a document which is the first of its kind. It proposed comprehensive arrangements for the party negotiations, congressional deliberations, government deliberations, political association deliberations, civilian organization deliberations, grass-root level deliberations and societal deliberations ongoing under China’s newly-arising circumstances. After this document, in order to carry through with guidance opinions from the Central Committee, the General Office of the CPC Central Committee introduced the *Opinions Regarding Strengthening Deliberative Socialist Democracy*, a document which designated specific regulations and standards for the contents, form, process and protective mechanisms of political deliberation.

Aside from higher-level governments such as the central government and provincial-level governments, deliberative democracy had entered into the pilot and testing phase all across China in 2015, especially at a grass-root level. Many methods of grass-root level democratic deliberations were created such as democratic forums, civilian commentary sessions, residential discussion sessions, home owners committees, village representatives meetings, and hearings. This holds positive significance for the development of grass-root level socialist democracy, the accelerated growth of grass-root democracy, raising democratic awareness amongst the public, and protecting the legal democratic rights of grass-root level civilians.

1. Unifying party efforts across all levels into a single front. China’s basic political system is a multi-party system led by the communist party. Unifying party efforts is a vital aspect of socialist democracy political developments. In 2015, the Central Committee formally introduced the *Chinese Communist Party Work Coordination and Unification Regulations (Trial Version)*. This document sets specific regulations for the coverage, targets of unification, unification group leaders, democratic parties’ tasks, non-party scholars’ tasks, ethnic tasks, religious tasks, tasks in the unification of efforts outside of the public sector, and tasks in the unification of efforts in Hong Kong, Macau and Taiwan under China’s newest trends. One prominent part of its content is that it expanded the range of issues covered under the unification of party efforts and divided non-party scholars into three types of people: returning overseas nationals, the youths in non-public sectors prominent figures in new media, all three groups are now a major part of the unification of party efforts. The document expanded the civilian component under communist rule and perfected the structure and quality of the targets for the unification of party efforts.
2. The establishment and improvement of power checking and supervising systems. The CPC Central Committee Decisions document of the 3rd Plenary Session meetings designated the checking and supervising of power as vital components of building socialist democracy. In 2015, the Central Committee and various local governments had gone through a series of discussions regarding reforms. Firstly, they had actively explored the regulation of mechanisms regarding the check of power for chief cadres in charge, and many local governments and departments had introduced regulations regarding checking and supervision. Secondly, under the support and efforts of the State Council and various local governments, power checklists mechanisms had been established and transparency in the usage of power had been further enhanced. Thirdly, the party-discipline-related supervision and inspection departments had strengthened supervision and random inspection on personal issues which required reporting for party officials and cadres; this had built a solid foundation for the reporting and publicly release of cadres’ personal assets, and had provided a beneficial environment for the strengthening of supervision on power and the development of probity in governance. Fourth, the Central Committee introduced the *Various Regulations Regarding Improving the Upward and Downward Mobility of Cadres (Trial Version)*. This document strengthened cadres’ team-building and solved the problems of the cadres’ inappropriate behavior upon the job, abuse of power and lack of action. It serves to build a working environment where capable people may move upwards, talentless people are moved downwards, and incompetent people are eliminated.
3. Comprehensively strengthening party leadership. In 2015, the Central Committee introduced the *Chinese Communist Party Work Regulations (Pilot Version)* and the *Various Opinions Regarding Following Party Leadership and Strengthening Party Development in the Process of Deepening State-Owned-Enterprises Reform*s. The documents require the existent of a party group in various institutions and organizations and seek the full coverage of the party’s leadership over society. This is to ensure the directions, policies and plans of the party is implemented in every aspect and is a major measure in making use of the party’s political, organizational and institutional advantages.

Political system reforms and socialist democracy development is the most important, sensitive and risky areas of reform within comprehensively deepening reforms. These reforms face the strongest and biggest number of restricting factors and barriers. Thus, reforms must be carried out under a controlled and orderly environment. The current political system reforms are faced extremely complicated problems and very sharp conflicts. It is difficult to come to a consensus regarding reforms, and the competition and battling of different classes, different factions and different ideals are inevitable. In the long process of reform, we are making progress every year. Every single step taken forward is the result of endless efforts and should be rightfully recognized.

1. **Reform of the cultural sector launched; concrete results yet to be seen**

The cultural sector, an integral part of our national economy, represents China’s soft power, ideology, national will as well as the will of the Party. Therefore, reform in this sector is very delicate and strategically significant. On the 3rd Plenary Session of the 18th CCCPC, the cultural sector was listed as one of the five areas for further reform. The *Plan for Deepening Reform in the Cultural Sector* released in 2014 appeals to improve management schemes and deepen reform among state-owned cultural entities. The document serves as a master plan for sector reform and centers around the establishment of five systems: modern public cultural services, modern cultural market, traditional cultural heritages, outbound cultural communications and discourse, and cultural policies and legislations. In 2015, the reform was officially launched with focus in the following areas:

1. Managing authorities should streamline administration and learn to delegate their power as part of the effort to boost market vitality and productivity. As per instructions of the State Council, relevant authorities have sent out *“License before Permits”[[3]](#footnote-4): Notice of New Administrative Approval Process[[4]](#footnote-5)*, which canceled/delegated a series of approvals. The document also relaxed entry requirements in some areas, removed restrictions on enterprise size and location, simplified approval documents and called for general improvement of service. Some might think the lead authorities are still micro-managing things, but at least this marks a positive first step.
2. State-owned cultural entities are either adopting a corporate structure or separating their operations from management. Competition has been introduced and internal mechanisms transformed. Going forward, these entities need to design a management scheme for state assets with specified investor identities. Some state-owned cultural enterprises have already finished corporate reform or have successfully sought listing. In the news and media sector, many enterprises have restructured themselves to be more market-oriented, mainly by carving out their advertising, printing, publishing and internet transmission departments and introducing mixed-ownership structure. Furthermore, the private sector should be encouraged to enter the sector on a competitive basis. The trend has already been manifesting: Wanda Group, a private enterprise, has become the largest cultural conglomerate in China.
3. Regional and national trading platforms are being established. Some enterprises have already started to trade cultural intellectual property rights and artworks or offer publication review/printing services via the cultural sector and foreign trade platforms. In the pilot Free-Trade Zones (FTZs), some local authorities and enterprises have also been working towards trade liberalization and facilitation in the cultural sector.

Granted, reform in a sector so sensitive and so closely related to ideology is bound to be difficult and problematic. There are obstructed links hindering implementation and the reform is more theoretical than practical in some aspects. Some officials are merely observing rather than pursuing the reform hands-on. To a certain extent, managing authorities are still regulating cultural enterprises all too stringently, basically depriving the market of vitality. In the new media sector, a management model that is both in line with Party philosophy and conducive to sector growth is yet to be found. Excessively attaching ideological significance to the sector has resulted in loss of character and competitiveness. Many cultural products have been kept away from the market because of possible ideological interpretations, which means that the public has been stripped of the opportunity to enjoy and appreciate them. What’s more, the underdeveloped management system and inadequate level of competitiveness have made even mere survival very difficult for some SOEs.

1. **Major breakthroughs achieved in opening up; new economic system forming on fast-track**

In 2015, the domestic economy entered the state of “new normal”[[5]](#footnote-6) and the global political/economic environment was complex and ever-changing. China has successfully shifted its opening up strategy from a one-way to two-way street. The recently conceptualized “reverse pressure mechanism” has also been key to the reform. *Several Opinions on Establishing a New and Open Economy*[[6]](#footnote-7), issued by the State Council in 2015, points out that opening up the economy can promote reform, development and innovation. The document brought forward the objective of establishing a major power of open economy, along with concepts and instructions in foreign investment management, “going global” strategy, sustainable development of foreign trade, optimizing geographical presence, the Belt and Road Initiative, international economic cooperation, open and secure financial system, and establishing a stable, fair, transparent and predictable commercial environment. Major breakthroughs achieved in 2015 include:

1. The Belt and Road Initiative[[7]](#footnote-8) has become a strategic platform for coordinating internal and external demand, and promoting inbound as well as outbound investment, which has and will continue to affect China’s plan to open up in the long run. Relevant infrastructure projects being planning or under construction have reached 1.04 trillion yuan and cross-border investment 52.4 billion USD. In 2015, the number of newly established foreign companies in China rose by 18.3% and inbound investment by 23.8%. China’s FDI in the 49 involved countries increased by 18.2%. Notably, even though China’s total exports and imports saw a decline in 2015, exports to the “Belt and Road” countries grew considerably.
2. The successful launch of the Asian Infrastructure Investment Bank (AIIB) has injected new momentum into infrastructure investment among Asian countries. It reflects China’s increasing leverage in the international economic regime. This clearly demonstrates China’s vision of a more open, fair, inclusive, cooperative, mutually beneficial and diversified itnernational financial system. AIIB can serve as a cornerstone in the Asian infrastructure sector, facilitating investment and mobilizing various resources. By promoting regional connectivity and economic integration, AIIB has essentially built a new mechanism of international financial cooperation.
3. The RMB has recently been included in the Special Drawing Right basket thanks to China’s active participation in helping to manage the global economy, establish financial order and strike a new balance in trade. As the RMB becomes increasingly important and globalized, the Chinese economy is also more and more intertwined with the global financial system.
4. The pilot FTZs have been putting pressure on domestic reform and pushing the economy to open up on a higher level. In addition to the Shanghai FTZ (launched in 2015), FTZs in Guangdong, Tianjin and Fujian provinces have also been approved by the State Council. These FTZs will act as the forefront of reform and innovation. Their scalable experience, especially in coping with challenges brought by Trans-Pacific Partnership Agreement, will be studies and replicated in other parts of China.

To institutionalize a more open economic order will surely be a long and arduous task facing challenges from both home and abroad. Some strategies may be hard to execute and they should be our center of attention: How should China improve other countries’ acceptance of the Belt and Road Initiative and guard against possible geopolitical risks? How to restore order in the international financial sector now with AIIB in the game? How should AIIB interact with existing financial institutions? How to prevent and mitigate financial risks in the post-SDR era? Further investigation is warranted in those areas.

1. **Nine Pieces of Advice for Further Reform**
2. **“Equality” is key to deepening economic reform**

In the past thirty years, China’s market-driven economic reform has basically established a socialist market economy and made China the second largest economy in the world. It has therefore become a consensus that market-oriented reform is both efficient and effective. However, some people are starting to be hesitant and even doubt the legitimacy of the reform either because it’s not thorough or prompt enough or because it’s accompanied by the inherent flaws of the market system. There is an urgent need to identify the basic values of the reform so as to help those in doubt to better understand reform and join the cause. On a theoretical level, the *Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform[[8]](#footnote-9)* on the 3rd Plenary Session of the 18th CCCPC stipulates that future reform will continue to be market-driven. In practice, the reform may need to be reoriented and perfected. We suggest that equality should be the core value of China’s economic reform, serving as the guiding ideology and important principles of various economic reform plans.

1. Equality in competition

China should open up productions and services to the widest extent possible and to all market players equally. For the few sectors where government control is necessary, authorities should only regulate market entry, standards, business models, safety issues, etc. instead of rating the entities and applying different terms to them. For instance, China’s efforts to protect the legitimate interest for enterprises with all types of ownership structure should be based on equal rights, equal opportunities and equal rules for all. Only when market players compete on equal footings can resources be allocated more efficiently. China’s sustained competitiveness, all-factor productivity and overall national power depend on these factors.

1. Equality in leveraging resources

Currently, China needs to allocate resources more efficiently and ensure that market players identify with the system and compete on equal basis. In order to do that, public resources (financial, mining, water, internet, wireless spectrum, environmental carrying capacity, etc.) need to be managed well and made available to all. Resources of high quality or scarcity should not be squandered by monopolies, especially not by the so-called “zombie companies”[[9]](#footnote-10).

1. Equality in rural-urban exchanges

One of the major reasons behind China’s widening rural-urban gap is the imbalanced exchange of factors. Traces of the planned economy can still be sensed in that the pricing is still skewed in certain aspects and that economic interest is flowing overwhelmingly more into urban areas than out of them. Going forward, rural and urban areas should exchange factors in a more balanced fashion. The current trend needs to be reversed, not reinforced.

1. Equality in basic services

Basic services include both the daily life services provided by the government and the productive services provided by various other entities. Establishing a platform for people to share those services is a big step towards “equality”. Bold and innovative measures are necessary to ensure equal access to basic factors such as resources, facilities, internet and equipment. No one should have control or exclusivity over resources and factors that are meant to be public. Meanwhile, China can learn from other countries’ experience and expertise in establishing a public service system offering universal coverage and equal access for all.

1. Equality in sharing costs

There are two levels of public cost sharing. First, between government and enterprises, there should be clear-cut boundaries on their respective rights and obligations. Government authorities should not have to pay for enterprises’ own costs and enterprises should not have to take on extra “social responsibility” in lieu of the government. Second is tax. Currently, different tax rates apply to different market players based on their identities. This is partially due to the fact that China used to offer preferential treatment to foreign investors at a time of fund shortage. Now that the circumstances have changed, so should the tax policies.

1. Equality in protection

In an open and market-driven economy, all social members should have equal status, equal access to market events and equal protection. This is critical for pooling resources, enhancing coherence and increasing competitiveness. Since it kicked off the Reform and Opening-up program, China has facilitated fair competition for enterprises with all types of ownership structure, allowing resources from around the world to flow rapidly into the domestic market – an awe-inspiring achievement known as the “Chinese miracle”. In future reform endeavors, strengthening protection of the economic interest of all, regardless of their ownership structures, will still be key to ensuring equality.

1. **SOEs should be the center of supply-side structural reform**

Recently, China’s economic reform was strategically re-prioritized, with supply-side structural reform identified as the main focus for the 13th Five-Year-Plan (2016-2020) and beyond.Also identified are the five major tasks surrounding the reform: reducing overcapacity, destocking, deleveraging, reducing costs and shoring up weak growth areas.

In the eight sectors with severe overcapacity and overstocking (i.e. iron & steel, coal, cement, glass, petroleum, petrochemicals, iron ore, and nonferrous metal), most enterprises are state-owned. Also, SOEs make up most of the “zombie companies”. The reason is multi-facetted. On the outside, the global market has changed but the Chinese government did not step up and assume new responsibilities, or the competition mechanism is not mature enough, etc. But the most important and fundamental reason is on the inside: SOE reform has been sluggish, stagnating or even partially going backwards in recent years.

In the thirty-some years since the Reform and Opening-up program was introduced, the CCCPC and State Council have always prioritized SOE reform. Multiple rounds of reform have been launched based on era-specific problems: in the 1980s, it was “transitioning operation models”; in early 1990s “establishing a modern enterprise system”; in late 1990s, “focusing on structural adjustments and large enterprises in critical sectors”. Since 2000, China has been reforming the management system of state capital by keeping political influences away from capital and enterprise management while adjusting management schemes and internal mechanisms within enterprises. The decades of reform, especially the economic restructuring at the turn of the century, made the Chinese economy more influential and more conducive of private sector development. After more than a decade of rapid development, China now boasts the second largest economy in the world.

However, a concerning trend has been emerging lately. While the SOEs have made tremendous progress in reforming, they appear to be not strictly adhering to the guidelines anymore. In recent years, reform has been sluggish, stagnating or even going backwards in some areas.

In the last few years, SOEs, especially centrally-administered SOEs[[10]](#footnote-11) went astray and ceased their effort to exit certain sectors. Instead of focusing on sectors critical to the national economy, as per the original plan, they are entering all industries, even some highly competitive ones. State capital flooding into sectors such as iron & steel, coal, cement, glass, iron ore, nonferrous metal and real estate represents too broad a presence and has greatly hindered the efficient allocation of resources. The outdated internal decision-making mechanism of SOEs is crippling too, making them unable to adjust, transition, or make exit plans according to market dynamics, hence the overcapacity. The consequences are severe, not just for the SOEs, but for the entire national economy. Worse still, the SOEs are not used to competition. Their high cost and low labor efficiency, plus the overcapacity and overstocking, have resulted in countless zombie companies relying on government support and bank loans.

It is therefore clear that the key to supply-side structural reform lies within the SOEs. China must persist in the general direction and push forward SOE reform on an institutional and structural level. Only by speeding up structural changes can China resolve the issues of overcapacity, overstocking and structural imbalance and eliminate the zombie companies. On the one hand, underperforming SOEs should exit competitive sectors in an orderly yet swift fashion, allowing a healthy and self-adjusting system to form. On the other hand, transitions in internal decision-making mechanisms and business models can lower production cost and help the SOEs to adapt to market competition. Supply-side structural reform is vital to a coordinated, healthy and steadily-developing Chinese economy.

If SOEs cannot make breakthroughs and choose to rely on government subsidies, favorable policies or M&A and restructuring to temporarily ease the pain and balance the books, the potential risks are unthinkable. The temporary remedies only alleviate the symptoms but they cannot cure the disease. A true and intensive supply-side structural reform is inevitable and China has no choice but to deal with it head on.

1. **Thinking outside the box with rural land reform**

Rural land reform is a pressing task for today’s China. If successful, it can support sustained and stable economic growth for decades to come. After releasing the *Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform*, the State Council also issued additional documents on rural reform, especially rural land reform, showing their strong commitment in this regard. However, the rural land system is such a far-reaching and broad concept that it may be understood differently by different parties. China is yet to embark on an extensive rural land reform.

Objectives of the reform can be summarized in two parts. On a micro level, reform in land property rights sets the basis for an operational land market. On a macro level, the market should play a bigger role in allocating resources and government function should only be supplementary, allowing higher efficiency. To achieve these, a shift in mentality is necessary.

There are two forms of collective property rights in rural China: the household land contractual system[[11]](#footnote-12), which is more commonly seen, and the shareholding company system[[12]](#footnote-13) in the more developed rural areas. Different reform measures should be customized for the two systems. Also, the heavily flawed homestead management system has created numerous unresolved issues that calls for prompt remedies.

The new rural land system should allow the market to play the critical role in allocating resources to raise efficiency. Antiquated laws and regulations should be amended according to today’s circumstances. Also, continuity in policy is key to avoid having to go backwards. But the most important thing is to always bear in mind the welfare of rural residents and to base the reform on transparency and fairness. More specifically, we have the following suggestions for the reform:

1. Land contractual rights should be protected by law in perpetuity

The *Law on the Contracting of Rural Land*[[13]](#footnote-14) and other relevant legislations should be revised to say that arable land should be contracted to households fairly and *in perpetuity*. The 3rd Plenary Session of the 17th CCCPC in 2008 decided that land contractual rights are protected *in the longest term*, a decision that has neither been fully implemented nor resulted in any meaningful legislative revisions. “In perpetuity” conveys a better message to rural residents and can reinforce their confidence in the reform.

Currently, the guiding principle for rural land reform is “villages have ownership, households have contractual rights, operational rights are available for purchase”. Without a well-established legal framework, collective ownership may override contractual rights. Looking ahead, contractual rights would need stronger legal protection against potential interference from village leaders or government officials. Land contracting should be fair and free of influence from village or clan heads.

1. Collectively-owned shareholding companies should keep political and co-operative influences away from management

In the areas where collectively-owned companies have adopted a shareholding structure, lessons can be drawn from more developed regions like Shenzhen or the coast of South China Sea in keeping political and co-operative influences away from corporate management. They should work on improving their corporate governance and distinguish shareholders from actual members of the community. Shareholder-elected entities should be in charge of operations while the villagers’ committee manages public affairs of the community. Only operational assets of the village or the community should be allowed into the companies.

Ownership structure of the companies should be quantified and stabilized, enabling fair distribution of earnings. Non-agricultural companies should pay taxes instead of contributing to the communities’ public welfare fund. For the parts of public costs that are not covered by the public welfare fund, the government should step up and make up for the difference.

1. Exploring a property right trading platform

For the collectively-owned companies with sound corporate governance as well as quantified and stabilized shareholding structure, pilot experiments should be set up to establish a stock trading platform. A more open structure can better protect the interest of rural residents.

In the more developed rural areas, land contractual rights should gradually become tradable as well. Households that have transferred their land contractual rights to others no longer belong to the collective economy, but they still are part of the community and should have equal access to public services. Trading of land contractual rights should be market-based with no government interference. The government cannot force transfers, regulate prices or serve as the intermediary.

1. “Agricultural reserve zone”: innovative reform of the homestead management system

The “agricultural reserve zone”, as an alternative to the incumbent basic farmland protection system, fences in adjacent pieces of land suitable for agricultural development. This mechanism can better protect arable land while encouraging market-oriented utilization of non-arable land. The Ministry of Land and Resources should consider setting up agricultural reserve zones and in time, add it into national legislation. Transitions in the land planning and management system can blaze the trail for future reform in homestead management.

For land that falls outside of the agricultural reserve zones and other protective zones, sub-provincial government should develop local planning and management schemes. This, of course, must be in line with national land development plans[[14]](#footnote-15). Rural collectively-owned land used for construction should be integrated into the local planning and management scheme and be treated the same as state-owned land. If possible, the village zone can also join the planning and management scheme. Eligible homestead and housing should be allowed to enter the market. However, land within the agricultural reserve zones can be used only for agricultural development and homestead can only be inherited among the family or transferred to members of the same village. Going forward, homestead should no longer be granted on a free-of-charge basis. Many long-standing issues remain to be tackled.

1. **Network-based factor markets should be deregulated**

Reform in the past decades have basically established a factor market with common factors now being market-driven. The core issue for further reform is the network-based sectors such as capital, land, internet, etc. There are administrative and market monopolies to topple and market patterns and technological rules to follow.

China should ease administrative regulation, simplify IPO processes and relevant regulatory systems. A multi-tiered capital market, including OTC market and regional markets, can facilitate the securitization of private capital, especially in the industries. China should learn to use the capital market to make structural adjustments, optimize financing mix, deleverage and reduce overcapacity.

China should adopt a market-based mindset and comprehensively review the land factor market, including some on-going local pilot reforms. A well-established land market system should be sustainable, fair, suitable to our socialist market economy and reflective of the nature of the land as well as stakeholders’ interest.

The market should be equally accessible to all and competition-friendly in the resource exploitation industries such as mining and oil & gas. Vertically integrated enterprises with extensive government connections should consider separating themselves from the government network. Vertical disintegration on a reasonable scale, especially in the exploration and exploitation segment, could tremendously boost competition.

Public-private partnership (PPP) can be introduced in the somewhat integrated internet sector. While respecting market patterns and technological rules, PPP can help diversify ownership structure for some internet enterprises. With different value orientations and business models, the non-competitive enterprises can offer quality service at affordable prices, making them efficient and effective public service platforms

1. **Independence of the courts and procuratorates are key to judicial reform**

The newly launched judicial reform is extremely extensive and has received strong support from relevant authorities. Progress has been made in general judiciary, courts, procuratorates, public security offices and judicial administration. However, obstacles remain in the key areas such as separating judicial authorities from local governments and making them less of administrative bodies. The reason is that the judiciary, including courts and procuratorates, is not independent enough. Without independence, they cannot perform their duties as they are supposed to.

For a long time, the judiciary has been virtually part of the local government and has assumed many administrative functions. Some local officials interfered with cases for personal gain, local stakeholders’ interest or for the sake of social stability. The State Council has repeatedly required that local governments at all levels do not interfere with legal cases or obstruct justice. However, the results leave much to be desired. The still rampant corruption in the judiciary even sparked public outrage. In this round of judicial reform, the State Council is dedicated to separating judicial authorities from local governments and making them less of administrative bodies. A series of documents have been released on establishing a documentation, reporting and punishment system for officials interfering with legal cases and obstructing justice. The goal is to ensure that judicial authorities exercise their power lawfully, independently and fairly. We can see from the focus of the reform that independence of judicial authorities, including both courts and procuratorates, is key to future reform.

However, we have attached excessive political and ideological significance to judicial independence. Many thought that independence of the judiciary equals to opposition of Party leadership or even associate it with the Montesquieuian concept of “separation of powers”. Instead of being overly concerned with the theory, we should rather focus on the practice. Judicial independence is fundamental to a rule-of-law society and hence a key step in China’s judicial reform.

1. Independence is the prerequisite of an effective judiciary

Judicial independence means the following:

First, no person or entity can interfere with the judiciary. It is independent in its function, its organizational structure and its decision making. Distinctions should be made between the judicial, executive and legislative functions. This is key to introducing checks and balances among the different branches. Furthermore, courts and procuratorates should be independent of executive and legislative bodies, ensuring that the judiciary is free of external influence. Also, within the courts, different departments should be independent of one another too. This ensures that the judges’ decision-making process is independent.

Second, independence is the prerequisite of an effective judiciary. To achieve justice, an impartial judge hears from both sides and makes his or her decision independently and free of any interference from any party. If an uninvolved party has the power to influence judicial decision making, then the system is compromised and the public cannot possibly have faith in it. The judiciary, a branch based on impartiality and fairness, must be independent.

Third, judicial independence is a universally agreed legal principle adopted by any country under the rule of law. It is also mentioned in numerous international documents, including the International Bar Association (IBA)’s Minimum Standards of Judicial Independence (1982), the Universal Declaration on the Independence of Justice (Final Plenary Session of the First World Conference on the Independence of Justice, 1983), the United Nation’s Basic Principles on the Independence of the Judiciary (1985), etc. Article 14[[15]](#footnote-16) of the International Covenant on Civil and Political Rights (which China signed in Oct 1998) also underlines the importance of judicial independence.

1. Judicial independence is relative

Even though judicial independence is a universally agreed principle, in practice, the level of independence is relative. No country has an absolutely independent judiciary. China only aims to enhance judicial independence and in turn, raise the level of justice in the branch. Even in the U.S., a country with a highly independent judiciary, the Supreme Court Justices are still inevitably “partisan”. The case is demonstrated most clearly in the history of U.S. anti-trust law. Therefore, China should not aim for the impossible but rather focus on improving judicial independence one step at a time.

1. Judicial independence is not a capitalistic concept

Karl Marx once said: “The judge has no superiors but the law…The independent judge belongs neither to me nor to the government.”[[16]](#footnote-17) Many socialist countries also identified judicial independence as one of their founding principles, to quote a few: “Judges are independent and subject only to the law.” (Article 22 of the 1936 Constitution of the USSR), “Judicial power shall be exercised in the name of Czechoslovakia or its Republic by independent and elected People’s Courts.” (1960 Constitution of Czechoslovakia), “The judges, jurors and members of the social courts are independent in their exercising of judicial powers. They are only bound by the Constitution, the laws and other legal provisions of the German Democratic Republic.” (Article 96 of the 1968 German Democratic Republic Constitution). Also, socialist Poland’s Constitution (1945-1989) stipulated that a judge’s decision should be independent and not interfered with.

However, in China, judicial independence has long been criticized. In the beginning years of the New China, judicial independence was regarded as a bourgeois "patent". Although acknowledged as a legal principle by the 1954 Constitution, soon it was completely negated in the 1957 anti-rightist movement, labeled as bourgeois. Things got worse during the Cultural Revolution, when the public security organs, courts and procuratorats were nearly devastated. It was till after the Reform and Opening-Up, when the 1982 Constitution established the principle of decisional independence andprocuratorial independence, which, however, were only independent on a certain degree; and judicial independence was still not recognized. Even today, judicial independence is still regarded by some as a plot of Western hostile forces trying to infiltrate China. As a result, this “western” concept severely looked down upon in China, making us passive and disadvantaged in international judicial language.

1. Judicial independence is not related to the political system but mainly legal and procedural issues

Judicial independence is not necessarily linked with the separation of powers, representative democracy and capitalism. Judicial independence takes place regardless of time and geography. It existed in pre-capitalist societies, in Pre-Revolutionary France, where sometimes even the king had to submit to the Paris High Court, and even in ancient China. It is independent of socialism or capitalism. Socialist countries should not exclude it, but should encourage it in the belief that judicial independence will play a better role in socialist societies than in capitalist ones.

From a legal perspective, judiciary is the procedural rules to solve disputes. Consensus on procedural rules is relatively easy to achieve when there is no existing consensus to refer to. In order to safeguard social justice, judicial procedures should be designed on neutrality and independence. As the basis of the modern rule of law, judicial independence has become the consensus within China and among all countries. Over the years, the vast majority of legal persons have been calling for promoting a judicial institutional reform centered on judicial independence. And as consumers of the judicial system, the public has an even stronger aspiration for judicial independence and judicial justice.

1. Judicial independence does not conflict with Party’s leadership, but improves and strengthens it

The Report of the 16th National Party Congress stated: " Leadership by the Party mainly refers to its political, ideological and organizational leadership. The Party exercises leadership over the state and society by making major policies, raising legislative suggestions, recommending cadres for important positions, conducting ideological publicity, giving play to the role of Party organizations and members and exercising state power according to law."

Similarly, our Party's leadership toward the judicial system is also reflected in its political, ideological and organizational leadership. The Party's political opinions are embodied in the Constitution and laws enacted by our people, under the leadership of the Party. Our judiciary, by firmly adhering to the Constitution and laws, is in itself upholding the Party's political leadership. Another example lies is the guidance of the Political and Legislative Affairs Committee of the CPC over judicial policies.

The vast majority of judges in our country are members of the Communist Party of China. The Party mainly exerts its ideological leadership through urging those judges who are Party members to build up professional ethics of fair trial, strict law enforcement, and honesty and self-discipline, and meanwhile punish those who violate the Party disciplines.

The Party’s organizational leadership is carried out through key personnel recommendation.

The Party’s organizational leadership toward the judiciary is achieved through key cadres recommendation. The Party may propose suitable candidates for the president of the people’s court, the procurator-general and other senior judicial officers. Therefore judicial independence will by no means weaken the Party’s leadership.

The non-interference of Party committees at all levels and Party leaders and cadres in individual cases does go against with upholding the Party's leadership. There’s simply no reason to do so. Otherwise they might lose sight of the whole picture and become involved as an “interested party”. Moreover, it might bring liabilities, breed corruption and risk Party's authority. Judicial independence is in fact conducive to improving the leadership of the Party. As the last means for dispute resolution and social justice, it can share responsibilities with the Party, and establish social rules to achieve long-term social stability and safeguard the Party’s fundamental interests, so as to better adhere to the Party' s leadership.

1. The Party's institutional development should be strengthened so as to gradually form an institutional Party governance mechanism.

Since the 18th CPC National Congress, the CPC Central Committee is making greater efforts to fight corruption, as well as speeding up inner-Party institutional development by combining defect correction with regulatory development. In the past three years, a number of Party regulations and rules have been promulgated. In particular, in 2015, the CPC Central Committee enacted and implemented a series of well-welcomed regulations on strengthening the Party's institutional development, which means that our anti-corruption struggle has changed from a palliative to a radical cure, and that the institutional Party governance mechanism is taking shape. However, based on the current situation, the institutional regulations are still relatively fragmented that needs rational, logical and systematic research.

The priority at present is to build a systematic regulatory system. The party regulations and rules should not be loose and scattered, instead, they should be a set of institutional arrangements that parallels with the execution of power and showcases the principles of scientific governance, democratic governance and governance according to law. Such regulatory system is mainly comprised of four levels:

1. Top Level - Constitution of the Communist Party of China (CPC) and Norms on Political Life within the Party (hereinafter referred to as the Party Constitution and the Norms respectively)

The highest level of institutional development in the Party is the arrangement of power structure, namely the Party’s power distribution. This structure is aimed at properly handling the relationship between powers and democratic rights, and building a reasonable power distribution framework. All of above is clearly stipulated in the Party Constitution and the Norms. The Party Constitution is the basis of the Party’s regulatory system, and the authority of Party regulations. From the organizational perspective, the Party Constitution has made fundamental provisions on principles and structures of organizations, rights and obligations of Party members, as well as Party disciplines.

As an important supplement to the Party Constitution, the Norms on Political Life within the Party adopted at the Fifth Plenary Session of the 11th CPC Central Committee in 1980 has deeply drawn lessons from the twisted political relations in the Party from the late 1950s to the Cultural Revolution, and was promulgated to regulate the political relations and to enhance healthy development of political life within the Party. Its importance and authority is second only to the Party Constitution.

1. The second level - regulations

The second level of institutional development is to improve the power execution mechanism. The Party Constitution sets the principles, but to give full play to its fundamental role in guiding and regulating Party activities, we must build mechanisms under the framework of the Party’s leadership established by the Party Constitution that protect the rights of Party members and regulates the execution of powers. The regulations are precisely made to control and guarantee the proper execution of power within the Party. They are normally provisions on important work or aspects of a certain area of the Party, such as “Regulations on intra-Party oversight of the Communist Party of China”, “Regulations on the Protection of the Rights of the Members of the Communist Party of China”, “Regulations on Disciplinary Punishment of the Communist Party of China”, etc. Different regulations are interconnected and coordinated to build an institutional and standardized power execution mechanism.

1. The third level - procedural rules

The third level of institutional development is the specific procedures of power execution. That is, the operational and procedural design to ensure its feasibility and practicality, and through which powers are regulated and organized in an effective order. Procedural rules are of great importance. An institutional system without clear and specific procedures might become nothing but empty words and a fancy name. The absence of practical procedures can explain why some very well designed systems in our Party have not been effectively or thoroughly implemented.

1. The bottom level - provisions (measures) and discipline

The last level of the inner-Party regulatory system is the measures and detailed rules on handling Party affairs and specific work, as well as disciplinary requirements on organizational and individual behavior.

Disciplinary requirements are made to regulate the behavior of Party organizations and Party members, and are essential to ensure that the whole Party acts in concert. In the face of complex external environment and constant changes within the Party, since the reform and opening up, a large number of such disciplines have been established, such as the Party's political, organizational, publicity, foreign affairs, financial, intra-party confidentiality discipline, etc., all of which belong to this level on the Party regulations. These disciplinary requirements have played a significant role in promoting and safeguarding the strict party governance and Party’s vanguard nature.

In the above analysis, the first three levels, namely the inner-Party power system, the power execution mechanism, the procedural rules of power execution, constitute the institutional environment within the Party, which directly determines the implementation of provisions and disciplinary requirements. A scientific and reasonable intra-Party power system can maximize the unity of Party strength, inspire the enthusiasm and creativity of all Party members, on the contrary, one with major flaws will deteriorate the institutional environment, mislead the behaviors of Party members and cadres, and become an institutional trap.

The CPC is the ruling party of China. The institutional development of the Party is, in some sense, the core and an important part of intensifying the national political and institutional reform and building the socialist democracy with Chinese characteristics. Moreover, it’s also closely connected with deepening government administrative reform, improving the efficiency of government administration, promoting the rule of law, and upholding the Party’s ruling according to law. Therefore, the institutional development of the Party needs to be considered under the overall situation of national democracy and rule of law. The institutional development of the Party and the laws and regulations of the country should be connected and coordinated to form a power execution mechanism with reasonable structure, scientific configuration, strict procedures and effective constraints, and create a healthy intra-Party institutional environment. For this purpose, we propose the following five recommendations for the Party's institutional development:

1. Continuing studies and institutional designs of the CPC Party Congress tenure system

Due to the complex influence of various factors, there are still some institutional defects in implementing democratic centralism in our Party’s leadership system. As early as some 30 years ago, Comrade Deng Xiaoping has pointed out the "excessive concentration of power" that tends to make the Party's leadership “personal”. After decades of reform and opening up, this remains a prominent problem in our Party system. Over the years, a considerable number of chief cadres in the Party have turned the regions or departments they’re in charge of into their personal sphere of influence. And not a small number of the Party’s major leaders have given in to corruption due to the lack of supervision, and became criminals who caused great losses to the interests of the Party and the nation. These are profound lessons we should draw from.

According to the principle of democratic centralism, Party congresses are the organs of power and are endowed with decision-making and supervision power over major issues. However, Party congresses are only held about once every five years, and for the rest of the time, Party committees are the actual bodies that exercise all the powers. As a result, Party congresses become organs of power in name only, while other bodies and leaders in the Party, especially some chief Party secretaries take actual control of the major powers. To solve this problem, as well as to improve the Party Constitution and the Norms, and to create a system of checks and balances, we propose to explore the tenure system of Party congresses under the framework of the Party’s power system.

The Party Constitution prescribes that Party congresses are the organs of power within the Party. Under the existing Party system, once the tenure system of Party congresses is put into practice, it will inevitably conflict with the functions and powers of Party committees and threaten its role in the system. Therefore, as we carry out the tenure system of Party congresses, we should first separate the decision-making function of Party Congresses and the executive function of Party Committees, and also specify the scope of their respective decision-making power. Party Committees can only decide over specific issues encountered during the execution of the decisions made by Party congresses, while only and exclusively the latter is entitled to make decisions over major issues.

2. Setting up standing organizations of the CPC Party Congress

Party congress is a form of meeting, but more importantly, it represents the institutional system built on the principle of democratic centralism with the Party congress system as the core. As the substantive organs of power, Party Congresses should set up their own standing organizations to keep the system running in a smooth and continuous way. This will, for one thing, encourage the standing committees to focus on solving specific problems occurred in the execution of major decisions, and for another, explore new ways of supervision and power control to stop the excessive concentration of power in the hands of chief cadres in charge. Of course, building the standing committees of Party congress is a complicated and arduous task. Efforts should be made to comprehensively consider the relations between the tenure system of Party congress, Party committee and its subordinated organizations, and Party organs of discipline inspection, as well as study the division of their respective functions. The ultimate goal is to achieve scientific and rational distribution of power in the Party.

3. Adjusting the existing functional departments of the Party committees and their responsibilities and powers

As known from above, the tenure system of Party Congress overlaps with some existing functional departments of Party committees in responsibilities and powers. In order to avoid such possible conflict, as well as to improve the intra-Party power framework, and clarify the relationships between Party congresses, Party committees and Party organs of discipline inspection, adjustments need to be made to the scope of responsibilities of those functional departments. Some of its working responsibilities and powers can be handed over to the standing organizations of Party congresses, such as the liaison and management of Party representatives, management and supervision of major Party cadres and leaders, and strategic and mid-term research on major issues.

4. Studying and building institutions pertinent to power operation mechanism within the Party

The smooth and effective operation of the chain of power within the Party relies on the perfect and close connection of all the components between one another. Together, they form an integrated institutional system that organizes our life and work within the Party in an orderly manner. This institutional system is comprised of institutions and regulations on various aspects of Party affairs, such as the delegation of authority, CPC delegate election, collective leadership and decision-making, openness in Party affairs, intra-Party supervision, withdrawal of powers within the Party, etc.

5. Establishing procedures within the Party

As mentioned earlier, there are some very well designed systems in our Party unable to be effectively implemented mainly due to the lack of practical operational procedures. Therefore, during the development of Party rules and regulations, it is necessary to collect and sort out the procedural rules during the exploration of grassroots democracy, further improve the provisions and rules proved by practice to be in line with the spirits of the Party Constitution and the principle of intra-Party democracy, while at the same time revoke or invalidate those that are proved otherwise.

1. Pilot zones should be set up to explore the possibility of promoting the comprehensive social reform

Reform in the social sector forms important part in comprehensively deepening the reform. It’s of great significance to building a moderately prosperous society in all respects and promoting the modernization of the national governance system and capacity, and has profound influence on China's future economic development and the development of political civilization. At the same time, social reform involves a series of very complex tasks regarding a large spectrum of aspects. The world's major developed countries spent 30 to 100 years of social reform and social adjustment before gradually establishing a relatively sound society Welfare system and social governance system. Given China's vast territory, large population, and huge regional disparity in economic and social conditions, top-down design should be coupled with local and grassroots innovation in the process of comprehensively deepening the reform. For this purpose, it’s very necessary to establish pilot zones to explore the possibility of comprehensive social reform under the guidelines set by the Central Government.

We suggest setting up pilot zones in the more developed regions, such as Jiangsu, Zhejiang, Shanghai, Guangdong, Fujian and other provinces and municipalities, where various experiments should be conducted to explore reforms on the fiscal and taxation system, social security and household registration system, social organizational development, grassroots democracy, public security system, judicial system, the public participation-oriented administrative system and other aspects of the society. These explorations will provide valuable experience and demonstration effect to promote the reforms nationwide.

The establishment of the pilot zones, like the setting up of special economic zones during the marketization reform, is not only a strategic choice that requires courage and wisdom, but also a pragmatic approach to push forward the social reform. Proactive social reforms will build up the capacity of the society to run on its own, inject great energy into our society, release huge economic potential and stimulate economic growth. They will draw strong public support, increase the credibility of the government, and consolidate the foundation of the governance of our Party and government. Therefore, proactively and steadily pushing forward the establishment and operation of the social reform pilot zones will, like the marketization reform, exert a far-reaching influence on China's social development in the future.

To build up the pilot zones, we should, at the macro level, make institutional adjustment and integration, and at the micro level, bring genuine implementation of the reforms to communities. We believe that grassroots community governance reform is the key to enhancing comprehensive social reform. The reasons are as follows: to begin with, there is great potential in community building on the whole, and grassroots community governance will make the public feel tangible results of the reforms as it is closely connected with people's lives. Second, making overall plans for developing urban and rural communities is an effective reform measure to narrow the gap between urban and rural areas, and more importantly, is the key to achieve major breakthroughs in the comprehensive social reform. Finally, improving grassroots community governance model, encouraging public participation, and improving the decision and policy-making mechanisms in grassroots community building can effectively promote the institutional reform of public policy and governance system, integrate the fragmented pattern of social governance at present, and yield positive results of the social governance reform.

In terms of how to build the pilot zones, experience can be borrowed from the establishment of special economic zones in the 1980s: combining top-down design with grassroots innovation to restore vitality in the society. In the past two years, the central government has issued a series of opinions and proposals on social reform and social governance innovation. Although some progress has been made, major breakthrough and thorough implementation of the reforms have not been achieved. The reason lies in that local and grassroots initiative is not paid enough attention to and local vitality has not been stimulated. Therefore, local and grassroots reforms should be given the authority and space for conducting trials and innovation, and at the same time, bold measures should be taken to remove the institutional and mechanism barriers against the effective functioning of the society.

1. Belt and Road Initiative and TPP should be combined to support China’s opening up.

The Belt and Road Initiative is an important long-term national strategy put forward by the central government and is of great significance to China's political, economic, foreign policies. As China further opens up to the world, we should spare no effort to materialize the Belt and Road Initiative, and build a new strategic platform for China’s opening up. For a considerable time in the future, the United States, Japan and other Asia-Pacific regions will remain the major target countries of China's further opening up, the introduction of capital and technology, and the development of foreign trade. Therefore, at the same time as we highlight the Belt and Road Initiative in China’s opening up, we should also further consolidate and develop the Asia-Pacific market and strengthen the economic, technical and trade cooperation with the developed economies in the region, especially take an active part in the US-led TPP negotiations and cooperation. The Belt and Road Initiative and the TPP will form the two pillars supporting China’s opening up.

The revolutionary new rules of TPP and the Trade in Services Agreement (TISA) pose great challenges to the world. China should not be a passive recipient of the rules, but an active participant and leader in making them. On the one hand, China needs to speed up the study of TPP, TTIP, TISA and other agreements, to absorb their reasonable rules, and develop strategies to cope with them. For instance, some TPP rules on the protection of resources and environment, intellectual property rights, labor rights and other areas are in line with the inherent requirements and trend of economic and social development. As a result, speeding up reforms in these areas will help us meet the basic requirements to participate in the TPP negotiations. On the other hand, joining the TPP negotiations at the right time will minimize the impact it brings to our country. We believe that joining the TPP is conducive to forcing domestic reform, and will play an active role in increasing government efficiency, improving laws and regulations, establishing a more transparent and level playing market environment, and enhancing the competitiveness of domestic enterprises. In particular, joining the TPP will urge our enterprises to attach greater importance to the protection of the labor rights and the environment, as well as to build up the capacity of independent innovation. This is in full compliance with the five development concepts proposed by the central government in the 13th Five-Year Plan.

In order to create opportunities and accumulate experience for TPP negotiations, the central government is now undertaking pilot projects in Shanghai, Guangdong, Tianjin, Fujian and other free trade zones. Proactive measures should be taken in this process. The FTZs should conduct stress testing and use the trial and error method to fully benchmark against the TPP, TTIP, TISA and other international rules. Fault-tolerant, liability mitigation and incentive mechanisms should be established to encourage reform and innovation in the FTZs. The scope of the FTZ trials should be expanded through conducting diverse and multi-dimensional pilot projects. Clearer entry and exit mechanisms of FTZs and the differentiated trial and error principle should be established. If there are institutions that can be replicated and applied widely, their standards and terms of validity should be specified. And the FTZs should avoid vicious competition. On the national level, the Law of the Pilot Free Trade Zones should be enacted as soon as possible so as to unify the regulations and to improve the legal system of the FTZs. Based on this unified legislation, the FTZs can make modifications or draft detailed rules and regulations according to their own conditions.

1. A roadmap for political reform should be designed for socialism democracy construction.

The Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform (hereinafter referred to as the Decision) adopted at the Third Plenary Session of the 18th Central Committee of the Communist Party of China has pointed out that we must deepen political system reform that features the organic unity of upholding the leadership of the Party, the people being the masters of the country, and governing the country according to the rule of law, and we should work harder to accelerate socialist democracy . It is fair to say that the Third Plenary Session of the 18th CPC Central Committee serves as the top-down design and overall planning. However, since many of the issues involved in the political system reform are sensitive and complicated, consensus is hard to reach. Consequently, practice has proved that in the past years, the political system reform is much slower than reforms in economic and social sectors. Many plans and roadmaps are not issued, and some are not put into practice. Therefore, the political reform is the weakness in the systematic, integrated and coordinated reform planning elaborated by the central government. We believe there is an urgent need to carry out planning and roadmap for political reform and socialist democracy. Therefore we have come up with the following proposals:

2.9.1 Emancipating the Mind and Building Consensus in Political Reform

Consensus is hard to reach in political system reform and socialist democracy building since ideology is involved. For example, the Decision and the core socialist values have clearly put forward values like freedom, democracy, equality, the rule of law and human rights, which are also embraced by western political systems. To some extent, these are understood as common values shared by all human beings, but in theoretic study and practice of the political system reform, they are heavily criticized as western values. These forbidden zones have significantly impeded the development of socialist democracy. Bold explorations need to be made despite the difficulty in building ideological consensus in political reform. Just as President Xi Jinping once said, “Emancipating the mind comes first” and also “we should change our traditional mindset and break through the rigid interest pattern”. Over 30 years of reform and opening up have proved that emancipation of mind leads to theoretical innovation, which eventually gives rise to reform breakthroughs. Over the years, new vocabulary and new ideas have emerged in political field, such as people oriented, human right, democracy, rule of law, etc. They represent changes in political ideas, which directly lead to real political reform. In fact, the constantly deepening political reform is the product of mind emancipation of the Party.

To achieve the consensus of ideology in the current political reform, it is necessary to take a clear-cut stand against left-wing politics and especially extreme-left politics. The extreme-leftists are opposed to market-oriented reforms in economy, and aim to eliminate the capitalists. Politically they advocated ideas from the Cultural Revolution, and attempt to renew the class struggle. If the ideology of the leftist, especially the extreme-leftists, prevails, the political system reform and the development of socialist democracy will stagnate, the top-down design of the political reform will be hard to achieve.

2.9.2 People’s Congress and its Supervision on Key Personnel Appointment and Major Governmental Issues

The National People's Congress is the supreme organ of state power and the national legislature, with the power to legislate, the power to oversee the operations of the government, and the power to elect and appoint key personnel . However, in recent years, the Party congresses at all levels have played a lesser role in appointing and removing key personnel compared to legislating. If the Party congresses of all levels can better exercise this power and help Party committees with personnel assessment, there will be less cases of appointing and promoting cadres who have offended laws and Party disciplines.

Further strengthening the supervision power of the National People's Congress should be the next priority of NPC’s reform and innovation. Many details are involved in this process, such as the agenda of the NPC, the number of delegates, the structure and model of election, the process of legislation and the transparency, among which the electoral system is the cornerstone of the NPC, and also the guarantee of electoral democracy. Fair and reasonable electoral procedures can protect people’s right to vote and to be elected, and give full play to the role of NPC delegates, and vice versa. At present, several bribery scandals have been exposed in some places, revealing serious flaws in our NPC election system. Measures should be taken to solve this problem, such as consolidating regulations and norms on election, improving the procedures of election committee, setting higher standards for candidates, and disclosing recommended candidates, etc. Among the many approaches, pre-election and conditional election might be a practical choice.

Given that the NPC is the organ of state power and the NPC Standing Committee serves as its permanent body, the future priority of NPC reform will fall on the Standing Committee, highlighting the improvement and consolidation of its legislative and supervisory functions. NPC Standing Committee should adopt tenure system, gradually eliminating part-time posts and introduce certain competition to the committee. At the same time, efforts should be made to improve the drafting, discussion, coordination, and review mechanisms to ensure the quality of legislation, and eliminate the influence of department and local interests in legislation.

Exercising NPC’s supervision function is more urgent in the development of socialist democracy because of its binding effect. We should improve the current system, where the government, the people’s court and the people’s procuratorate are created by people’s congress, are responsible to it and under its supervision. Governments of all levels, before carrying out any major decision, should report to the corresponding people’s congress and the latter should adopt multiple supervisory measures such as inquiries and hearings, and should consolidate relevant rules. The NPC Standing Committee should make detailed procedural rules on the subject, time, object and content of inquiries to improve the inquiry procedures.

It is necessary to enhance transparency and public participation in the legislation, decision-making and supervision of the NPC Standing Committee. In the future, the NPC should hold hearings and listen to public opinions before enacting any laws, regulations or public policies closely related to the interests of the public. During the term of office of the members of the NPC Standing Committee, their governmental activities such as speeches and voting should be made public in various forms.

2.9.3 A Strengthened CPPCC as the Most Important Platform for Consultative Democracy

Political consultation system is an important political system and the most important platform for consultative democracy in China. Especially as interests become more multi-dimensional, social ideas become more diverse and people’s awareness of democracy and willingness of participating in political governance increase, the CPPCC is expected play a more important role. The primary functions of the CPPCC are to conduct political consultations, carry out democratic supervision, and participate in the deliberation and administration of State affairs .

In general, the CPPCC is doing relatively better in participating in the deliberation and administration of state affairs. Most political consultations it conducts are only about non-substantial matters and democratic supervision is the weakest among the three. In order to give the utmost play of its role as platform and channel for consultative democracy, the CPPCC will need to reform and innovate on itself.

There are many reasons why the democratic supervision has become the weak link of the CPPCC. The most important one is that the party committees and governments at various levels are reluctant to submit to the supervision of CPPCC. The democratic supervision of CPPCC is non-binding. It’s carried out in the forms of comments, criticisms and suggestions. As a result, the supervisees may question the quality of such suggestions and may refuse to accept them. Therefore, how can the non-binding supervision exert binding effects through certain procedures is a prominent challenge for the CPPCC.

2.9.4 Accelerating the Development of Inner-Party Democracy to Showcase Socialism Democracy

The institutional reform and innovation of the Party system is the core of the political reform, and inner-party democracy, the core of Party system building. Therefore, we should further improve the NPC system, inner-Party election and consultation to achieve inner-Party democracy, which in turn brings people’s democracy.

Political documents such as the Party Constitution and the Regulations and Provisions have clearly stipulated the democratic rights of party members. The problem now is that they are not or not substantially put into practice. Therefore, the priority of promoting inner-Party democracy is to specify, standardize and institutionalize these rights so that all party members can enjoy these rights to the greatest extent.

The priorities at present are enhancing the democracy in the election and appointment of cadres, opening up Party affairs to the public, improving the inner-Party election system, and strengthening democratic supervision within the Party. Openness and transparency should be safeguarded since they are the preconditions and basis to protect the due rights of party members. At the same time, ordinary Party members and grassroots Party organizations should be more involved and given greater decision-making power in the election of Party cadres so as to raise the credibility of election.

The right to vote is an important democratic right shared by all Party members. The inner-Party election system should be improved through the following approaches: improving mechanisms of nomination and election; increase the numbers of candidates in multi-candidate election; experimenting and promoting direct election of grassroots standing committee members; enhancing the powers of the plenary session of Party committees such as the nomination power of candidates, hearing regular report from the standing committees and increase the number of plenary sessions.

2.9.5 New Steps to Rule by Law

The rule of law is an important choice made in political system reform and the development of socialist democracy. The Fourth Plenary Session of the 18th CPC Central Committee took the first step and issued the Decision of the CCCPC on Some Major Issues Concerning Comprehensively Promoting the Rule of Law, which set the goal of building a government ruled by law by 2020, fully implementing this national strategy and enshrine the laws as the supreme authority of the society. The following steps should be taken to achieve this goal:

First, implementing the existing laws, especially materializing regulations on restraining the abuse of government power and protecting civil rights prescribed in the Constitution and other laws. Restraining government powers and protecting civil rights are interconnected and interdependent. Too much government power will threaten civil rights; failure in protecting civil rights will impede the constraint on government power. Relatively speaking, the protection of civil rights is more urgent, which requires specific and practical stipulations in the Constitution and laws.

Second, eliminating laws and regulations in the current legal system that go against the protection of civil rights or do not accord with the modern political civilization. Some of the existing laws and regulations tend to lean toward certain groups due to various factors. As a result, these laws and regulations have lost the impartiality and are likely to bring damage to the civil interest. Such laws should be removed once and for all from the legal system.

Third, breaking the power-oriented mindset and instilling the political values including democracy, equality, justice and the rule of law into the government and Party officials at all levels, raising their awareness and capacity of ruling by law and preventing powers from overweighing laws.

Fourth, opening up the process of legislation to the public, encouraging the participation of the public in legislation, public policy-making and public life; strengthening the supervision of public opinions and the media on officials and public power. Laws and policies related to basic civil rights should first hear from the public.

2.9.6. Establishing a power restraint and supervisory system

Establishing a power restraint and supervision system first requires rationally dividing the power and setting up a system of checks and balances for the state and the government.

The present power structure of China is hampered by excessive centralization and inadequate decentralization and lacks legal regulations of power. Some party and government cadres, especially some chief cadres in charge, intervene at will in specific administrative affairs. Furthermore, the government’s decision-making process, especially for major events, projects and programs, lacks legal norms, which may also contribute to corruption. Therefore, there is a need to improve the power allocation in party committees and governments at all levels and institutionalise correlative norms. On the basis of clarifying the list of power of party committees and government departments at all levels, there is an urgent need to formulate inner-party laws and regulations on how to allocate and exercise the power of party committees and administrative laws and regulations on how to exercise the power of governments and their departments so as to prevent the abuse of power.

There should be broad citizen participation and strong external supervision. The external supervision refers to the supervision outside of that from the Party and government organs, including the supervision from the National People’s Congress, the judiciary, the social and public opinion, especially the judiciary and the public opinion. The media-based public opinion is a good constraint on the exercise of government power. But in order to give full play to the media supervision, institutional provisions are still needed. It is suggested to publish at the appropriate time a law on supervision of news media.

2.9.7. Enhancing the transparency and openness of the Party committees and governments

Establishing a system for the people to supervise the government requires the disclosure of decision-making and policy-making processes to the people and the transparency of government. Therefore, it is necessary to strictly implement the State Council’s regulations on the disclosure of government information and all the information related to the public life, public affairs, public decision-making as well as the individual life and the development of citizens. The information should be made available to the public in an active and timely manner. For this purpose, it is necessary to establish a system and mechanism to guarantee the timeliness and efficiency of the disclosure and raise the awareness of the government in this regard. The disclosure refers not only to disclosing results but also to disclosing policy-making and legislative processes.

In May 2008, China adopted the Regulations on the Disclosure of Government Information. This is a significant step in the history of China’s legislation, since it constitutes the first government regulations on the right of citizens to know and an important step towards the freedom of information. However, the implementation of the Regulations in the past few years was not satisfactory. It is suggested to enshrine the Regulations in the law. A law on the disclosure of information can push the governments to better disclose its information.

2.9.8. Speeding up the reform of finance and taxation and establishing a new system of public finance

To put a good budget, establish a public financial system and implement budgetary democracy is also instructive for China to push forward the reform of its political system.

The public finance system itself is one of the important contents of democratic politics. One of the basic functions of government is to provide society and citizens with public services, including infrastructure construction, welfare system service, public transportation, public health, sanitation and basic education, etc. The government also regulates the income gap among social groups and develops the economy. Therefore, public finance is the foundation for the government to provide public services.

Budget is the core issue in public finance. Budget should be made democratically and lawfully. This is an epitome of democracy and rule of law in public finance. For this reason, a special budget law is required. In August 2014, China revised and promulgated the Budget Law, greatly strengthening rule of law and improving democracy in making budgets. However, its supervision is still weak and the root cause lies in inadequate public participation in public finance. China needs to strengthen the implementation of the Budget Law, making it legally binding for the government budget.

2.9.9. Promoting democracy and self-government at the grassroots level

Grassroots democracy and people’ interests are closely linked. People evaluate how well the policy is working according to their perception and judgement on the performance of grassroots governments and cadres. Poor governance and corruption at the grassroots level undermine people’s confidence and trust in the government. Therefore, people have the strongest will for democracy.

The essential for the grassroots democracy lies in doing a good job in elections. On the basis of improving village elections and urban Residents’ Committee elections, direct elections should be piloted on the township level; consultative democracy should be applied in democratic decision-making, democratic management and democratic supervision processes; the rights and interests of people in rural and urban public affairs should be safeguarded; legalization should also be speeded up. Electoral democracy supplemented with consultative democracy should become the form of grass-roots democracy.

Social self-government is an integral part of grassroots democracy. Social grassroots self-government is the self-management of public affairs by all members within a given community in accordance with the law and on the basis of freedom and equality. In China, self-government includes villagers’ self-government, urban residents’ self-government, community self-government, local self-government, industry self-government and social organization self-government.

On the one hand, through practicing self-government, people can gradually cultivate their rule-consciousness, legal awareness and sense of responsibility and accumulate their experience and skills of political participation. This is conducive to nurturing and shaping the modern citizens in a modern nation. On the other hand, people are encouraged to negotiate and communicate equally and rationally through democratic means. This can protect the interests of grassroots people, proactively resolve problems, greatly reduce the burden on the government's social management, cut administrative costs and relieve the enormous pressure on the government to maintain social stability.

2.9.10. Further expanding the economic freedom of citizens

One of the basic experiences of reform and opening up is to loosen the government’s control over social and economic affairs and give people freedom to enter the market and engage in economic activities. This can vitalize the civil society and motivate people to create wealth.

China’s economy is currently faced with great difficulties and long-term downward pressure. To meet people’s demands for employment, wealth, fairness and stability in the next few years, it is needed to vitalize the civil society and unswervingly develop the private economy. In the past few years, the State Council and local governments have been vigorously reforming the business registration system and encouraging the mass entrepreneurship and innovation. This greatly conferred people on the economic freedom and motivated them. The next step should be to further liberalise the government regulation of production factors and market access so as to further enlarge the economic freedom and vitalize the civil society.

1. **Innovating execution mechanism to ensure the implementation of general design**

China is comprehensively deepening the reform and 2015 is the first year of the transition from general design to comprehensive development. In accordance with the general design, the central authorities promulgated a series of reform initiatives which are unprecedented in both quantity and strength. The planning of comprehensively deepening the reform and most of the construction design has been completed. Now the reform has moved on to a new stage, the comprehensive development.

In recent years, the CPC Central Committee and the State Council have promulgated hundreds of reform programs. From an overall perspective, only a few of them are implemented smoothly, such as the regulations on the usage of government vehicles and family planning policy adjustments. Some programs have not been implemented at all, remaining slogans, designs or blueprints. Due to the “midway obstruction” or the “last-mile problem”, some implemented programs have not much benefit, or remain unfinished. Some programs have been implemented only by issuing documents without taking any concrete measures. Therefore the people cannot perceive tangible benefits of the reform.

Reasons for the failure to implement the top-level design and reform programs may include: design defects – for example, the reform program itself is unrealistic – inefficient coordination mechanism, dereliction of duty – which prevails among cadres – , influence from special interest groups, and the lack of a pro-reform environment. The ineffective implementation of reform programs has become the most challenging obstacle on the course of comprehensively deepening the reform. It is a must to make the greatest efforts to avoid only issuing documents without taking any concrete measures so as to ensure the implementation of the top-level design. This is the most important task for the future.

The above-mentioned problems have aroused the concern of the CPC Central Committee and the State Council. On meetings of the Central Leading Group for Deepening the Reform, Comrade Xi Jinping reiterated the importance and urgency of the implementation, suggesting reconciling reform programs with the actual situation, removing obstacles in the adjustment of interests and improving accountability so that the reform programs can be carried out accurately, carefully and effectively. On executive meetings of the State Council, Premier Li Keqiang repeatedly demanded to remove “midway obstacles” and resolve the “last-mile problem” in the implementation with the courage of “a brave man cutting his own wrist”. We believe that a successful implementation of the reform requires not only the attention of the central government and administrative means, but also an implementation mechanism which can ensure reform programs yield good results. The mechanism should be developed on the basis of a comprehensive study of current problems and the law of reform.

1. **Reconciling top-level design and grassroots innovation and inspiring the grassroots**

Since the 18th CPC National Congress, the central government has established the Central Leading Group for Deepening the Reform and its office (the Office), which contributes to improving top-level design and promoting the implementation of reform programs. We believe that the top-level design should be limited to guiding principles, major policies and reform programs for only a few issues of especial importance and that following the guiding principles local governments have the discretion to implement the top-level design creatively according to the context.

However, the Office divided the decision of the Third Plenary Session into over 300 reform programs and further decomposed these programs into more than 900 tasks with project planning matrix for each department and deadlines for each year, season and month. These 300 reform programs include not only major reforms, such as the SOE reform, government administrative system reform, party building institutional reform and other major changes that affect the overall situation, but also minor ones, such as the government vehicle usage reform, SOE executive remuneration reform and football management system reform. Once these proposals are adopted, they will be implemented throughout the country. At the same time, the central authorities also urged local governments to strictly implement the proposals, no earlier than the scheduled dates.

In this case, local government can only follow the requirements of the central authorities, blindly copying the measures adopted by the Office: if the Office sets up six task forces, local governments will also establish six working units; if the Office holds a meeting to study a particular proposal, local governments will do it too; if the Office issues a document, local governments will also publish a similar one. Local governments do the same thing as the central authorities do. But how can a passive response inspire local governments to innovate and reform?

The reform programs promulgated by the central authorities not only cover many areas, ranging from economy, society, culture and politics, but also have detailed and specific contents. The reform is unified in its contents, standards and actions across the country.

In the vast territory of China, local economic and social development levels vary widely. When local governments implement the reform programs made by the central authorities, some “blueprints” will unavoidably not correspond with the reality. In recent years, the central authorities have been emphasising the political discipline and strengthening the accountability mechanism. Therefore, some local governments knew that the “blueprint” was unrealistic, yet had to implement it. It is difficult to inspire them to make innovation and push forward the reform. Therefore, in the future process of deepening the reform and implementing programs, the central authorities should encourage local governments to carry out the reform work creatively according to their actual conditions. As long as in line with the guiding principles of the top-level design, specific reform programs in some localities can be made or amended. In the overall work arrangement, some localities can make bold explorations and leapfrog development.

1. **Prioritizing key areas and links and making breakthroughs**

The central authorities have promulgated hundreds of reforms in various fields, covering economic, political, social and cultural aspects. However, except major breakthroughs in fighting corruption with high pressure, improving the Party’s working style and implementing the Eight Regulations of the Political Bureau of the CPC – which have won the praise of the people – , other hundreds of reforms have not brought the people tangible results. Social expectations of the reform have been undermined and cynicism and disappointment are looming among certain groups. An important reason for this situation is that the reform programs tend towards excess and comprehensiveness but without prioritization. Some important reforms are not substantial enough and some are not implemented. There is a lack of breakthroughs in some key areas and links that affect the overall situation, such as the SOE reform, government transformation, rural land system reform, monopoly industry reform, distribution system reform, education reform and health reform.

China’s reform experience over the past 30 years shows that breakthroughs were always achieved in key areas and links before deepening and spreading throughout the country. The breakthrough achieved in the household responsibility system reform in the 1980s started China’s reform and opening-up. The breakthrough in the tax sharing system reform and financial reform laid the foundation for China to establish a macro-control system to regulate its socialist market economy. At the end of the 20th century, Comrade Zhu Rongji made a proposal of “one assurance, three deadlines and five reforms”. In five years, Chinese people tackled many difficulties with continuous efforts and basically achieved the objectives in the key reform areas and links. The established socialist market economic system laid the institutional foundation for China to rapidly emerge in the 21st century and develop into the second largest economy of the world.

Comprehensively deepening the reform is a huge systematic project, which needs to be coordinated and promoted as a whole. In recent years the central authorities and the State Council have introduced hundreds of reform programs. The priority for the relevant departments should not be to promulgate more reform programs, nor should it make the existing programs comprehensive and detailed. They should be focused on key issues and concentrate their efforts on eradicating the most difficult problems. They should make breakthroughs in key areas and links which have an impact on the overall situation and copy the successful methods to promote the reform and inspire the whole society. According to the present situation, we believe that priorities for the reform include: the establishment of an anti-corruption system, transformation of Government Functions, SOE reform, monopoly industry reform, rural land system reform, distribution system reform, household registration system reform, financial system reform, fiscal and tax system reform and health system reform. Breakthroughs in these areas can promote the reform throughout the country and further deepen it.

1. **Resolving the “inaction problem” of inadequate courage, will and know-how and inspiring cadres to innovate and reform**

In recent years, the central authorities and the State Council have introduced a whole lot of reform programs. But due to the “midway obstruction” and the :last mile problem”, many of the programs are not implemented effectively or not at all. On the local level, there is inadequate courage, will and know-how among cadres to implement the reform. So inaction is an important reason. This situation should be effectively changed. If not, it will hamper the daily administrative and economic work and impact greatly on the realization of comprehensively deepening the reform.

Inaction is a new phenomenon appeared recently among cadres. There are personal reasons for the spreading of inaction, such as, the lack of determination, ethics or the sense of responsibility. But there are also some institutional or special reasons. First, some cadres have unnecessary concerns, psychological pressure or a sense of insecurity. Fighting corruption with high pressure and implementing the Eight Regulations on the one hand have improved the Party’s working style and reduced the abuse of power, but on the other hand also concern some cadres who are reluctant to entangle with historical issues. Second, the accountability system has been strengthened in recent years and requirements for the law-based administration become more stringent. Some cadres who innovate and work boldly easily offend others and make trouble. Then promotion will be less likely for them. If the reform is not in line with relevant regulations or procedures, or the reform fails, the author of the reform will be evaluated and treated unfairly. Sometimes the author will even be held to account. So the second reason is the lack of the will to promote reform. Third, the central authorities emphasize the top-level design and promulgate a large number of specific reform programs in their own name or that of the State Council, while requiring local governments to implement the programs no earlier than the scheduled dates and strike a balance between the reform and the rule of law which means major reforms should be justified. In this context, some local cadres have not figured out how to strike a balance between the top-level design and local innovation, between making bold exploration and following existing laws and regulations. They failed to adapt to the reform environment and thus inadequate know-how became a common phenomenon.

Cadres dare not to promote reform, don’t want to promote reform or don’t know how to promote reform. This inaction shows the big deviation of their personal interests and values from the direction of comprehensively deepening the reform. Inaction is difficult to find out, punish and eradicate and can produce serious consequences. To fix it requires not only the conventional ideological education and accountability mechanism but also some pragmatic measures and methods. For the cadres who dare not reform due to the sense of insecurity, it would be necessary to establish policies to distinguish between “black” corruption and grey income. Objectively speaking, over the past 30 years, China has greatly reformed itself and its institutions, policies and regulations have been adjusting and changing continuously. In this process, some incomes were gotten through deliberate corruption. Some are gained from the securities market, the real estate market and the capital market. These incomes are justified to some extend and should be considered legitimate. Some incomes are attained taking advantage of the ambiguity in policies and regulations. These incomes should be considered as grey incomes. Therefore, it is necessary to make a distinction. The cadres who deliberately commit corruption must be investigated resolutely and punished severely. There is no amnesty for them. Regarding the grey income, if the relevant cadres make declaration truthfully according to the Party’s discipline, they can be exempted from legal punishment. On this basis, it is necessary to speed up developing clear and operational provisions to eliminate the possibility of gaining grey income. Regarding the legitimate income, the relevant cadres will be required to disclose their property. Through these ways, most of the cadres can be emancipated from the pressure and fear of anti-corruption and be more confident, relaxed and bold in the reform.

To resolve the problem that some cadres don’t want to promote reform requires establishing a fault-tolerant error-correcting mechanism. Even without personal interests, people may conflict with the existing provisions, procedures and systems and even make mistakes when promoting reform and innovation. A pragmatic and fault-tolerant environment is necessary to encourage cadres to promote reform. Therefore it is necessary to establish relevant mechanisms and institutions. In this way, so long as cadres work out of public interest instead of their personal benefits, their mistakes in the exploration of reform should be tolerated in order to maintain their enthusiasm. In 2008, Shenzhen introduced the Regulations on Promoting Reform and Innovation in Shenzhen Special Economic Zone to stipulate how to award, tolerate or exempt the reformers and innovators. Nearly a decade has passed. Due to a variety of reasons, many clauses have not been put into practice and the Regulations are in fact a dead letter.

Regarding the problem that some local governments and cadres don’t know how to implement reform, it is suggested that the central authorities and the State Council prioritize relevant training, education and publicity, inspire local cadres, respect local practice and leave space for local innovation.

In short, these measures combined with other necessary administrative means, incentives, etc., should be able to change or mitigate the phenomenon of inadequate courage, will and know-how in the reform. This way, local cadres can get inspired and the reform can be put into practice.

1. **Promoting socialist democracy and ensuring the quality of reform programs**

In recent years, some reform proposals and programs have not been well implemented. Low quality of planning and blueprints is also an immediate cause. For example, some programs or blueprints fail to reflect the values of the Decisions of the Third Plenary Session or cannot fully express the spirit of the top-level design. The people is inspired by the Decisions but appointed with some specific reform proposals. Some programs are not bold enough, making the reform seem beneficial to certain state departments or influenced by special interest groups and thus misleading the public perception of the reform. Some departments do their daily management in the name of reform and publish the so-called reform program guidance. Some programs are too detailed to correspond to local conditions. Some programs were blindly copied from other countries and caused serious social consequences and economic losses.

The main reason for low quality of some reform programs and the consequent dissatisfaction among the people, methodologically, is the lack of democracy in the elaboration of the programs – sometimes opinions from local governments, experts and the people are not taken seriously – and the lack of a communication mechanism for all parts to express and balance their interests. Some programs are results of acting blindly and divorcing from reality and lack democratic and social basis for a comprehensive implementation. In order to improve specific reform programs and lay a good foundation for their implementation, we have following suggestions:

First, it is suggested to review the introduced and ongoing programs, evaluate the poorly enforced ones and make modification or improvement if necessary. If a program has already caused great losses to the state and the society, lessons must be learned through reflection and review.

Second, the central authorities and the State Council should coordinate and supervise proposed programs to strictly prevent the special interest groups from hijacking the programs. It is also suggested to improve the existing coordination mechanism which requires proposals only to be submitted to the Office for approval so that major reform proposals can be submitted to the National People’s Congress and the Political Consultative Conference for deliberation before promulgation.

Third, it is suggested to give full play to democratic mechanism and promote democracy and public participation. Listening to opinions of all parties should be one of the necessary procedures of program design. In addition to listening to opinions from different state departments, local governments and experts, it is also necessary to listen to opinions from the community, the media and the people through hearings, demonstrations, debates and third-party assessments. For particular reform issues, within certain area and in certain way, votes can be held and the results will be presented to the central authorities and the State Council for the decision-making.

Forth, reform programs should be small in number, but influential. The regular work or the general work of the improvement, perfection or adjustment should not be enshrined as reform programs. It should be avoided to fulfil departments’ purpose in the name of reform. The vulgarization of reform must be prevented. In specific programs, there should be certain space for the grassroots to make innovation. Programs should not be too detailed and specific so that they can be adapted to local contexts and better implemented.

1. **Making sure the reform is based on the law and facts while encouraging innovation and breakthroughs**

Making sure the reform is based on the law and facts and encouraging innovation and breakthroughs need to be well balanced. This is a very important issue when the reform is comprehensively deepening. Almost all reforms, especially the government approval system reform, are inconsistent to some extent with the existing laws, regulations or rules. This is one of the important reasons why some local governments and cadres dare not, don’t want or don’t know how to promote reform. This is also the main excuse for the inaction of some cadres. Therefore, how to balance the two factors is crucial from comprehensively deepening the reform, well implementing the programs promulgated by the central authorities and inspiring local governments.

After more than 30 years of reform, China has passed the phase of “crossing the river by feeling the stones” and “destroying the old[[17]](#footnote-18)”. In the new period, it is reasonable to emphasize the top-level design and make sure the reform is based on the law and facts. Before implementing some major and influential reform programs, it is needed to amend relevant laws in order to guarantee the legitimacy and effective progress of the reform. However, an overemphasis on this point at all levels of government may switch the reform from one extreme to the other. Both in past and present, almost all of the reforms and innovation are inconsistent to some extent with the existing laws, regulations or rules enacted by the state, regions or departments. To amend or modify these laws, regulations or rules is often a long and complex process. However, without doing so, the reform cannot advance; on the other hand, if we just wait for these laws, regulations and rules to be revised, the opportunity will be missed, the reform will be delayed and the grassroots will also lose their enthusiasm. Regarding how to deal with these complex issues, we propose the following four recommendations:

First, nationwide reforms must be based on laws and regulations promulgated by the National People’s Congress and the State Council. Decision-making procedures of major reforms should also be gradually improved and seriously implemented so that nationwide reforms can be based on laws and facts. This is the bottom line for the reform. However, breakthroughs are allowed and encouraged if the reform only involves laws, regulations or rules of provincial and municipal governments or departments of the State Council. The breakthroughs should be in line with national laws. However, the actual situation is that the existing laws, regulations and rules implemented by the departments of the State Council and local people’s congresses at all levels are developed a number of years ago and that some content is already obsolete and seriously detached from reality. In the past, the legislative process of some departments and local people’s congresses was ill-controlled and defective and some laws or regulations were aimed at favouring certain departments, local governments or special interest groups. If these rules are “sacred” and inviolable, how can the central authorities implement their reform measures and how can local governments promote reform exploration? The history over the last 30 years shows that the process of China’s reform and opening-up is in fact a process of making breakthroughs in laws, regulations and rules of the departments of the State Council and local people’s congresses at all levels.

Second, the revision and formulation process of relevant laws and regulations should be speeded up. Reasonable and instructive results of reform and innovation should be enshrined in the national law as soon as possible. If it is impossible to overhaul a law, an urgent amendment may be a choice. At present, it takes several years at the very least and even ten-odd years at most to amend or make a law or regulation. If the law is amended step by step, how could be possible to meet the needs of comprehensively deepening the reform proposed in the Third Plenary Session of the 18th CPC Central Committee?

Third, local legal resources should be fully used. China already has complete legal system. Provinces, municipalities, large cities, special economic zones, ethnic autonomous regions, including some districts of the city have a certain legislative power. So long as local governments have the will, ability and courage to promote reform and make the most use of local legislative power, the reform and innovation can be pushed forward. For example, in 2012, Shenzhen took the lead in promulgating the reform of the commercial registration system. But the reform encountered inconsistency with dozens of relevant state laws and local regulations, even with the Company Law and the interpretation of the Criminal Law issued by the Supreme People’s Court. To ensure the reform is based on the law and facts, the Municipal People’s Congress promulgated the Provisions of Shenzhen Special Economic Zone on Commercial Registration in October 2012 to provide a legal basis for the reform. The exploration of Shenzhen has had a profound impact, since this commercial registration system reform has provided the State Council with experience and reference in promoting the examination and approval system reform and commercial system reform throughout the country.

Fourth, local governments and the grassroots are allowed to boldly launch pilot programs if some reform is inconsistent with laws, regulations and rules. As long as a pilot program complies with laws, regulations and rules, it should not be labeled but enjoy necessary support and encouragement when in difficulty.

1. Be strict in staying true to ideals, self-discipline, and the use of power. Be practical when coming up with ideas and policies, working hard and doing real work, and be a solid, righteous person. [↑](#footnote-ref-2)
2. The combination of business license, organizational code certificate and tax registration certificate into one certifying document. [↑](#footnote-ref-3)
3. Enterprises can obtain business license before certain necessary permits. [↑](#footnote-ref-4)
4. Full document in Chinese available at <http://www.mcprc.gov.cn/whzx/bnsjdt/whscs/201507/t20150721_456893.html>. [↑](#footnote-ref-5)
5. This phase is coined according to China’s shift towards a slower-growing yet more stable state. [↑](#footnote-ref-6)
6. Full document in Chinese available at <http://www.sdpc.gov.cn/fzgggz/wzly/zcfg/201509/t20150921_751689.html>, English summary available at <https://www.mizuhobank.com/service/global/cndb/economics/briefing/pdf/R216-0036-XF-0105.pdf>. [↑](#footnote-ref-7)
7. A development strategy and framework that focuses on connectivity and cooperation among countries primarily between the China and the rest of Eurasia. [↑](#footnote-ref-8)
8. Full document in Chinese and English available at <http://www.china.org.cn/chinese/2014-01/17/content_31226494.htm>. [↑](#footnote-ref-9)
9. Zombie companies are businesses that need bailouts in order to operate, or indebted companies that are able to repay the interest on debts but not the principals. As such they generally depend on creditors for their continued existence, effectively putting them on never-ending life support. In China, most zombie companies are state-owned. [↑](#footnote-ref-10)
10. Enterprises owned and controlled by the central government, mostly by the State-owned Assets Supervision and Administration Commission (SASAC) and the Ministry of Commerce (MOFCOM). [↑](#footnote-ref-11)
11. Households, by their membership in the villages, have the right to use their plots of land but do not legally own them. [↑](#footnote-ref-12)
12. Collectively-owned companies adopt a corporation-like shareholding structure with relevant parties (shareholders) holding interest in the entity. More information (in Chinese) available at <http://www.moa.gov.cn/govpublic/NCJJTZ/201606/t20160628_5189174.htm>. [↑](#footnote-ref-13)
13. Full document in Chinese and English available at <http://www.lawinfochina.com/display.aspx?lib=law&id=2433&CGid>=. [↑](#footnote-ref-14)
14. The plan, sometimes referred to as Major Function-Oriented Zoning, distinguishes between four categories of land: for relatively well-developed areas, land development should be optimized; for relatively underdeveloped areas, land development should be accelerated; for agricultural and ecological areas, land development should be restricted; for national parks and natural heritages (among others), land development should be prohibited. [↑](#footnote-ref-15)
15. The Article reads: “…In the determination of any criminal charge against him, or of his rights and obligations in a suit at law, everyone shall be entitled to a fair and public hearing by a competent, independent and impartial tribunal established by law…” [↑](#footnote-ref-16)
16. *On Freedom of the Press and Censorship, 1842* [↑](#footnote-ref-17)
17. There is an old saying in China: The old needs to be destroyed before the new is built. [↑](#footnote-ref-18)