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The Third Plenary Session: Old Wine in New Bottles?

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Key findings

- **Third Plenum delay:** The much-anticipated Third Plenum, expected in Fall 2023', was delayed until July 2024.
- **No new 'reforms':** As expected, the meeting addressed economic reforms to reverse the downturn, but the final Decision document offers few new ideas.
- **Political reform stagnation:** Focus remained on centralized, unified rule under Xi Jinping, with increased Party building and stricter state control over various sectors.
- **Addressing poor policy execution:** Party leadership believes the current direction to be the correct one; the main problem lies in poor policy implementation. Despite this acknowledgement, virtually none of the 'reform deepening' ideas address implementation.
- **Focus on modernization:** The Decision aligns with Xi's long-term strategy, emphasizing Chinese-style modernization over Western models, and aims to avoid the pitfalls experienced by countries that adopted neoliberal reforms.
- **Role of the market:** The document reiterates the decisive role of the market but maintains strong support for state-owned enterprises.
- **Fiscal reforms:** Vague measures to address the fiscal mismatch between local and central governments were identified, including expanding local tax revenue sources and increasing central government contributions to public expenditures.
- **Urbanization and social welfare:** Increasing urbanization, improving pension and healthcare systems are mentioned, which implies a future easing of the hukou household registration system to enhance social welfare for migrant workers.
- **High-quality economic development:** High-tech industries such as AI, aerospace, new energy materials, and quantum technology are emphasized, with scant attention paid to traditional heavy-industrial sectors.
- **Continuing the push for innovation-driven development:** R&D at the company level will be strengthened and SMEs that produce specialized technologies will be supported. The document does not explain how this will be accomplished.
- **Party leadership and Party building:** The Decision underscores the importance of CCP leadership and focuses on maintaining centralized control and improving Party building in all organizations.
- **Anti-corruption measures:** National legislation to combat both corporate and political corruption will be advanced. Efforts to prevent allegedly corrupt officials from fleeing the country will be intensified.
- **National security:** National security is presented as a pivotal foundation for modernization. The concept is equated with the security of the CCP and its leadership.
- **Personnel changes:** The plenary session confirmed the expulsion of former defense minister Li Shangfu and other officials for "serious violations", and the resignation of former foreign minister Qin Gang.
- **EU implications:** The continuation of innovation and modernization policies without political liberalization suggests that China's approach will increasingly conflict with EU priorities, particularly in fostering green technology and high-tech industries in the EU.

Old wine in new bottles?

Following China's reopening after two years of Covid-19 restrictions, the domestic economy entered a period of sluggish development. In 2022, the growth rate slowed to 2.4 percent. Driven by strong exports, it increased to 5.2 percent year-over-year in 2023, but then slowed to 4.7 percent in the second quarter of 2024. Many Western observers have dubbed the downturn an economic crisis characterized primarily by setbacks in the property sector, stagnant household consumption and insufficient private sector stimulus. There was much speculation as to whether the Third Plenum in China's five-year governance cycle, which is normally devoted to economic issues, would issue directives indicating fundamental reforms of an ailing economy. Interest was heightened when the plenum, scheduled for Fall 2023, was postponed.

The meeting was finally held July 15–18, 2024 and a long document, “Decision of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization” was released.¹ The Decision² includes 300 proposals, spread among 60 sections in 15 chapters. All of these are wrapped in the context of “Chinese modernization”. “Reform” is mentioned 141 times, but more than half of these are qualified by “deepening” (50) or “further” (38). It seems that the Party has resolved to tinker with the system rather than attempt any sort of fundamental reform. The Decision seems to affirm that the Party leadership believes they are on the right course, with the main issue being poor implementation or execution. Curiously, few insights are offered into how their intentions will be realized. Indeed, the Decision reads more like a vision statement than an action plan. One or another form of the phrase “we will” appears in almost every sentence – a whopping 589 repetitions!

Indeed, the Decision reads more like a vision statement than an action plan.

Third plenum meetings

The plenary sessions of the Central Committee usually follow a fixed pattern³ throughout each five-year governing cycle. The first plenary session, held immediately after the conclusion of the five-year National Party Congress, elects the new Party leadership including the Politburo, its standing committee and the general secretary of the CCP. The second plenary session, held in the spring before the annual meeting of the National People's Congress (NPC), discusses and approves the list of candidates for the country's next government. The third session held in the fall, one year after the Party Congress, lays out economic policy directions and reform. The fourth usually focuses on Party building or legal work, and the fifth reviews the draft of the upcoming five-year plan, which is formally adopted at the next National People's Congress. The sixth plenary session often focuses on cultural themes and broad societal goals, such as creating a “harmonious society” or adopting “scientific development”. The seventh

¹ “Resolution of CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernization,” Xinhua, July 21, 2024. Available at:

https://english.www.gov.cn/policies/latestreleases/202407/21/content_WS669d0255c6d0868f4e8e94f8.html.

² The official translation of the Chinese version calls the document a “resolution”. I have chosen “decision” which is the normal translation of the Chinese *juding* (决定).

³ Kjeld Erik Brødsgaard, “Assessing the Fourth Plenum of the Chinese Communist Party: Personnel Management and Corruption,” *Asia Policy*, No. 20 (2015), pp. 30-37.

plenary session, held a week before the National People's Congress, approves the agenda and lays the groundwork for the event.

The most famous Third Plenum, held in December 1978, shifted CCP work from class struggle to economic development and construction, signifying the beginning of China's economic reform and opening-up policies. The plenum marked the decisive return to power of Deng Xiaoping, who remained China's undisputed leader until his death in 1997.

Other important third plenary sessions include that of the 14th Central Committee in November 1993, which decided to build a socialist system in which the market would play a "basic role" in resource allocation. To this end, it declared that a modern enterprise system would be established and the corporatization process within the state sector would be accelerated, eventually facilitating the creation of national industrial champions.

In November 2013, one year after the 18th Party Congress elevated Xi Jinping to CCP General Secretary, the 18th Central Committee held its third plenary session. The meeting issued "The Decision of the CPC Central Committee on Some Important Questions Concerning Comprehensively Deepening Reform."⁴ This comprehensive document contains 22,000 characters divided into 16 chapters and 60 sections.

Like the 2024 document, the 2013 Decision contains more than 300 reform proposals regarding finance, tax, real estate, hukou and urbanization, and more. It also redefines the role of the market, which it describes as "decisive" and no longer just "basic". In a move towards a mixed ownership system, it promises ownership reforms in state-owned enterprises (SOEs). Importantly, the plenary session also decided to reform political governance by setting up two new leading bodies: a Central Leading Group on Comprehensively Deepening Reform and a Commission on National Security. Many of the economic reform initiatives were not implemented successfully, but the two new leadership bodies at the heart of the administrative initiative are now a crucial part of the Party organization at the highest level and play a key role in policy deliberation and decision-making.

In 2018, the third plenum of the 19th Central Committee focused on stability and security, rather than economic policy.

The plenary sessions of the Central Committee usually follow a fixed pattern. The third plenary session addresses basic economic issues and decides on economic policy directions and reform.

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⁴ "Zhonggong zhongyang guanyu quanmian shenhua gaige ruogan zhongda wenti de jue ding" [CPC Central Committee Decision on Several Major Issues of Deepening Reform], *Xinhua*, November 15, 2013. Available at: http://news.xinhuanet.com/politics/2013-11/15/c_118164235.htm. For an English translation, see <https://china.usc.edu/decision-central-committee-communist-party-china-some-major-issues-concerning-comprehensively>

The 2024 third plenary session

The drafting process for the Decision started in November 2023, when the Politburo established a document drafting group.⁵ Xi Jinping was appointed chair and standing committee members Wang Huning, Cai Qi and Ding Xuexiang served as deputy chiefs.

The composition of the group is revealing. It leaves out Premier Li Qiang, officially number 2 in the CCP, but overshadowed by his standing committee colleagues. It includes Wang Huning, a key drafter of ideological concepts and ideas during both the Jiang Zemin and Hu Jintao eras. Even though Wang was shifted to the Political Consultative Conference to take care of United Front Work in 2022, he remains active in formulating ideological and theoretical guidelines.

Modernization is now placed on a par with reform and opening-up.

Cai Qi's presence shows the increasingly influential status of this former Beijing Party secretary. As head of the CCP Central Party Secretariat, he wields enormous organizational power. He is a strong Xi ally and often accompanies the general secretary in meetings with foreign dignitaries.

Ding Xuexiang, the youngest member of the standing committee and executive vice premier, is also a close Xi ally. While head of the Central Committee's general office (2017–23), highest-level documents from throughout the Party crossed his desk. He has thus developed a comprehensive understanding of Xi's overall project and its implementation.

On November 27, 2023, the Central Committee issued a notice soliciting opinions on the Third Plenum agenda from all localities, departments and sectors. The drafting group received 1911 opinions and suggestions.

The drafting work started on December 8. The standing committee reviewed early drafts three times and the Politburo reviewed them twice. On May 7, 2024, the text of the resolution was issued to select Party members and retired senior Party officials for consultation. Opinions were also sought from the central committees of the so-called democratic parties and from the leaders of the All-China Federation of Industry and Commerce. In short, the drafting of the text underwent an extensive consultation and dialogue process, underscoring that key elements of the consultative policymaking system remain intact, even amidst the centralization of power under Xi.

Guiding theme: Chinese Modernization

The Decision wraps all of its ideas within the CCP's socialist modernization vision. In fact, modernization is now placed on par with reform and opening up. Whereas the era of Deng Xiaoping was one of reform and opening, the Xi era underscores socialist modernization. Modernization already featured prominently in Xi Jinping's July 1, 2021 speech at the

⁵ Xi Jinping, "Explanation of resolution of CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernization," *Xinhua*, July 21, 2024. Available at: <https://english.news.cn/20240721/ed4b250e08a24fc69b025c6d6da56a8d/c.html>

celebration of the 100th anniversary of the founding of the CCP.⁶ He said that since 2012, China had begun to blaze a new modernization path that was unlike the Western model, which he compared to a “boxing match” where political parties fought each other and everything centered on votes. By contrast, the Chinese road toward rejuvenation and modernization includes a unique “relay model”, an upgraded version of the development of Chinese history and culture “under the guidance of Marxism.”

In his report to the 20th National Congress of the CCP in October 2022, Xi Jinping again focused on Chinese modernization.⁷ He mentioned the concept 56 times, claiming that China was embarking on a new journey, “building a modern socialist country in an all-round way and marching towards the second centenary goal” of creating a strong and modern China, indeed, a “new form of human civilization”. The speech emphasized nine requirements that must be met before modernity can be achieved. Most of these are repeated in the Decision:

1. Upholding the leadership of the Communist Party of China.
2. Upholding socialism with Chinese characteristics.
3. Adhering to high-quality development.
4. Developing whole-process people's democracy.
5. Enriching the people's spiritual world.
6. Achieving common prosperity for all people.
7. Promoting harmonious coexistence between man and nature.
8. Promote the building of a community with a share future for mankind.
9. Creating a new form of human civilization.

The Decision's organizing principle was foreshadowed in May this year, when a major report on “China's road to modernization” published by Xinhua pondered the meaning, goals and path of the aims listed above.⁸ Modernization is seen as the core content of the journey towards the goal of realizing “the great rejuvenation of the Chinese nation.” It asks whether there is a universal standard of modernization. Unsurprisingly the answer is no: every nation must pursue its own modernization path. However, China's path “set[s] an example for developing countries as they “independently pursue ... modernization”.

The idea of pursuing modernity goes back at least to 1964, when Zhou Enlai announced the goal of achieving four modernizations, in agriculture, industry, national defense, and science

⁶ “Speech by Xi Jinping at a ceremony marking the centenary of the CPC,” Xinhua, July 1, 2021. Available at: http://www.xinhuanet.com/english/special/2021-07/01/c_1310038244.htm

⁷ Xi Jinping, “Report to the 20th National Congress of the Communist Party of China,” Xinhua October 25, 2022. Available at: https://english.www.gov.cn/news/topnews/202210/25/content_WS6357df20c6d0a757729e1bfc.html

⁸ “Chinese Modernization: The Way Forward” . Available at: https://english.news.cn/20240504/ae50c03d5f544ae8a651f146c08e5be9/20240504ae50c03d5f544ae8a651f146c08e5be9_332fa818c707734567b4c3c4f2ad406eb0.pdf

and technology. In 1987, the Central Committee formulated a three-step modernization strategy: the first step was to meet the people's basic needs for food and clothing by the end of the 1980s, the second was to raise people's lives to a moderately prosperous level by the end of the 20th century. The third step was to achieve basic modernity by the middle of the 21st century.

The third plenary in 2024 revised the timetable for building a modern socialist country once again. It defines two steps: "a high-standard socialist market economy" will be realized by

2035 and, by mid-century, China will have become a "modern socialist country that is prosperous, strong, democratic, civilized, harmonious and beautiful."

...the key to modernization lies in the modernization of science and technology. The implication is to focus on the development of "new quality productive forces".

"The key to [overall] modernization" is understood to lie in the "modernization of science and technology". By implication, China must focus on developing so-called "new quality productive forces," a phrase that appears 18 times. According to the report, accelerating the development of new quality productive forces is a strategic choice that will place China "at the forefront of a new round of global scientific and technological revolution and industrial

transformation".

After missing out on the first (steam engine) and second (assembly line) revolutions, the report emphasizes that China will not be on the sidelines during the current (digital) revolution. For this reason, China has invested heavily. In terms of person-hours dedicated to R&D, China now ranks "first in the world" with 6.35 million man years in 2022.

300 reform proposals

What, then, do the many, often vague, proposals intend to accomplish? Chapter 3 of the Decision is about promoting "high-quality economic development". This means promoting the development of productive forces characterized by "high technology, high performance and high quality". The government will push innovation in a variety of technologies – key generic technologies, cutting-edge technologies, modern engineering technologies and disruptive technologies – and give top priority to the development of strategic industries such as next-generation information technology, artificial intelligence, aviation and aerospace, new energy materials, high-end equipment, biomedicine and quantum technology. This "new industrialization" program thus represents a move away from traditional heavy-industrial industries such as chemicals, steel, coal, and machine-building. Indeed, with the exception of coal, which should be made more "clean and efficient", traditional sectors are not mentioned.

Chapter 4 is about talent development in science and technology. In addition to universities and other institutions of higher learning, R&D will be strengthened at the company level. SOEs will be expected to provide incentives, including remuneration, to encourage innovation and creativity among their research personnel. Interestingly, small and medium-sized enterprises (SMEs) that produce specialized and sophisticated technologies will also be supported. These

endeavors seem to be intended to promote the growth of many so-called “little giants” in order to establish a Chinese version of the German Mittelstand.

Arguably, there is nothing new in this. The push toward high-technology development was launched in 2015 and 2016, with the “Made in China 2025” and the “Internet+” programs under the umbrella “Innovation-Driven Development Strategy” (IDDS). What is noteworthy is that Xi’s and the CCP’s answer to the economic malaise is not to channel extra investment sources into the property sector and infrastructure development, as was the case in the past. This time, the answer is to stick to a strategy focusing on innovative high-technology development, i.e. “new quality productive forces” and using state steering or industrial policies. The days of letting the economy gradually grow out of the plan are over.

The decisive role of the market is acknowledged and some initiatives to support the private sector are mentioned, including better access to loans and government projects. However, strong measures will also be taken to “help state capital and SOEs get stronger, do better and grow bigger.” Clearly, support to the private sector will not happen at the expense of the state sector. SOEs will continue to enjoy preferential treatment.

Several measures address the fiscal mismatch in revenue and expenditure between local and central governments, including expanding local tax revenue sources and making the central government pay a bigger share of public expenditures. Whether this will help improve the fiscal situation of local governments whose finances were depleted by the property crisis remains to be seen.

Measures to increase urbanization and boost social welfare programs, including pension and health care, were also announced. Migrant workers will gain better access to social welfare and educational options for their children. This implies that Xi and the CCP envision some easing of the hukou system, but they do not spell out what they have in mind. The Decision also pledges to introduce economic incentive mechanisms for boosting the birth rate.

Interestingly, the issue of retirement is formulated cautiously: “...we will advance reform to gradually raise the statutory retirement age in a prudent and orderly manner.” The average retirement age in China is 50 for women and 60 for men despite a life expectancy that has increased to 79. Xi and the CCP clearly realize that any attempt to change the retirement age would be met with widespread opposition. They also realize that reform in this area must be followed by post-retirement economic security. Consequently, the document announces that old age pension and insurance systems will be “refined”.

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Party leadership and Party building

Chapter 15 opens, “Leadership by the Party provides a “fundamental guarantee for further deepening reform comprehensively to advance Chinese modernization”. Party leadership means upholding Xi’s core position on the Central Committee and in the Party as a whole as well as upholding the authority of the Central Committee and centralized, unified leadership. There is no room for political reform and liberalization.

Party leadership will be further strengthened by “improving the systems and mechanisms for Party building,” including selecting and appointing able officials. They must be “politically committed, highly responsible, determined to pursue reform, outstanding in performance, and honest and clean.” Officials who do not live up to these standards should be demoted and replaced with officials who are more suitable. The CCP published new regulations on the promotion and demotion of Party officials in 2022.⁹ The Decision envisions a tightening of these regulations.

The Decision also stipulates that the tenure system for leading officials will be “refined and fully applied”, and the handover system for heads of leadership teams will be “improved”. It is not clear what this means. Xi has actually loosened the tenure system introduced by Deng Xiaoping by allowing leaders to serve in the same position for more than ten years, and no longer observing age limits for Central Committee and Politburo members.

The Decision announces that more effective Party building will be introduced in new types of economic and social organizations, and among groups in new forms of employment. This refers to ongoing efforts to induce companies to include a Party cell in their company and revise their charters to include a mention of the Party's role in the company. Most listed state-owned companies have already done so and private companies, whereas many private companies have been slow in following these central directives.

More effective Party building will be introduced in new types of economic and social organizations.

The chapter on Party leadership and Party building also announces intensified efforts to combat corruption. It affirms that the eight-point decision on improving conduct and opposing pointless formalities and bureaucratism,¹⁰ circulated only one month after Xi assumed power in 2012, should be pursued. The Decision commits the Party to working hard to eradicate the “breeding ground and conditions for corruption”. The Party will also work hard to prevent corrupt officials from fleeing the country and will pursue those who succeed in doing so. Further, “steps will be taken to advance national anti-corruption legislation, revise the Supervision Law, and formulate a law on countering transnational corruption.”

The document makes clear that the road to modernity does not include modernization of the CCP. Instead, the CCP under Xi Jinping is reverting to a strict Leninist organization type with strong personalistic traits. Xi Jinping is the undisputed leader and nothing in the Decision indicates that Xi and his supporters will break away from a Party-state-centric modernization path. En route, anything that threatens the Party's and Xi's monopoly on power will be crushed.

Closely associated with the Party's monopoly on power is the dedication of a whole chapter to the topic of “national security”, which is described as a “pivotal foundation” for China's modernization. The CCP is directed to “ensure that high-quality development and greater security reinforce each other.” Notably, the national security section is dominated by visions of domestic policies, and a “Military Reform” chapter is presented separately. By implication,

⁹ CCP, “Tuijin lingdao ganbu neng shang neng xia guiding” 推进领导干部能上能下规定 (Decision on Promotion and Demotion of Leading Cadres),” Xinhua, 19 September 2022. Available at: <http://dangqian.people.com.cn/n1/2022/0920/c117092-32529723.html>

¹⁰ The “eight-point decision” refers to a set of austerity rules issued by the Politburo in December 2012 in order to reduce bureaucracy, extravagance and undesirable work practices among Party officials. See China Daily, “Eight-Point Reulations,” December 5, 2012. Available at: https://www.chinadaily.com.cn/china/xismoments/2012-12/05/content_32194137.htm

“national security” refers to the security of the regime and the CCP, and the preservation of Xi Jinping as China’s paramount leader.

Personnel issues

Finally, the plenary session also dealt with personnel issues. The communique¹¹ issued on the plenum’s final day reports confirmation of a previous Politburo decision to expel from the CCP former defense minister Li Shangfu, former commander of the PLA Force Li Yuchao, and former chief of staff of the rocket force Sun Jinming, for “serious violations of discipline and law.” They were replaced on the Central Committee by three alternate members of the Central Commission: Ding Xiangqun, Yu Lijun, and Yu Jihong. Ding Xiangqun is head of the Organisation Department of the Anhui provincial Party Committee, Yu Lijun is head of the Organization Department of Sichuan provincial Party Committee, and Yu Jihong is professor and academician at the Chinese Academy of Sciences.

According to the communique, the meeting also decided “to accept” the resignation application of Qin Gang from his post as member of the Central Committee. Qin’s sudden ouster as foreign minister and disappearance from public life last summer generated much speculation about his fate. The communique does not provide an answer. However, since he has not been expelled from the CCP and is still titled “comrade”, his case is not as serious as Li Shangfu’s. Wang Yi, who returned as foreign minister after the purge of Qin Gang, was not replaced.

Conclusion and key takeaways for the EU

It is difficult to see how the program unveiled in the Decision will promote meaningful change. In fact, it is increasingly clear that the ‘reform’ concept has been diluted to mean any political-economic-social change. Basically, the Decision does not go beyond tinkering with the system. Much of the new document reads like a long laundry list of small improvements and changes within the confinement of Party-led governance. The main focus is on “Chinese style” modernization. The document envisions a path to modernity focusing on innovation, science and technology. On this path, China intends to catch up with the West without adapting Western-style liberalization. The Chinese government announced this strategy already in 2015–2016, when the Innovation-Driven Development Strategy was introduced, including the Made in China 2025 and Internet+ policy plans. The strategy excludes political liberalization and pluralism. Adding many vaguely phrased nuances to this strategy, the recent third plenary session strongly reinforces the importance of centralized and unified rule under Xi Jinping.

Assessed as a whole, the 300 proposals reveal a clear tension between relying on market forces and economic liberalization on one hand, and insisting on Party control and state intervention on the other. This tension runs deep and, to some extent, is a persistent theme

¹¹ <https://www.chinadaily.com.cn/a/202407/18/WS6698f75aa31095c51c50ec9d.html>

throughout the entire reform and opening-up period: can true modernity and Western-level common prosperity be achieved without substantial liberalization and a significant reconfiguration of China's political and economic 'software'? The coming decade will be revealing in answering this question.

On the political front, the Decision signals that political reform is not a priority of China's leadership. On the contrary, stronger Party leadership and increased Party Building are on the agenda. Party cells are increasingly being written into company charters, and even NGOs and joint ventures must engage in Party building. The composition of the organizing committee working out the Decision adopted at the plenum indicates the weak position of Prime Minister Li Qiang and the key role of standing committee member and political hardliner Cai Qi.

The title of the new authoritative document passed at the recent Third Plenary Session seems misleading, as its focus is not on fundamental reform of the political and economic systems, such as political pluralization and economic liberalization. Thus, any hope that China will implement genuinely new reforms as a response to the current economic downturn must be considered unrealistic.

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