

# China's Third Plenum: Staying the Course with Xi Jinping



September 2024

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Published by the New Zealand Contemporary China Research Centre  
Te Herenga Waka—Victoria University of Wellington  
Wellington, New Zealand  
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# Table of Contents

Executive Summary.....	1
1. What are Plenums, and why do Third Plenums matter?.....	2
2. Was the latest Third Plenum delayed, and if so why?.....	4
3. The overall contents of the Plenum .....	5
4. High tech guided development.....	8
5. Fiscal issues: local debt.....	10
6. Investment vs. consumption .....	12
7. <i>Hukou</i> reform.....	12
8. Social welfare and demographic change.....	13
9. Security .....	14
10. Foreign policy .....	15
11. The Party and democracy .....	16
12. The military .....	17
13. Conclusion.....	18
About the author.....	20
About the centre.....	20

## **Executive summary**

The long-awaited Third Plenum held in July was an opportunity for China's Communist Party leaders to map out economic and other reforms for the years ahead. In this paper, Peter Harris discusses the meaning of the Third Plenum and of Chinese plenums more generally. The paper then assesses the measures agreed on at the Third Plenum and their implications. The measures include initiatives in the field of hi tech guided innovation, as well as limited steps to resolve some of China's other current problems, from its ongoing property crisis to new demographic trends and renewed signs of malpractice in the military. The paper is based on a discussion between Peter Harris and Jason Young, Director of the New Zealand Contemporary China Research Centre, at a forum in Wellington on 22 August 2024.

## 1. What are plenums, and why do Third Plenums matter?

In July this year China held a Third Plenum. Ten years ago we organised an international conference here at the China Centre to discuss an earlier Third Plenum.<sup>1</sup> “Who would think,” a speaker joked then, “that we in New Zealand could ever hold a conference on something called a Third Plenum?”

But we were right to take that Third Plenum seriously, just as we are right today to pay attention to the Third Plenum held in Beijing in July this year. In the calendar of Chinese Communist Party these events matter a good deal.

To appreciate why, some background information may be helpful.

First, what is a plenum? The word plenum comes from the Latin word *plenus*, meaning full. In the Chinese context, a plenum is a full meeting of the Central Committee of the Chinese Communist Party.<sup>2</sup> Chinese Communists originally took the name plenum, as they took so much else, from Soviet Russia.

The Central Committee is a body of nearly two hundred men and women—mostly men—chosen by the Communist Party’s national congress, which meets every five years. The two thousand or so delegates to the Party congress are somehow elected, no one is really sure how, by the Party’s members, who now number some 99 million.

There have been a few problems along the way, notably before and after the June 1989 Tiananmen crisis, but in recent decades this system seems to have worked well enough, even if no one really understands how Party congress delegates and Central Committee members are selected.<sup>3</sup>

In recent decades each five-yearly congress has been interspersed by seven plenums of the Party congress’s Central Committee. The Third Plenum, which has generally taken place in the year following the congress, has usually been as a landmark meeting concerned with the overall shape of economic policy as well as other, broader policy issues.

The decisions of these Third Plenums set the policy agenda for the coming years and beyond. In doing so they flag important new policy developments, both for internal consumption and external use. Their decisions are also helpful for those drafting Five-Year Plans<sup>4</sup> as well as for those making more specific policy choices. At least, we can presume they are, because we don’t really know much about how Resolutions are implemented, and or indeed whether all of them are implemented at all.

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<sup>1</sup> The conference papers were published in Peter Harris, ed., *China at the Crossroads: What the Third Plenum Means for China, New Zealand and the World*, Victoria University Press, Wellington, 2014.

<sup>2</sup> In Chinese a plenary meeting is *quanti huiyi* 全体会议.

<sup>3</sup> As in the other Communist states, each Party congress is given a number. The 1st congress was held in 1921, and the most recent congress, the 20th, met in 2022. Between 1921 and the late 1970s Party congresses were erratic affairs. The first six congresses took place in different cities between 1921 and 1928, the 1st in Shanghai and the 6th in Moscow. After a long gap the 7th congress was held in the then Communist base area of Yan’an. After another long gap the 8th and 9th congresses took place in Beijing in 1956-58 and 1969 respectively. From 1977 on the congresses settled into a regular five-year cycle of meetings in Beijing. The congresses started very small and have grown ever larger. There were thirteen delegates at the 1st congress, and 2,296 delegates at the 20th congress in 2022.

<sup>4</sup> The next one being for 2026-2030.

Third Plenum documents tend to be long and turgid, high on intentions and short on specific detail. As such they appear to reflect a consensus built among conflicting interest groups. Third Plenum decisions are frequently expressed in conditional or aspirational ways. They are liberally, even exhaustively, laced with expressions such as “refine”, “expand”, “deepen”, “improve”, “strengthen”, “step up efforts to”, “foster”, “promote” and “advance”. They are also notably short of specific targets and data. This is particularly true of the Resolution of the latest Third Plenum in July 2024, much of which is evasively opaque.

I’m not sure how you feel when someone assures you that they’re going to “deepen” and “advance” their work so as to “improve” it. It has often left me casting around for KPIs (key performance indicators) to measure what exactly these improvements are. Many of the aspirational provisions of the Third Plenum documents leave you feeling the same way.

The view that Third Plenums are important landmarks goes back to the Third Plenum of the Party’s 11th Central Committee held in December 1978, just over two years after the death of the PRC (People’s Republic of China)’s founding leader Mao Zedong 毛泽东. That was the plenum at which Deng Xiaoping 邓小平, one of the old Party leaders who survived the ravages of Mao’s final years, shook up the Party by terminating Mao’s wretched class struggles and setting China on the path to “reform and opening up” (*gaige kaifang* 改革开放)—still the mantra of economic reform today, though it has been through many iterations.

Deng didn’t have a detailed blueprint. He simply intended—as he famously put it—to introduce major policy reforms by “crossing the river by feeling for the stones underfoot” (*mozhe shitou guo he* 摸着石头过河). I mention this because it is often assumed that the Chinese Communist Party plans ahead really well, whereas this is sometimes far from being the case.

Third Plenums in 1993, 2003 and 2008 built on Deng’s new policies. The Third Plenum in 1993 introduced the then still-controversial idea of the market, calling the Chinese economy “a socialist market economy”. Ten years later the Third Plenum in 2003 declared that the market “should play an essential role”. The Third Plenum in 2013, the first after Xi Jinping 习近平 took over as leader, was watched for signs of his preferences. To most reformists’ relief it endorsed existing trends, including the market playing a decisive role, and drew up a list, albeit a cautious list, of further reform measures.

Five years later, in 2018, the Party’s Third Plenum was held earlier than usual and skipped a beat, being concerned not with the economy as expected, but rather with endorsing the idea that Xi could stay on as state leader indefinitely—a reversal of established practice that was confirmed at the subsequent National People’s Congress in 2018.<sup>5</sup>

So, the Third Plenum held in July this year was the first in ten years to focus on economic and related policy matters. It was also the first to do so at a time when Xi was no longer newly in charge, as he was in 2013, but instead firmly entrenched with a carefully selected

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<sup>5</sup> The reversal troubled many people because of the disarray into which the People’s Republic of China fell during the final years of Mao Zedong’s overly lengthy rule. After taking power in 1978 Deng Xiaoping sought to prevent anyone from ruling too long by introducing a two-term limit on the state presidency (though not on the Party General Secretaryship).

leadership group and Communist Party supporters all around him. So there was considerable interest in the imprint he would put on the Plenum's decisions.

This was especially so because of the problems China has been facing at home and abroad—in “a grave and complex international environment”, as the Third Plenum Communiqué puts it<sup>6</sup>—and the mixed signals China under the Xi administration has been conveying to the world.

Just to review these: after annual GDP growth of perhaps 9% for three decades, the Chinese economy emerged from the 2020-21 Covid crisis with current and anticipated growth of about half that. Growth this year is widely anticipated to be between 4.5 and 5%, assuming official figures are reliable (which they may not be).<sup>7</sup> In 2020-23 Beijing's handling of the Covid crisis itself was erratic, with a draconian lockdown followed by a sudden lifting of restrictions in the wake of popular unrest.<sup>8</sup> The property sector that has been a cornerstone of China's growth is in deep trouble.<sup>9</sup> And regulatory interventions, leading among other things to the restructuring of the giant Ant Group, have raised questions about the Xi government's attitude to private enterprise, the engine of China's growth.<sup>10</sup>

So by the time of the July Third Plenum, people were waiting in anticipation, asking themselves: is Xi still a reformist, and if so in what sense? And despite the personality cult accruing around him, does he really have the vision for China's future that he is claimed to have?

## 2. Was the latest Third Plenum delayed, and if so why?

Judging from earlier practice the Third Plenum was expected to take place late last year (2023), a year or so after the latest Party congress. But that didn't happen. Plenty of events took place in China in late 2023 and earlier this year, including a central financial work conference in September 2023, a central economic work conference in December 2023, and a military conference (an important meeting, and one I'll come back to) in June 2024. But there was no Third Plenum.

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<sup>6</sup> Xinhua, ‘Full text: Communiqué of the Third Plenary Session of the 20<sup>th</sup> Central Committee of the Communist Party of China’, *China Daily*, 18 July 2024.

<sup>7</sup> According to China's National Bureau of Statistics, GDP growth was 5% for the 1<sup>st</sup> half of 2024, 4.7% for the 2<sup>nd</sup> quarter, year on year; GDP growth for 2023 was 5.2%, and for 2022 3%. Xinhua, ‘China's GDP expands 5 pct in H1’, *English.gov.cn*, 15 July 2024; ‘National Data’, National Bureau of Statistics, China, [data.stats.gov.cn/english/easyquery.htm?cn=B01](http://data.stats.gov.cn/english/easyquery.htm?cn=B01) August 2024. There have been numerous expressions of doubt about official GDP figures, some dating back many years. The most famous was expressed by former premier Li Keqiang, who remarked in 2007 that he did not trust official GDP data and relied instead on three measures, the volume of rail cargo, electricity consumption and bank loans, to judge the state of the economy.

<sup>8</sup> Christian Shepherd and Lyric Li, ‘As China eases coronavirus restrictions, confusion and angst follow’, *Washington Post*, 19 November 2022.

<sup>9</sup> For a critical but restrained assessment, Henry Hoyle and Sonali Jain-Chandra, ‘China's Real Estate Sector: Managing the Medium Term Slowdown’, *IMF News*, 2 February 2024.

<sup>10</sup> For the Ant Group restructuring, Julia Zhu and Jane Xu, ‘China ends Ant Group's regulatory revamp with nearly \$1 billion fine’, *Reuters*, 8 July 2023. For misgivings about the private sector, Joe McDonald, ‘Skepticism prevails as Chinese leaders promise to back private businesses to spur slowing economy’, *AP*, 31 July 2023. On the need to reassure the private sector, ‘China issues guideline to spur growth of private economy with concrete measures’, *Global Times*, 19 July 2023. *Global Times* is a tabloid-style outlet for Communist Party views.

Why not, or at least why was the Third Plenum not held until July 2024? No one seems to know. According to Xi Jinping himself, the consultations for this year's Third Plenum began as early as last November.<sup>11</sup> So perhaps there was no delay—he had just been busy before then, and didn't care about established Party practices, any more than he cared about restricting his time in office to two terms.

Or perhaps too many people had too many different ideas about what the Third Plenum should decide on. Or perhaps there were other, unknown issues, possibly ones to do with high-level personnel problems (and again, I'll come back to those).

One thing is clear: consultations went on for over seven months, and no one in the outside world knew about them. Such is the tight security blanket in which Communist Party decision-making in China is wrapped.

### 3. The overall contents of the Plenum

Information about the July Third Plenum has come to us from three core documents. These are the Communiqué issued when the four-day Plenum ended on 18 July; the long, dense Resolution of the Plenum that was issued three days later; and Xi Jinping's own 'Explanation' of what the Plenum resolved to do, issued a day after that.<sup>12</sup>

Add to these various comments and critiques from Chinese and foreign commentators, the former generally positive, the latter often quite negative, with “disappointment” a much-used word.

Of all these comments, among the most useful were the remarks made at a press conference after the Plenum by two senior officials, Tang Fangyu 唐方裕 and Han Wenxiu 韩文秀.<sup>13</sup> Tang noted that all 300 measures in the Plenum Resolution relate to reforms of systems, mechanisms, and institutions. The Resolution does indeed describe institution-building as being China's “main task”,<sup>14</sup> and frequently indicates that a new or improved institution (*tizhi* 体制) or mechanism (*jizhi* 机制) is what a given reform most needs. What these somewhat vague terms mean, of course, is another matter, especially since *tizhi*, the term used for institution, can also mean system, which is not quite the same thing at all. But

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<sup>11</sup>: Xi Jinping, ‘Guanyu Zhonggong Zhongyang guanyu jinyibu quanmian shenhua gaige tuijin Zhongguoshi xiandaihua de jue ding de shuoming’ 关于中共中央关于进一步全面深化改革 推进中国式现代化的决定的说明. In English, ‘Explanation of the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernisation’, Xinhua, 22 July 2024. The drafting process that Xi describes is in Section II of the Explanation.

<sup>12</sup> For the Resolution, ‘Zhonggong Zhongyang guanyu jinyibu quanmian shenhua gaige tuijin Zhongguoshi xiandaihua de jue ding’ 中共中央关于进一步全面深化改革 推进中国式现代化的决定, Xinhua, 21 July 2024. In English: ‘Resolution of CPC Central Committee on further deepening reform comprehensively to advance Chinese modernisation’, Xinhua, 21 July 2024. For the Communiqué, ‘Zhongguo Gongchandang di ershijie Zhongyang Weiyuanhui di sanci quanti huiyi gongbao’, ‘中国共产党第二十届中央委员会第三次全体会议公报’, Xinhua, 21 July 2024. In English: ‘Communiqué of the Third Plenary Session of the 20<sup>th</sup> Central Committee of the Communist Party of China’, Xinhua, 21 July 2024. For Xi's ‘Explanation’, see note 10.

<sup>13</sup> ‘Press conference on guiding principles of 3<sup>rd</sup> plenary session of the 20<sup>th</sup> CPC Central Committee’, 19 July 2024, PRC State Council. Tang Fangyu is in the CPC Central Committee's Policy Research Office, and Han Wenxiu is in the Office of the Chinese government's Central Commission for Financial and Economic Affairs. Presumably both men were engaged in the drafting process.

<sup>14</sup> Plenum Resolution, Section I part 3.



the overriding point seems to be that institution-building in various administrative, economic and other fields is now the main thing needed to consolidate the Chinese reform process.

The other senior official, Han Wenxiu, referred to building a unified, “high standard market system”, a high standard socialist market economy being the phrase that seems now to have replaced the term socialist market economy used during the past thirty years.<sup>15</sup>

One of the more insightful comments from a less official Chinese source came from the Peking University professor Huang Yiping 黄益平.<sup>16</sup> In Huang’s view, a view broadly shared by his eminent Peking University colleagues Yao Yang 姚洋 and Justin Lin Yifu 林毅夫, the Plenum wasn’t a major turning point, but rather a deepening of current reform trends and their overall direction.

For their part, foreign commentators tended to be disappointed because even if this were the case, in their view the Plenum didn’t go far enough, especially in addressing China’s various pressing problems and in particular in sustaining high growth by emphasising consumption over investment. We’ll come back to that last point shortly.

Like the Resolution of its predecessor in 2013, the Resolution of the Third Plenum last July is a lengthy document, with 60 sections and 300 items. As in the case of its predecessor it is resolutely positive and upbeat—comparable, perhaps, to a realtor trying to sell a house without mentioning the leaky roof. In fact it’s even more upbeat this year than it was in 2013, perhaps because it wants to convey a sense of the great achievements notched up during the past decade under Xi Jinping (who has in any case let it be known that there should be less negative talk about the economy).

It’s worth noting in passing here that Xi Jinping himself used to be quite frank about the problems the Party once faced. Here he is two years ago talking about the condition of the Party when he first took over in 2012:<sup>17</sup>

*“Many people, both in and outside of our Party, were worried about the future of the Party and the country, ...[which were hampered by] weak, hollow, and watered-down Party leadership in practice. Some Party members and officials were wavering in their political conviction...[and sometimes] pointless formalities, bureaucratism, hedonism, and extravagance persisted...[with] some deeply shocking cases of corruption... [while the] economy...[was] beset by acute structural and institutional problems [and was]...imbalanced, uncoordinated, and unsustainable... [with] barriers built by vested interests were becoming more and more apparent. Some people lacked confidence in the*

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<sup>15</sup> “A high standard socialist market economy”, or rather “a high standard socialist market economic system”: “*gao shuiping shehuizhuyi shichang jingji tizhi* 高水平社会主义市场经济体制”. This term was earlier used by Xi Jinping in his Report to the Party Congress in 2022. Xi Jinping, ‘*Gao ju Zhongguo tese shehuizhuyi weida qizhi wei quanmian jianshe shehuizhuyi xiandaihua guojia er tuanjie fendou – zai Zhongguo Gongchandang diershici quanguo daibiao dahuishangde baogao* 高举中国特色社会主义伟大旗帜 为全面建设社会主义现代化国家而团结奋斗—在中国共产党第二十次全国代表大会上的报告’, Xinhua, 25 October 2022, Section IV part 1. In English: ‘Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects: Report to the 20<sup>th</sup> National Congress of the Communist Party of China, Xinhua, 25 October 2022.

<sup>16</sup> Centre for China and Globalisation, ‘Transcript: Huang Yiping and Tu Xinquan Decode Third Plenum’, Centre for China and Globalisation, 26 July 2024 [ccgupdate.substack.com/p/transcript-huang-yiping-and-tu-xinquan](https://ccgupdate.substack.com/p/transcript-huang-yiping-and-tu-xinquan)

<sup>17</sup> Xi Jinping, ‘*Gao ju Zhongguo...* [Hold High the Great Banner...]’, Section I.

*socialist political system...[and] money worship, hedonism, egocentricity, and historical nihilism were common.”*

But there is no such frank and fearless account of the Party’s current problems in the Resolution of the Third Plenum last July—even if some of the old problems mentioned by Xi do put in an appearance, albeit more tangentially.

As for any broader doubts about the Party’s vision for the future, which Xi also used to allude to now and then, these are not to be found anywhere in the Third Plenum documents. Gone, for example, is the intriguing comment on the Party’s prospects that Xi made two years ago, when he said<sup>18</sup>

*“The Party has found a second answer [the first being reform and opening up] to the question of how to escape the historical cycle of rise and fall. The answer is self-reform.”*

—“the historical cycle of rise and fall” being a telling allusion to the fate that has befallen all power-holders and dynasties in China.

But let’s get back to the Third Plenum last July. The layout and content of the Plenum Resolution is quite similar to the layout and content of the Resolution of the Third Plenum held a decade ago, which also consisted of 60 sections grouped under similar headings.<sup>19</sup> In parts the Resolution also enlarges on Xi Jinping’s five-yearly report to the most recent Party congress in 2022.<sup>20</sup>

(Intriguingly, Xi’s report to the 2022 congress is sometimes crisper than the Plenum Resolution. Again, this could be because the language of the Resolution has had to be fudged so as to overcome insuperable differences among various conflicting interest groups—the “barriers built by vested interests”, to use Xi’s old words.<sup>21</sup>)

In his ‘Explanation’ of the July Third Plenum, Xi divides the Resolution into three components. The first, Section I, is a general statement of context and intent. The second, Sections II to XIV, outlines plans for China’s economy, financial and fiscal policies, politics, culture, society, environment, security and defence. The third component, Section XV, is on Party leadership, and on the Party promoting inner-Party virtue and combatting corruption.

Of these, the second component is much the most interesting. Some sections of it expound on existing policies, albeit in quite cautious ways. This is the case with financial reform, for example.<sup>22</sup> Other sections build on existing policies but are much more vigorous and add more to what we know. This is most notably the case with the sections on hi tech business and industry and related innovations.<sup>23</sup>

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<sup>18</sup> Xi Jinping, ‘*Gao ju Zhongguo... [Hold High the Great Banner...]*’, Section I.

<sup>19</sup> ‘*Zhonggong Zhongyang guanyu quanmian shenhua gaige ruogan zhongda wenti de jue ding* 中共中央关于全面深化改革若干重大问题的决定’, Xinhua, 15 November 2013. In English: ‘Decision of CPC Central Committee on some major issues concerning comprehensively deepening reform’, USC US-China Institute, Los Angeles, 12 November 2013.

<sup>20</sup> See note 12.

<sup>21</sup> See note 14.

<sup>22</sup> Plenum Resolution, Section V, part 18.

<sup>23</sup> Plenum Resolution, Section II, parts 5, 6; Section III, parts 8-15.

Other sections provide much briefer comments on a variety of other issues, including fiscal reform, the *hukou* 户口 or household registration system, housing and consumption. These comments are sometimes scattered here and there through the text of the Resolution.

#### 4. High tech guided development

As I just mentioned, the sections on developing hi tech business and industry, and the enhanced research and education to go with them, are the most engaged and energetic—if those are the right words—of the whole Resolution. Clearly this is where Xi Jinping’s main hope for the future lies.

They enlarge on goals that Xi declared at the Party congress in 2022. They also build on earlier statements of intent, going back to ‘Made in China 2025’, a slogan dating back some years that has now been sidelined, and even beyond that to 2012 or even earlier. It’s easy to overlook now that in 2012 Xi’s predecessor Hu Jintao—the flustered old man who was ushered from his seat at the 2022 Party Congress—called for coordinated innovation in fields of science and technology backed by stronger basic research, much the same policy as Xi is promoting today.<sup>24</sup>

That said, in recent years Xi has taken the whole idea of coordinated or guided innovation much further than Hu Jintao did. Two years ago Xi talked about “a new industrialisation” through stronger high-end manufacturing in such fields as aerospace, transportation, cyberspace and digital development, and called in ambitious terms for<sup>25</sup>

*“the integrated and clustered development of strategic emerging industries and cultivate new growth engines such as next generation information technology, A.I., biotechnology, new energy, new materials, high-end equipment, and green industry.”*

The Resolution of this year’s Plenum heavily underscores this goal. It emphasises the fact that this guided innovation is to be undertaken by both the public and private sectors, in coordination with enhanced science research and education, and the organisation of “major scientific and technical innovation projects” supported with government funding and developed in a more unified national market.

More weight is to be given to basic research, in which China is still seen to be lagging—despite, one should add, the remarkable achievements of recent years.<sup>26</sup>

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<sup>24</sup> *Hu Jintao zai Zhongguo Gongchandang dishibaci quanguo daibiao dahuishang zuo bagao* 胡锦涛在中国共产党第十八次全国代表大会上作报告’, Xinhua, 17 November 2012. In English: ‘Full Text of Hu’s Report at 18<sup>th</sup> Party Congress’, *China Daily*, 18 November 2012. On Hu being ushered from the 20<sup>th</sup> Party Congress, see for example Helen Davidson, ‘Was Hu Jintao’s removal from China’s 20<sup>th</sup> party congress suspicious or not?’ *The Guardian*, 28 October 2022.

<sup>25</sup> Xi Jinping, ‘*Gao ju...* [Hold High...],’ Section IV part 2.

<sup>26</sup> On China’s recent remarkable progress in high-quality basic research, see for example ‘ASPI’s Critical Technology Tracker—The global race for future power’, Australian Strategic Policy Institute (ASPI), Canberra, 28 August 2024 at <https://www.aspi.org.au/report/aspis-two-decade-critical-technology-tracker>. ASPI finds that in high-impact research, judged from refereed publications in leading journals, ‘China’s global lead extends to 37 out of 44 technologies...covering a range of crucial technology fields’.

In these ways China’s economic “performance” (a term evidently preferred to “productivity”) will be improved.<sup>27</sup>

A critical component of this guided innovation is state capital and state-owned enterprises, which—in an echo of old Maoist language—the Plenum resolves to make “stronger, better and bigger”. State capital is to be directed at “major industries and key fields”. These are of two kinds: those essential for national security and public wellbeing, such as public services, emergency response and public welfare, as well as “natural monopoly businesses” (whatever that may mean) such as energy, railways, telecommunications, water conservancy and public utilities. The second kind consists of those major industries that are “forward-looking and strategic emerging industries”—a critically significant provision.<sup>28</sup>

With respect to this second kind of industry, the veteran US economist Barry Naughton has been in the forefront of those pointing to such guided innovation as an emergent trend in Chinese economic planning. Naughton dates the Chinese emphasis on more concerted hi tech innovation, with its focus on emerging clusters of excellence, to around 2020, arguing that a nascent trend was discernible much earlier, but that in the earlier years it was less concerted and more opportunistic, taking advantage of excellence whenever it happened to emerge. This was the case, for example, with the manufacture of EVs (electric vehicles).<sup>29</sup>

There are bound to be concerns about Xi’s ambitious new strategy of guided innovation. One question it raises is—to put it bluntly—who decides which fields of endeavour to concentrate on? Wrong choices, whether within the hi tech field or in other fields of the economy, could become a very large waste of money.

Other questions include whether the Communist Party can really spur innovation by private tech entrepreneurs, given that these entrepreneurs have played the leading role in developing solar panels, EVs, telecommunications, digital platforms and other cutting-edge initiatives, but currently suffer from the effects of enhanced Party control and regulation.<sup>30</sup>

Another issue is the possible impact on China’s hi tech aspirations of the US administration and others’ restrictions on the supply to China of advanced computer chips and other high-end technologies—the strategy sometimes known in the US as “small yard, high fence”. Huawei’s latest mobile phone offerings, and recent reports of advanced Western chip technology seeping into China, suggest that the fence can be surmounted. But these are still early days.<sup>31</sup>

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<sup>27</sup> Plenum Resolution, Section II parts 5, 6, 13, 14.

<sup>28</sup> Plenum Resolution, Section II part 5.

<sup>29</sup> See for example Barry Naughton, ‘Re-engineering the Innovation Chain: How a New Phase of Government Intervention is Transforming China’s Industrial Economy’, MERICS (Mercator Institute for China Studies) and IGCC (University of California Institute on Global Conflict and Cooperation), 26 February 2024 at [ucigcc.org/wp-content/uploads/2024/02/Naughton-China-Innovation-Chain-02.26.24.pdf](https://ucigcc.org/wp-content/uploads/2024/02/Naughton-China-Innovation-Chain-02.26.24.pdf)

<sup>30</sup> For a sceptical view see Jeroen Groenewegen-Lau, ‘Whole-of-nation innovation: Does China’s socialist system give it an edge in science and technology?’, UC IGCC and MERICS, 5 March 2024 at [merics.org/en/re-engineering-chinas-innovation-machine](https://merics.org/en/re-engineering-chinas-innovation-machine)

<sup>31</sup> On the latter, Ryan McMorrow and Eleanor Olcott, ‘Nvidia’s AI chips are cheaper to rent in China than US’, Financial Times, 6 September 2024.

Incidentally, the Plenum makes little direct reference to these concerns. And it makes no reference at all to the issue of over-production of Chinese goods like EVs, which in the absence of increased consumption within China may conceivably saturate external markets in a way that is, as we know, causing concern in Washington, Brussels and elsewhere.<sup>32</sup>

## 5. Fiscal issues: local debt

Another important aspect of the economy, China's ongoing fiscal problems, particularly the chronic indebtedness of local governments, gets some attention from the Plenum, although it is discussed in much less detailed and more tentative terms than hi tech innovation.

Again, some background may be useful. Before 2022, local governments in China, notably those at the county level, depended heavily on profits from infrastructure and property development. They also incurred heavy debts, borrowing in various opaque and poorly documented ways from shadow banking, notably LGFVs (local government funding vehicle), particularly when state-owned banks no longer agreed to lend to them.<sup>33</sup>

In recent years local governments have been struggling to repay their debts as the property market has fallen into crisis. Local governments need to find new sources of income, but the policy reforms needed to help them do this have been slow coming.

The Plenum's response to this problem of local debt is barely fit for purpose. In a passage buried away in the Resolution, the Plenum provides for local governments to garner more from taxes "as appropriate", benefit more from transfer payments from Beijing, and make broader use of the local government bonds that they have been permitted to issue since 2015. The Resolution notes that<sup>34</sup>

*"The systems for managing government debt will be improved. We will establish a system for monitoring and regulating all local government debt as well as long-term mechanisms for preventing and defusing hidden debt risks."*

Many will argue that these piecemeal and partial provisions are inadequate, though it is possible, of course, that they will provide a framework for more concerted policy reforms in due course.

One underlying concern relating to local government debt is the question of who owns the land that local governments have been exploiting. Politically this is an awkward question to address, given that it raises the issue of the private ownership of land, a vexed question in Communist China, and one the Third Plenum sidesteps.

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<sup>32</sup> Zhuoran Li, 'China's EV overcapacity is inevitable', *The Diplomat*, 6 August 2024. In May 2024 the Biden administration imposed a 100% tariff on Chinese EVs, and the EU followed suit with a 36.7% tariff. To date Chinese EVs have played only a marginal role in the US market, with somewhat greater inroads into EU markets, so these tariffs are largely pre-emptive.

<sup>33</sup> For a summary of the issues see Victor Shih and Jonathan Elkobi, 'Local Government Debt Dynamics in China', University of California San Diego, School of Local Policy and Strategy, 27 November 2023 at [china.ucsd.edu/\\_files/2023-report\\_shih\\_local-government-debt-dynamics-in-china.pdf](http://china.ucsd.edu/_files/2023-report_shih_local-government-debt-dynamics-in-china.pdf)

<sup>34</sup> Plenum Resolution Section 5 part 17.

One economist who has raised the issue in the context of the Plenum is Huang Yiping. In comments made after the Plenum, Huang seems to have alluded to the fact that in theory, anyway—I mean under the Chinese constitution—land in China is either collectively owned or owned by the people as a whole, that is, the state.<sup>35</sup> To quote Huang:<sup>36</sup>

*“One of the biggest distortions in the Chinese economy is that local government could sell land and get revenue and do whatever they could do. But that's not fair because the land doesn't belong to the local government. It should belong to all people in China. If somebody sells land, income should be distributed. But it was not... And I think we need to redistribute income. Therefore, the households can capture more income.”*

On the property market itself,<sup>37</sup> the Plenum has surprisingly little to say. Just to recap, the Chinese property sector market has been in crisis since 2021. A proximate cause of the crisis, which has undermined a mainstay of the economy, was new government red lines laid down to prevent untrammelled property development. These led to the collapse of one of the biggest Chinese property developers, Evergrande, which defaulted on its bonds and triggered a chain reaction across other major real estate developers.

The crisis is ongoing, in spite of a recent Hong Kong court order calling in liquidators for Evergrande Hong Kong,<sup>38</sup> and despite efforts by Beijing to get local governments to buy and complete unfinished housing stock. House prices have dropped and would-be property owners have lost their savings.

The Plenum has remarkably little to say about any of this. A short paragraph tucked away two-thirds of the way through the Plenum Resolution refers to a new development model for real estate and greater regulatory powers for cities. It notes that government will build more government-subsidised houses, and reform the way real estate development is done, but without specifying how.<sup>39</sup>

Elsewhere there is a reference to “the principle that cities should be built by the people and for the people”, an echo of Xi Jinping’s old catch-phrase that “houses are for living in, not for speculation”.<sup>40</sup> But the impact that China’s property sector problems has had on the condition of the Chinese economy as a whole is not discussed.

Foreign views of the China property crisis are varied. The US economist Nicholas Lardy, long known for his sometimes contrarian insights, argues that the housing situation, while problematic, is not as grim as often portrayed.<sup>41</sup> Others believe that the Evergrande-induced

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<sup>35</sup> Article 6 of the Constitution of the People’s Republic of China states (in the official English version) that “(t)he foundation of the socialist economic system of the People’s Republic of China is socialist public ownership of the means of production, that is, ownership by the whole people and collective ownership by the working people.” [english.www.gov.cn/](http://english.www.gov.cn/)

<sup>36</sup> See note 13.

<sup>37</sup> See note 5.

<sup>38</sup> Clare Jim and Xie Yu, ‘China Evergrande ordered to liquidate in landmark moment for crisis-hit sector’, Reuters, 2 January 2024.

<sup>39</sup> Plenum Resolution, Section XI part 44.

<sup>40</sup> Plenum Resolution, Section 6 part 20.

<sup>41</sup> Nicholas Lardy, ‘Housing turns the corner in China, but challenges remain’, PIIE (Peterson Institute for International Economics), Washington DC, 26 January 2024 at [piie.com/blogs/realtime-economics/2024/housing-turns-corner-china-challenges-remain](https://piie.com/blogs/realtime-economics/2024/housing-turns-corner-china-challenges-remain)

crisis is a far-reaching one, and that among other things it has served to dampen consumption as households take account of money lost on uncompleted properties.

## 6. Investment vs. consumption

This brings us to the question of whether the Communist Party of China needs to be taking more measures to encourage a move away from investment and towards consumption, particularly household consumption, thus promoting more sustainable growth. This is a common criticism of the Third Plenum levelled by foreign commentators.<sup>42</sup> Are they right?

The answer is, to a degree, yes. But the situation is not entirely straightforward. For one thing, opinions differ on whether household consumption in China is really low by international standards. Some argue that the current level of consumption does not take into account recent growth in domestic spending and also social transfers in kind (that is, goods and services provided by government free or at low cost). On the other hand, others cite official figures to argue that household consumption is in fact too low, pointing out that it is below 40% of GDP, compared to say nearly 70% in the United States, 60% in India and 55% in Japan.<sup>43</sup>

Assuming that household consumption is indeed on the low side, the Plenum could have taken several steps to increase households' disposal income. Apart from pushing to resolve the property crisis, it could have decided on radical reform of the *hukou* or household registration system. It could also have decided on concerted measures to improve social welfare provisions in fields such as health, education and pensions.

As it is, it took modest steps to address the last two—*hukou* reform and social welfare. But it did so largely, it seems, by endorsing measures already in place.

## 7. *Hukou* reform

Let's take a closer look at each of these issues. First, *hukou* reform. According to one recent assessment most of China's 400 million migrant workers—that is, people coming to work in large Chinese cities—still have rural *hukou*.<sup>44</sup> With these rural *hukou* they tend to have much fewer social welfare and housing benefits than urban *hukou* holders. Some specialists have been pressing for years for the system to be radically reformed or done away with.<sup>45</sup> Arguments have been based on the system's inequities and inefficiencies, and also on its impact of consumption—the fact that those with rural *hukou* are assumed to spend less and save more for a rainy day.

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<sup>42</sup> Since the Third Plenum Chinese leaders themselves have called for higher household consumption. Premier Li Qiang, for example, has stressed the need for this. 'China will focus on boosting consumption to improve economy, premier says', Reuters, 16 August 2024.

<sup>43</sup> For differing views see for example Zhang Jun, 'Why is China's Consumption Rate so Low?', Project Syndicate, 15 July 2024; Logan Wright et al., 'No Quick Fixes: China's Long-term Consumption Growth', Rhodium Group, 18 July 2024.

<sup>44</sup> Henry Storey, 'Is China finally getting serious about hukou reform?', Lowy Institute, Sidney, 7 September 2023 at [lowyinstitute.org/the-interpreter/china-finally-getting-serious-about-hukou-reform](https://www.lowyinstitute.org/the-interpreter/china-finally-getting-serious-about-hukou-reform) Other estimates put the figure notably higher or lower than this.

<sup>45</sup> See for example Cai Fang, 'Demographic Dividend to Reform Dividend: *Hukou* Reform and its Impact on Economic Growth in China' in Harris, ed., *China at the Crossroads*, 79-86.

But the *hukou* system involves complex trade offs, and these may explain why the Plenum Resolution deals with it in a cautious manner.<sup>46</sup> It refers to

*“implementing the systems for allowing people household registration and access basic public services in their place of permanent residence.”*

It also provides for speeding up the granting of permanent urban residency to rural residents now in cities, and for these people to have the same rights as local residents with respect to social insurance, housing and education.<sup>47</sup>

## 8. Social welfare and demographic change

Similarly, Third Plenum measures for improving health, education and old age provisions seem to tread cautiously, building on existing policies so as to create consistent nationwide systems rather than proposing radical improvements.

On these matters some caution is doubtless justified. They are sensitive issues and likely to provoke dissatisfaction and even unrest if mishandled. In February last year, for example, tens of thousands of pensioners were reported to have taken to the streets of Wuhan and Dalian in protest against perceived cuts in health care benefits, calling out “down with the reactionary government” and singing the Internationale.<sup>48</sup> Given the heavy social controls that are in place in China, protests like these, which take courage and determination, are a warning signal to the authorities to proceed with care.

The management of old age retirement and pensions is equally demanding—think what has happened in France in recent years in response to President Macron’s efforts to raise the pension age. The official age of retirement in China is comparatively young—60 for men, 55 for women in white-collar jobs, 50 for women in blue-collar jobs—and life expectancy in China continues to grow. (Life expectancy is 79 today, compared to 40 in 1961—a remarkable increase, especially given the turmoil of the late ’60s and early ’70s.<sup>49</sup>)

So, the time is ripe for lifting the retirement age. But the government has moved with caution so as to minimise disaffection. In 2021 it announced its intention to increase the retirement age, but only over time.<sup>50</sup> And the Third Plenum Resolution addresses the issue in a single gingerly expressed sentence.<sup>51</sup> This reads:

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<sup>46</sup> Perhaps this judgment is in itself too cautious. On 27 August 2024 a Ministry of Public Security (police) spokesman told a Beijing press conference that with provisos local authorities would be “guided” to “fully implement the policy of removing household registration restrictions in cities with an urban resident population of less than 3 million,” with partial restrictions lifted for cities larger than that. My thanks to Jason Young for pointing this out. [scio.gov.cn/live/2024/34551/tw/?utm\\_source=substack&utm\\_medium=email](https://scio.gov.cn/live/2024/34551/tw/?utm_source=substack&utm_medium=email)

<sup>47</sup> Plenum Resolution Section VI part 20. In addition the Resolution provides for the lifting of restrictions preventing people from accessing social security in places where they work but don’t have permanent residence, and for policies for transferring social security accounts to be improved (Section XI part 43).

<sup>48</sup> Sun Yu, ‘China’s elderly protest’, *Financial Times*, 16 February 2023.

<sup>49</sup> ‘Life expectancy at birth, total (years) – China, World Bank Group, 2024 at [data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=CN](https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=CN) Official retirement ages date back to the influence of Moscow in the 1950s.

<sup>50</sup> ‘China says working on plan to raise retirement age’, Xinhua, 26 February 2021.

<sup>51</sup> Plenum Resolution Section XI part 46 [Within days of completing this paper, Beijing announced a plan to raise the retirement age by 3-5 years over the next 15 years. Xinhua (various reports), 13 September 2024. PH]



*“we will advance reform to gradually raise the statutory retirement age in a prudent and orderly manner.”*

The larger question of how to manage China’s changing demographic dynamics is one the Third Plenum alludes to but without fully addressing it. The overriding demographic issue in China—as in Japan and South Korea, both of which are further down the track—is that China’s population is set to decline dramatically during the rest of this century. Predictions vary, but a recent one by the United Nations Department of Economic and Social Affairs suggests that by 2100 China’s population may be less than half its current size of 1.4 billion.<sup>52</sup> If this happens there will be a range of consequences for the overall age and well-being of the population of the kind already affecting Japan and South Korea.

The Third Plenum’s response to this is narrowly defined. It repeats the Party’s intention to promote a higher birth rate by “striving to build a childbirth-friendly society”—what Xi Jinping called last year “a new type of marriage and childbearing culture”—one that provides for better childcare and financial incentives for women to have more children. The Plenum Resolution also provides for improved care for the elderly and a “silver economy”, as it puts it, with more jobs for old people.<sup>53</sup>

These are the most obvious policy responses, whatever you may think of Xi Jinping’s phrasing. But as Japan and South Korea are discovering, the issues are complex. For one thing, promoting higher birth rates in a late industrial society seems likely to be fraught with difficulties. For another, old-age ‘bulges’ will put considerable strain on social welfare resources.

Some people take a pessimistic view of this demographic trend in China, foreseeing a decline in the country’s wealth and influence as China’s population shrinks. Others take a more optimistic view, envisaging that China will manage well as its economy becomes more automated and AI-dependent. There is much to be said on these and other counts, but the Plenum Resolution isn’t adventurous enough to touch on any of them.<sup>54</sup>

## 9. Security

It is a small step from social security to national security. Surprisingly, given how often the authorities in China stress that security and development go hand in hand, the Third Plenum deals with national security in quite a cursory manner. It mentions taking a holistic approach to national security, improving coordination among those agencies dealing with law, strategy, policy, risk monitoring and early warning systems. It also provides that biosecurity, cybersecurity and the safety of AI will all be strengthened.<sup>55</sup>

But there is no mention of specific agencies, including the Ministry of State Security, whose role has grown stronger and more visible in recent years, including in the field of cyberespionage. (Together with the People’s Liberation Army the Ministry of Social Security oversees the espionage activities of various groups responsible for so-called APTs—

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<sup>52</sup> United Nations Department of Economic and Social Affairs, *World Population Prospects 2024: Summary of Results*, UN Department of Economic and Social Affairs, New York, 2024, 19.

<sup>53</sup> Plenum Resolution, Section XI part 46.

<sup>54</sup> For possible outcomes see for example Lex Rieffel and Xueqing Wang, ‘China’s Population could shrink to Half by 2100’ in *Scientific American*, 1 May 2024

<sup>55</sup> Plenum Resolution, Section XIII parts 50, 51, 52

Advanced Persistent Threats—including particular APTs that the New Zealand government, like other Western governments, has openly complained about.<sup>56</sup>)

Nor is there any discussion of threats to national security, as the Party would see them, posed by social unrest—this despite indications that incidents of social unrest and dissent are still common, though possibly fewer than ten years ago.<sup>57</sup>

These range from strikes and demonstrations to individual acts of dissent such as the brave act of defiance by a man called Peng Lifa 彭立发, who hung out a protest banner in Beijing in 2022 calling for the “dictator and national traitor” Xi to be removed.<sup>58</sup>

One new step towards managing dissent and unrest at the local level that the Plenum does advocate is applying “the Fengqiao model (*Fengqiao jingyan* 枫桥经验)” for “promoting community-level governance...and the rule of law and the rule of virtue (*de zhi* 德治)”.<sup>59</sup> This so-called Fengqiao model was favoured by Mao Zedong many decades ago, but was subsequently sidelined until Xi Jinping chose to revive it. Named after a locality in Zhejiang province, it was an element of the institutionalised practice of struggle, often violent, against so-called class enemies, a practice that tore Chinese society apart in Mao’s day. Its re-emergence as a vehicle of law and virtue in the service of resolving local disputes is incongruous, to say the least, and its Maoist echoes will bring a chill to those with long memories.

One other issue relating to national security in a more general sense is that of the environment. China continues to suffer from major problems of environmental pollution, including among many other things chronic water shortages and water table degradation. The Plenum provides for a system of mandatory limits on the use of water resources, but says little about natural resource price reform, a theme of the Third Plenum in 2013.<sup>60</sup>

On low-carbon development the Plenum mentions new measures for monitoring carbon emissions and improving an existing pilot-based carbon emissions trading system. It re-commits China to “moving towards reaching peak carbon emissions and carbon neutrality”. But for reasons that are unclear—is there a suggestion of obstacles ahead?—it does not give the aimed-for dates of “before 2030” for peak carbon emissions and “before 2060” for carbon neutrality that Xi Jinping announced to the UN General Assembly in September 2021.<sup>61</sup>

## 10. Foreign policy

The parts of the Plenum Resolution on foreign policy, Party building and defence can be dealt with quite briefly.

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<sup>56</sup> Lucy Cramer, ‘New Zealand accuses China of hacking parliament, condemns activity’, Reuters, 26 March 2024. For APTs, Mandiant, ‘Advanced Persistent Threats (APTs). 2024 at [mandiant.com/resources/insights/apt-groups](https://www.mandiant.com/resources/insights/apt-groups) Mandiant is a Google service. It does not divulge the sources of its information about APTs.

<sup>57</sup> The Chinese authorities used to publish annual estimates of the number of these, but have stopped doing so.

<sup>58</sup> Yangyang Cheng, ‘Xi Jinping has purged China of hope—but he can’t stamp out small acts of resistance’, *Guardian*, 25 October 2022.

<sup>59</sup> Fengqiao model is the official English translation. A more accurate translation is ‘the Fengqiao experience’. For an excoriating account of the Fengqiao experience see Vivian Wang, ‘Xi Jinping’s Recipe for Total Control: an Army of Eyes and Ears’, *New York Times*, 25 May 2024.

<sup>60</sup> Plenum Resolution, Section XII part 48.

<sup>61</sup> Plenum Resolution, Section XII part 49. UN News, ‘China headed towards carbon neutrality by 2060...’, UN News, New York, 21 September 2021.

The Plenum's remarks on foreign policy, which it is not much concerned with, assume a bland, emollient tone. They reaffirm China's commitment to "a multipolar world" and "economic liberalisation" as well as to BRI (the Belt and Road Initiative), or more specifically to "the Belt and Road Science, Technology and Innovation Cooperation Action Plan"—an indication, perhaps, of the preferred nature of future BRI projects.

There are also mandatory references to Xi Jinping's favourite ideas, "a human community with a shared future" and China's Global Development, Global Security and Global Civilization initiatives, which are still more slogans than detailed policy prescriptions. Taiwan barely gets mentioned, except as an element of 'united front' work.<sup>62</sup>

(The references to Xi Jinping's favourite ideas reflect the fact that Xi's own imprint on the Resolution is only visible now and then, like a whale surfacing for air. Other examples of Xi's imprint is the mention of the Fengqiao experience, and a reference to revitalising rural Zhejiang, where Xi was Party secretary in his formative years. Another example is the simple saying that "clear waters and green mountains are a brilliant idea", which crops up in the Plenum Resolution's discussion of the environment.<sup>63</sup> Otherwise Xi's influence on the Plenum Resolution is invisible. Even the homely, sometimes blunt language that he is thought to favour is nowhere to be seen.)

For other, somewhat more informative remarks on foreign affairs, notably financial affairs, we have to go back to earlier sections of the Plenum Resolution. These include references to improving access to and the functions of China's capital market, partly by "preventing risks and tightening regulations", "promoting high-standard opening up of the financial sector", and "prudently advancing the internationalisation of the RMB".<sup>64</sup> There are no surprises here. They also include a commitment to safeguarding "the WTO-centred multilateral trading system" and 'fostering an institutional environment conducive to the development of new models and forms of [foreign trade]'.<sup>65</sup>

The picture thus given is of China's soothingly smooth engagement with the outside world. There is no mention anywhere of the deep stresses now characterising China-US relations; of the tensions over trade and investment affecting China's relations with the US and some other developed country partners; or of the effects of the tariffs and other restrictions now being imposed on China by the US and European Union. There is no reference to heightened security concerns relating to Taiwan, Korea, the South China Sea or the US and its allies in the west Pacific rim. Nor is there any reference to the intense controversies aroused by China's de facto alliance with Russia and support for its invasion of Ukraine.

## 11. The Party and democracy

The section of the Plenum Resolution on the Communist Party contains similar pabulum.<sup>66</sup> It extols the "mass line", a phrase dating back to Mao's time, one that embodies

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<sup>62</sup> Plenum Resolution, Section VII part 28, Section VIII part 32, Section XV part 60.

<sup>63</sup> Plenum Resolution, Section Section VI part 22, Section XII preamble. The phrase about waters and mountains, "*lǜ shuǐ qīng shān jiù shì jīn shān yīn shān de lǐniàn* 绿水青山就是金山银山理念", literally 'clear water and green mountains are a silver-and-gold-mountain idea', a saying used earlier by Xi, is a metaphor for a perfect physical and social environment.

<sup>64</sup> Plenum Resolution, Section V part 18.

<sup>65</sup> Plenum Resolution, Section VII part 25.

<sup>66</sup> Plenum Resolution, Section XV parts 54 to 59.

Xi Jinping's old-fashioned view of how the Party should engage with ordinary people. The Resolution praises honesty and virtue in Party members, condemns corruption, and notes that discipline inspection and supervision will be "improved" and applied to "all central-government administered enterprises".

This sounds like a fresh push by the Party's fearsome Central Commission for Discipline Inspection, which essentially operates outside the law, to try and stamp out corruption in large state-owned enterprises. SOE CEOs will be watching out. The Commission otherwise goes unmentioned.

Nor—as to be expected—is there any mention of democratic reform beyond an earlier discussion of 'whole-process people's democracy'.<sup>67</sup> This relatively new and anodyne slogan appears to refer mainly to enhancing the role of local people's congresses, crypto-parliamentary bodies that are widely regarded as ineffectual, and the 'united front', the policy of coopting whenever possible prospective non-Party allies and partners.

Subsumed under the term whole-process people's democracy is an isolated, albeit indirect, reference to the question of how the Party should manage its vexed relations with national minorities. This consists of mention of a proposed law on promoting "ethnic unity", as it is called, and efforts to ensure that "religions in China are Chinese in orientation".<sup>68</sup> "Promoting ethnic unity" implies subsuming local national identities under a broader, single Chinese identity, a recent trend that has marginalised non-Han Chinese national identities.

So far as I can see this is the only reference to the repressive Party policies being applied to the Uyghur and other Moslems in Xinjiang, and to Tibetans, policies that deserve far more consideration by the Plenum than they get.

The Plenum Resolution makes no mention of role and identity of women in contemporary Chinese society (apart from its pledge to improve the rate of childbirth), or of the salient issue of violence against women in China.<sup>69</sup>

## 12. The military

Finally, the Plenum's discussion of national defence is worth pausing over. This is mainly because the Plenum Communique reaffirms the remarkable fact that former defence minister Li Shangfu 李尚福, appointed in early 2023, and two other senior figures in the PLA (People's Liberation Army), Li Yuchao 李玉超 and Sun Jinming 孙金明, have been expelled from the Party after "grave violations" of Party discipline and state law. (Wait for a well-publicised military court case or two to come up.)

Li Yuchao and San Jinming both led the PLA Rocket Force, while former defence minister Li Shangfu was once part of the PLA's Strategic Support Force (SSF). Early this

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<sup>67</sup> Plenum Resolution, Section VIII parts 29 to 32.

<sup>68</sup> Plenum Resolution, Section VIII, part 32. "Ethnic unity", "*minzu tuanjie* 民族团结", is officially translated "ethnic solidarity".

<sup>69</sup> For Chinese women's changing status vis-à-vis-health and wellbeing, including violence against women, see Editorial, 'Women's health in China in the era of growing rights and falling fertility', and attached articles, *BMJ*, 30 August 2024. On the threatened status of feminism in China, Alexandra Stevenson, 'In China, Ruled by Men, Women Quietly Find a Powerful Voice', 8 May 2024.

year the PLA disbanded and then restructured the SSF,<sup>70</sup> a striking move, since the SSF, which worked on cyberspace, was created in 2015 by Xi Jinping as part of a major overhaul of the military.

The Plenum documents do not mention the disbanding of the SSF. Nor do they refer to other recent developments in the PLA that suggest the military has been in trouble. One is the charge of gross corruption levelled at another former defence minister, Wei Fenghe 魏凤和, who fell from grace earlier this year after suffering what the official news agency Xinhua called “a collapse of faith”—a startling phrase whose meaning can only be guessed at.<sup>71</sup>

Defence ministers in China are less senior than their counterparts in Washington or Moscow. Still, to have two of them purged at much the same time is extraordinary.

Another development left unmentioned by the Plenum is the apparent purging during the past year or so of numerous other PLA generals and senior cadres. At the same time the head of the SSF, Ju Qiansheng 巨乾生, seems to have disappeared.

Finally, the Plenum does not allude to the fact that in June this year Xi Jinping held a most unusual military meeting, the first of its kind in a decade, in Yan’an, heartland of the Chinese Communist revolution. There he told assembled military leaders that they needed to be more loyal and less corrupt.<sup>72</sup>

All this suggests that despite an earlier purge a decade or so ago, Xi continues to have difficulty keeping a rein on the military and ensuring its full support. Were the Yan’an meeting, the restructuring of the SSF and the other developments mentioned here the real reason the Third Plenum was delayed? It has to be a possibility.

Whatever the case, all these recent mishaps give new meaning to the assertion of the Plenum Resolution that the Party under Xi Jinping will “continue to enhance [sic] political loyalty” and “maintain the Party’s absolute leadership over the people’s armed forces”.<sup>73</sup> They also raise the question of what the military would do and how it would perform in the event of a crisis.

### 13. Conclusion

In conclusion, it may be helpful to summarise what the Plenum did and did not do.

- It emphasised the importance of guided innovation, including financial and Party support in selected fields to state-owned enterprises, the private sector, research bodies and educational insitutions.
- It said little about the risks of overproduction and deflation, or about the right balance between investment and consumption.

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<sup>70</sup> Ying Yu Lin and Tzu-Hao Liao, ‘RIP, SSF: Unpacking the PLA’s Latest Restructuring’, *The Diplomat*, 23 April 2024.

<sup>71</sup> ‘CPC expels former Chinese defense minister Wei Fenghe’, Xinhua, 27 June 2024; Mai and Liu Zhen, ‘In a first, China accused former defence ministers Li Sahngfu and Wei Fenghe of corruption’, *South China Morning Post*, 27 June 2024.

<sup>72</sup> ‘Xi stresses PLA’s political loyalty at crucial meeting held in old revolutionary base’, Xinhua, 19 June 2024.

<sup>73</sup> Plenum Resolution, Section XIV preamble, part 54.

- It took a piecemeal, pragmatic approach to many other aspects of China's current reform process, emphasising the need for institutional reform above all else, but frequently failing to explain in concrete terms what institutional reform will consist of.
- It offered cautious proposals with respect to centre-local fiscal relations, to social welfare, and to *hukou* or household registration reform.
- It more or less ignored problems relating to the property crisis, disaffected national minorities and substantive democratic reform.
- It ignored women's rights and the salient problem of violence against Chinese women.
- It slid past knotty long-term issues relating to rates of economic growth and demographic change.
- It alluded to problems relating to the loyalty and integrity of the military.
- It disingenuously cast China's relations with the outside world in a wholly positive light.

All told, the Third Plenum has kept Xi Jinping's policies broadly on course, and clarified some priorities. But it reveals little about the concrete measures needed to address some of the issues China is confronting. There are several possible reasons for this. Either the Plenum documents are framed somewhat vaguely so as to sustain an intra-Party consensus. Or concrete measures relating to Plenum decisions are still in the making. Or Xi believes, for whatever reasons, that the Party's policies as the Plenum describes them are acceptable as they stand.

## About the Author



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