IS XI JINPING A REFORMER SIMILAR TO DENG XIAOPING?

A thesis presented to the Faculty of the U.S. Army Command and General Staff College in partial fulfillment of the requirements for the degree

MASTER OF MILITARY ART AND SCIENCE
General Studies

by

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2017

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Is Xi Jinping a Reformer Similar to Deng Xiaoping?

Deng Xiaoping shifted the Chinese Communist Party’s core focus from ideology to economic development by announcing his policy of reform and opening up in 1978. His pragmatic policies resulted in political stability, ideological openness, and sparked over thirty years of rapid economic growth. After 30 years since reform and opening up, China has reached a critical juncture in its development. The Chinese economy requires drastic reforms to continue to grow, and political reforms are needed to overcome vested interests opposed to changing the status quo. In response to China’s challenges, Xi Jinping, who became the Party leader in 2012, has cultivated his image as Deng-style reformer. Within a year of coming to power, he announced the most aggressive and comprehensive set of reforms since Deng’s in 1978. The lack of progress on market reforms and his rapid consolidation of power, however, has led many China observers to question his commitment to rebalancing China’s economy. Despite the lack of significant progress on economic reforms, this paper finds that Xi is a reformer similar to Deng.

China, Economic Reform, Political Reform, Economic Growth, Reform Era
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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)
ABSTRACT

IS XI JINPING A REFORMER SIMILAR TO DENG XIAOPENING? by Vito Su, 123 pages.

Deng Xiaoping shifted the Chinese Communist Party’s core focus from ideology to economic development by announcing his policy of reform and opening up in 1978. His pragmatic policies resulted in political stability, ideological openness, and sparked over thirty years of rapid economic growth. After 30 years since reform and opening up, China has reached a critical juncture in its development. The Chinese economy requires drastic reforms to continue to grow, and political reforms are needed to overcome vested interests opposed to changing the status quo. In response to China’s challenges, Xi Jinping, who became the Party leader in 2012, has cultivated his image as Deng-style reformer. Within a year of coming to power, he announced the most aggressive and comprehensive set of reforms since Deng’s in 1978. The lack of progress on market reforms and his rapid consolidation of power, however, has led many China observers to question his commitment to rebalancing China’s economy. Despite the lack of significant progress on economic reforms, this paper finds that Xi is a reformer similar to Deng.
ACKNOWLEDGMENTS

I would like to thank my thesis committee–Mr. Budke, Dr. Babb, and Mr. Mitchell–for their guidance, expertise, mentorship, and patience throughout this process. I could not have successfully completed this thesis without Mr. Budke’s management of the thesis process, the many hours of discussion I had with Dr. Babb and his knowledge of the subject matter, and Mr. Mitchell’s prompt feedback.
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<td>Chinese Communist Party</td>
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CHAPTER 1

INTRODUCTION

Failing to adhere to socialism, to carry out reform and opening up, to develop the economy and to improve people's livelihoods can only lead up to a blind alley. The basic line governs one hundred years and must not be shaken.
— Deng Xiaoping

Reform and opening up is always an ongoing task and will never end. Without reform and opening up, China would be not what it is today, nor would it have prospects for a brighter future.
— Xi Jinping

Overview

Thirty years of class struggles and continuous revolutions under Mao Zedong failed to excel the PRC to a Communist utopia. Instead, Mao’s ideological-driven endeavors caused famine, death, chaos—and disintegrated the CCP’s legitimacy. After Mao’s death, paramount leader Deng Xiaoping shifted the Party’s focus to economic development and raising the country’s dire living standards. At the Third Plenum of the 11th Central Committee of the CCP in 1978, Deng announced his policy of reform and opening up. His pragmatic policies resulted in political stability, ideological openness, and China’s meteoric economic rise.

Over 30 years since reform and opening up, China has arrived at a critical juncture in its development. The current drivers of China’s economy—exports and government-led investment—can no longer sustain adequate growth. Additionally, the rate at which the Chinese economy grew over the past 30 years has led to a myriad of economic, political, environmental, and social issues that threaten stability and future
economic growth.¹ To tackle these challenges, Xi Jinping, who became the CCP general secretary in 2012, unveiled a set of reforms at the Third Plenum of the 18th Central Committee of the CCP in 2013 on par with Deng’s in 1978 in terms of importance and scale. To complement his reform agenda, Xi has shaped his image as a reformer similar to Deng and has become the most powerful Chinese leader since 1978.

Optimistic China watchers believe Xi is consolidating power to overcome vested interests opposed to reforming the economy. The lack of significant progress has led some observers to question his commitment to carrying through with difficult but necessary market reforms. Less optimistic China watchers think that Xi is consolidating power as an end. Whether he is a reformer similar to Deng has major implications for the PRC’s economy and polity as well as the global economy.

The PRC’s Economic and Political Reforms

China has been undergoing market-oriented economic reforms and political reforms since 1978. The PRC’s economic reforms introduce market forces into the country’s state-dominated economy, to build a “socialist market economy.” Political reforms adapt socialism to the Chinese context, and advance “socialism with Chinese characteristics.” Political reforms enable market reforms and have historically been designed to uphold the Party’s monopoly on power.

¹ These issues include stark income inequality, systemic corruption, environmental degradation, and the urban-rural divide.
The Socialist Market Economy

China’s form of state capitalism is unique. No other Leninist party has attempted marketization and embraced globalization while retaining a political system designed for a planned economy. Deng Xiaoping defended the inherent paradox of the PRC’s experiment in developing a socialist market economy in 1979 interview:

> It is wrong to maintain that a market economy exists only in capitalist society and that there is only “capitalist” market economy. Why can’t we develop a market economy under socialism? Developing a market economy does not mean practicing capitalism. While maintaining a planned economy as the mainstay of our economic system, we are also introducing a market economy. But it is a socialist market economy. Although a socialist market economy is similar to a capitalist one in method, there are also differences between them. The socialist market economy mainly regulates interrelations between state-owned enterprises, between collectively owned enterprises and even between foreign capitalist enterprises. But in the final analysis, this is all done under socialism in a socialist society.

Economic reforms have not only affected the Chinese economy, but they have also eroded the Party’s core values and principles. New sources of wealth, power, and opportunities have emerged that are not within the CCP’s control. Marketization has increased wealth and pluralized the Party at all levels. Party cadres today have diverse

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4 Gore, 120-124.

5 Ibid.
backgrounds, socio-economic status, and represent different interests. The cumulative effect of market reforms is the weakening of the Party.

Socialism with Chinese Characteristics

The CCP came into power in 1949 and established a Leninist party-state political system. The Leninist party intertwines and overlaps with the state in this type of political system. Two defining characteristics of a Leninist party are democratic centralism, the submittal of the party to the party central committees, and an official, exclusive ideology that permeates throughout society. The party is the center of power, and the state is the bureaucratic and administrative instrument through which it executes its policies. The goal of a Leninist party-state is to guide the nation through socialism to achieve modernization and utopia.

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6 Ibid.

7 Ibid.


9 Some examples are Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Three Represents, and the Scientific Outlook on Development.


11 Ibid.

12 Some examples are Marxist-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the theory of the Three Represents, and the Scientific Outlook on Development.
Since its founding, the CCP has been in a state of progressive decline in terms of its power over society. Its decline can be attributed to a multitude of economic, social, political, and domestic and international factors and events, including the GPCR and post-Mao reforms. China watchers have been predicting the CCP’s collapse since its inception, but it has shown an ability to adapt to external and internal factors to remain in power. For example, The Party relinquished its privileged claim to truth in the Deng era to enable experimentation with reforms. It dramatically increased recruitment of business elites in response to the fall of the Soviet Union. To prevent a Soviet-like collapse, it increased “inner-party democracy” in the mid-2000s. The modern CCP is no longer a vanguard party whose ranks are occupied by the proletariat.

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14 Ibid., 18-19.

15 The Party should represent the productive forces in society, the Party should represent advanced modern culture, and the Party should represent the interest of the vast majority of the people.

16 This effort included experimenting with multiple candidate elections for Party committees, exposing party committees to criticism from local citizens, encouraging intraparty criticism of policies, increasing the transparency of decision-making, and increasing responsiveness of party decisions to critique from the Chinese People’s Political Consultative Congress.

**Research Questions**

The primary research question this thesis endeavors to answers is: Is Xi Jinping a reformer similar to Deng Xiaoping? The secondary research questions that follow the primary research question are:

1. What economic reforms did the Party implement under Deng Xiaoping?
2. What political reforms did the Party implement under Deng Xiaoping?
3. What economic reforms is the Party implementing under Xi Jinping?
4. What political reforms is the Party implementing under Xi Jinping?
5. What is the progress of Xi Jinping’s reforms?

**Significance**

China is the world’s second-largest economy and the largest contributor to global economic output. Its transition toward a market economy has come a long way, but many parts of China’s economy remain under state control and are closed off to foreign investment and competition. Market reforms will produce opportunities for the United States and the global economy. Political reforms will result in stability and openness that the PRC requires to carry out its reform agenda. Deng Xiaoping is considered the architect of modern China. Whether Xi Jinping is a reformer similar to Deng has significant implications as to whether he will pursue tough reforms the Chinese economy and polity requires to progress.
Assumptions

Deng Xiaoping was committed to reforming the Chinese economy and polity. This thesis assumes that if Xi Jinping is a Deng-style reformer, he will also be committed to carrying through with difficult but necessary economic and political reforms.

Limitations

Xi Jinping’s Third Plenum reform agenda addresses China’s military, the legal system, and several other areas. While those reforms are significant, this thesis only covers economic and political reforms. Moreover, this thesis does not discuss in detail other PRC leaders: former General Secretaries Jiang Zemin and Hu Jintao.

Delimitations

This thesis is intended to provide information only and does not offer policy recommendations.

Master in Military Arts and Science Outline

Chapter 1 (Introduction) provides an overview of this paper; an overview of China’s political and economic reforms; introduces the primary and secondary research question; and explains its significance, assumptions, limitations, and delimitation.

Chapter 2 (Literature Review) presents the sources reviewed for this research paper.

Chapter 3 (Research Methodology) outlines the research methodology used to obtain and analyze the information collected to answer the primary and secondary research questions. Chapter 4 (Deng Xiaoping) presents information on Deng Xiaoping. Chapter 5 (Xi Jinping) provides information on Xi Jinping. Chapter 6 (Analysis and Conclusion) compares and contrasts Xi and Deng and concludes this thesis.
CHAPTER 2
LITERATURE REVIEW

Introduction

Chapter 2 briefly introduces the literature that was reviewed for this paper. This chapter is organized into two main sections: “Deng Xiaoping” and “Xi Jinping.” The two main sections are divided into subsections in accordance with the secondary research questions. Detailed information on the two leaders is provided in chapters four and five.

Deng Xiaoping

This section of the literature review presents the source that informs this paper on Deng Xiaoping and the early reform era (1978-1989). Sources are organized in three subsections: background on Deng Xiaoping, the Chinese economy under Deng Xiaoping, and Chinese politics under Deng Xiaoping.

Background on Deng Xiaoping

As one of modern China’s most important leaders, Deng Xiaoping’s life was studied extensively. Therefore, there is an abundance of information on this topic. Two books were reviewed under this subsection: Deng Xiaoping and the Transformation of China by Ezra. F. Vogel, and chapters 11 (Black Cat, White Cat: Deng Xiaoping: Part I) and 12 (Turmoil: Deng Xiaoping, Part II) of Wealth and Power: China’s Long March to the Twenty-First Century by Orville Schell and John Delury.

Five journal articles were reviewed for information on Deng’s background. An Introductory Profile: Deng Xiaoping and China’s Political Culture by Lucian W. Pye
 analyzes Deng’s leadership style in the context of the China’s political culture.\textsuperscript{18} June Teufel Dreyer’s \textit{Deng Xiaoping: The Solider} examines his military career.\textsuperscript{19} \textit{Deng Xiaoping: The Economist} by Barry Naughton explains Deng’s contributions to China’s economic development.\textsuperscript{20} Lastly, David Shambaugh’s \textit{Deng Xiaoping: The Politician} examines Deng’s political behavior and leadership style.\textsuperscript{21}

The Chinese Economy under Deng Xiaoping

China’s meteoric economic rise is unprecedented in history. Deng set the middle country on the path to becoming an economic power when he initiated market reforms in 1978. The path China took to transition from a planned economy to a market economy is unique and has been a subject of perennial interest. Three books informed this thesis on the Chinese economy and economic reforms during the Deng era. \textit{The Chinese Economy: Transitions and Growth} by Barry Naughton is a comprehensive study on China’s transition from a planned economy to a market economy. Gordon White’s \textit{Riding the Tiger: The Politics of Economic Reform in the Post-Mao China} analyzes China’s


transition during the early reform era from a political economy perspective. Lastly, Chapters 23 (Re-Entering the World) and 24 (Redefining Revolution) of Jonathan D. Spence’s *The Search for Modern China* by Jonathan D. Spence Chapter provides historical background on the PRC’s economic transition.  

Nine journal articles were reviewed under this subsection. Barry Naughton’s *China’s Transition in Economic Perspectives* explains the political impact of Deng-era economic reforms. Another article by Naughton, *Chinese Institutional Innovation, and Privatization from Below* describes the role TVEs played in the Chinese economy’s transition. *A Decade of Reform in China: A Retrospect* by Amaresh Bagchi analyzes the negative and positive aspects of economic reforms during the early reform era.

Li Kui-wai’s *The Two Decades of Chinese Economic Reform Compared* compares and contrasts economic reforms in the 1980s with those of the 1990s to determine how reforms evolved.

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History Behind China’s Economic Boom by Loren Brandt, Debin Ma, and Thomas G. Rawski explains China’s historical obstacles to integrating into the global economy and how it overcame them.27 Xiaodong Zhu’s Understanding China’s Growth: Past, Present, and Future explore three periods of Chinese development to provide an understanding of the development of the Chinese economy from 1800-2012.28

Frederich Wu’s From Self-Reliance to Interdependence explains the interaction between China foreign and economic policies through the theories of self-reliance and interdependence.29 China’s Macroeconomic Management during Transition by Shahid Yusuf describes the macroeconomic performance of Deng-era reforms and how the PRC managed the process.30 Finally, The “Three Reforms” in China Progress and Outlook by Shigeo Kobayashi, Jin Baobo, and Junya Sano analyzes three periods of Chinese economic reforms between 1978-2000.31

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31 Shigeo Kobayashi, Jin Baobo, and Junya Sano, “The ‘Three Reforms’ in China Progress and Outlook,” *Pacific Business and Industries*, no. 45 (September 1999),
Two of Deng Xiaoping’s speeches were reviewed under this subsection. Deng explains his vision for a socialist market economy in *We can develop a market economy under socialism.*

*Excerpts from Talks Given in Wuchang, Shenzhen, Zhuhai and Shanghai* are excerpts from the speeches Deng gave in 1992 during his famous southern tour to restart market reforms that had stalled after the 1989 Tiananmen Square incident.

**Chinese Politics under Deng Xiaoping**

Deng Xiaoping drastically transformed the CCP during his tenure as the paramount leader. He restored and strengthened the Party’s governing institutions and norms that were destroyed under Mao Zedong. He also created new institutions and rules to prevent the rule of personality and the consolidation of political power by a single individual. Deng’s political reforms resulted in a system of collective leadership in which the PSC—the pinnacle of political power in China’s party-state system—collectively governs China.

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Five journal articles and essays informed this paper on Chinese politics and political reforms under Deng Xiaoping. *Deng Xiaoping’s Political Reforms and Political Order* by Michael Ng-Quinn outlines Deng’s political reforms, their inherent paradoxes, and the obstacles Deng faced in their implementation.34 Murray Scot Tanner’s *The National People’s Congress* describe the institutionalization of the Chinese legislature’s influence.35 *Dynamic Economy, Declining Party-State* by Merle Goldman and Roderick MacFarquhar discusses the paradoxical effect of Deng-era reforms. *The Struggle over Village Elections* by Lianjiang Li and Kevin J. O’Brien describes the Party’s implementation of village-level elections and explains why it pursued a seemingly paradoxical reform.36 Lastly, *Elite Politics* by Joseph Fewsmith describes the institutionalization and bureaucratization of CCP elite politics.

Three of Deng Xiaoping’s speeches were reviewed under this subsection. Deng argues for separating the Party and state in *On the Reform of the System of the Party and State*. *Uphold the Four Cardinal Principles* describes the limitations of political reforms and ideological discourse. *Emancipate the Mind, Seek Truth from Facts, and Unite as

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One in Looking to the Future was Deng’s keynote speech to the Third Plenum in 1978 that served as the philosophical and ideological basis for reform and opening up.37

Xi Jinping

This section presents sources that were reviewed for information on Xi Jinping. Sources are organized in the following four sub-sections: background on Xi Jinping, the Chinese economy under Xi Jinping, Chinese politics under Xi Jinping, and Xi Jinping’s Third Plenum reform agenda.

Background on Xi Jinping

Xi Jinping became the general secretary of the Party in 2012. Before he came to power, Xi was not widely studied. Therefore, there is a limited amount of information on his background, particularly in English. The following six sources were reviewed for information on Xi’s life. Chapter 2 (Making of a New Helmsman) of Willy Wo-Lap Lam’s book Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, or Retrogression? provides a brief biography on Xi.38 Kerry Brown’s book CEO, China: The Rise of Xi Jinping is one of a few English biographies currently available on the

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general secretary. *Xinhua*, China’s state-run media, provides a timeline of his career.\(^{39}\)
The journal article *Is Xi Jinping the Reformist Leader China Needs?* by Jean-Pierre Cabestan provides a biography on Xi his challenges as China’s next leader.\(^{40}\) *Man of the People: Profile of Xi Jinping, General Secretary of the CPC* is a profile of Xi from his book *The Governance of China*.\(^{41}\) The final source reviewed under this subsection is *South China Morning Post*’s book *China Renaissance: The Rise of Xi Jinping and the 18th Communist Party Congress*.

The Chinese Economy under Xi Jinping

After 30 years of unprecedented growth, the Chinese economy is beginning to slow down due to structural imbalances. Xi announced significant reforms to China’s economy in 2013. This subsection contains sources with information regarding the state of the Chinese economy under Xi, his economic reform agenda, and the progress of those reforms.

Four reports were reviewed under this subsection. *Navigating Choppy Waters: China’s Economic Decisionmaking at a Time of Transition* by the Center for Strategic and International Studies examines China’s financial sector reforms and whether the

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\(^{41}\) Xi Jinping, “Man of the People: Profile of Xi Jinping, General Secretary of the CPC,” in *The Governance of China* (Beijing, China: Foreign Language Press Co., 2014), 475-497.
PRC’s bureaucracy is capable of changing the Chinese economy.\textsuperscript{42} \textit{China 2030: Building a Modern, Harmonies, and Creative Society} is joint a World Bank-National Development and Reform Commission of the PRC study on the problems affecting the Chinese economy and the necessary reforms to overcome them.\textsuperscript{43} The Asia Society Policy Institute’s \textit{Avoiding the Blind Alley: China’s Economic Overhaul and Its Global Implications} provides an in-depth analysis of China’s Third Plenum economic reforms and its impact on the world economy.\textsuperscript{44} Lastly, the \textit{U.S.-China Business Council China Economic Reforms Scorecard February 2016} is a quarterly assessment of China’s overall progress on all its economic reforms.

Three journal articles were reviewed under this subsection. \textit{Reform Retreat and Renewal: How Economic Policy Fit into the Political System} by Barry Naughton compares and contrasts Xi’s economic reforms with former General Secretary Hu’s.\textsuperscript{45} \textit{Reassessing China: Awaiting Xi Jinping} by William H. Overholt describes the economic

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challenges that Xi will face as China’s leader. Nicholas Lardy argues in *China’s Economic Reforms and Growth Prospects* that China will most likely avoid pessimistic predictions about its economic prospects if the Party can successfully implement Xi’s economic reforms.

### Chinese Politics under Xi Jinping

This subsection presents the sources that contain information on Chinese politics and political reforms under Xi Jinping. The CCP is facing a legitimacy crisis due to systemic and individual corruption. Combating corruption and improving party discipline are priorities for Xi with respect to political reform efforts. Another area of priority in reforming the Chinese polity is reinforcing and strengthening central Party authority and leadership. Xi’s political reforms are intended to restore the CCP’s legitimacy and to overcome to challenges to market reforms.

Two books were reviewed under this subsection. *Chinese Politics in the Xi Jinping Era: Reassessing Collective Leadership* by Cheng Li analyzes the Party’s current composition and its implications for the upcoming NPC in fall 2017. Willy Wo-Lap Lam argues in *Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, or...

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Retrogression? that Xi is undoing Deng’s legacy and the prospects of his realizing the Chinese dream are weak.⁴⁹

Five journal articles were reviewed for information about Chinese politics and political reforms under Xi. Can Xi’s Governing Strategy Succeed by Cheng Li and Ryan McElveen discusses Xi Jinping’s whether economic reforms be successful absent meaningful political reforms.⁵⁰ Alice Miller’s What Would Deng Do analyzes where Xi draws his ideological inspiration.⁵¹ How Strong is Xi Jinping? by the same author discusses how powerful Xi is in light of the outcome of the Third Plenum in 2013.⁵² Miller’s “Core Leaders. “Authoritative Persons,” and Reform Pushback discusses the significance of the “core leader” title the Party bestowed upon Xi in October 2016.⁵³

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Lastly, *China After the Reform Era* by Carl Minzer explores the reasons why Xi is consolidating political power.\(^{54}\)

Five of Xi Jinping’s were reviewed under this subsection. The following three deal with combatting corruption and improving Party discipline: Power Must be “Caged” by the System; Improve Party Conduct, Uphold Integrity and Combat Corruption; Strictly Enforce Diligence and Thrift, Oppose Extravagance and Waste; Establish and Promote the Conduct of the “Three Strict and Three Earnests.” Two deal with ideology: The Mass Line: Fundamental to the CCP and The Guiding Thoughts and Goals for the Program of Mass Line Education and Practice. Lastly, Push Ahead with Reform Despite more Difficulties discusses the importance of forging ahead with reforms.

One official Party document was reviewed for information regarding political reforms under Xi: Explanation on the Code of Conduct for Intraparty Political Life under New Circumstances and the Regulations of the Communist Party of China on Internal Oversight.

**Xi Jinping’s Third Plenum Reform Agenda**

At the Third Plenum of the 18th Central Committee of the CCP, Xi Jinping unveiled a reform blueprint on par with Deng Xiaoping’s in 1978 in terms of scale and importance. Since 1978, Third Plenum reform agenda have dealt only with one sector. Xi’s, however, deals with several areas. The primary goal is to allow the market to play a “decisive” role in the economy.

The following three documents are the CCP’s official publications explaining the 2013 Third Plenum reforms: The Decision on Major Issues Concerning Comprehensively Deepening Reforms (Decision), the Communiqué of the Third Plenary Session of the 18th Central Committee of the Communist Party of China, and President Xi’s Explanatory Notes on the Decision.
CHAPTER 3
RESEARCH METHODOLOGY

This chapter explains the research methodology used to obtain and analyze the information collected to answer the primary and secondary research questions.

Methodology

The methodology this research paper uses to answer the primary research question of whether Xi Jinping is a reformer similar to Deng Xiaoping is qualitative comparison. When Xi became the general secretary of the CCP in 2012, he quickly began shaping his image as a Deng-style reformer through China’s state-owned media, speeches, and actions. Many China observers have compared Xi to Deng (as well as to Mao Zedong) due to his references to Deng and his political behavior and leadership style. Therefore, to determine whether Xi is a reformer similar to Deng, this research paper compares and contrasts the two leaders in terms of their economic and political reforms.

The secondary questions are answered through researching and analyzing secondary sources, including books, journal articles, government publications, studies, reports, news articles, speeches, and information from international financial institutions. Research conducted to answer the secondary questions provides the information for comparing and contrasting Xi to Deng.
Chapter 4 covers Deng Xiaoping’s background and the economic and political reforms the Party undertook during the early reform era (1978-1989). This chapter is organized into the following main sections: background, ascension to power, the Chinese economy in 1978, economic reforms under Deng Xiaoping, Chinese politics in 1978, political reforms under Deng Xiaoping, and conclusion.

**Background**

Deng Xiaoping was born to a landlord family in 1904 in Guang’an, in the Sichuan province of southwestern China.55 Deng’s father had hoped that Deng would become an important official in imperial China.56 His hopes were dashed when imperial examinations were abolished, and imperial rule ended in China in 1911.57

Deng was a brilliant student. He attended primary and middle schools through competitive entrance exams. At the age of 14, he participated in the May Fourth

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57 Ibid., 16.
Movement\textsuperscript{58} and anti-Japanese riots in 1919.\textsuperscript{59} Ezra Vogel notes in \textit{Deng Xiaoping and the Transformation of China} that “the birth of Deng Xiaoping’s awareness among the broader world coincided precisely with the birth of national awareness amount educated youth.”\textsuperscript{60}

Deng’s worldview was broadened when the traveled overseas. At the age of 16, he went to France in 1920 under a work-study program.\textsuperscript{61} Unable to study at French universities due to financial hardship, Deng toiled in menial and often dangerous jobs for five years.\textsuperscript{62} In France, he witnessed first-hand the exploitation of Chinese migrant workers by Europeans.\textsuperscript{63} By 1923, he had dedicated himself to the nascent Communist movement.\textsuperscript{64}

Deng worked in the office of the European Communists in Paris under Zhou Enlai, who later became the CCP’s first premier and one of a few officials that Mao did not purge.\textsuperscript{65} He earned the nickname of “Doctor of mimeograph” for his proficiency at

\textsuperscript{58} The May Fourth Movement was a student movement that protested the passing of Shandong province, which was formerly a German concession, to the Japanese after during the post-World War I negotiations at Versailles, rather than returning the province to China.

\textsuperscript{59} Vogel, \textit{Deng Xiaoping and the Transformation of China}, 17.

\textsuperscript{60} Ibid.

\textsuperscript{61} Schell and Delury, \textit{Wealth and Power}, 262.

\textsuperscript{62} Ibid, 263.

\textsuperscript{63} Vogel, \textit{Deng Xiaoping and the Transformation of China}, 18.

\textsuperscript{64} Ibid.

\textsuperscript{65} Ibid.
producing the movement’s magazine. Deng’s role in the movement became increasingly important, and he did not go unnoticed by French authorities. In 1926, Deng escaped France to avoid arrest at the age of 21. At this point in his life, Deng was already a hardened Communist operative with years of experience mobilizing political action. His next stop was newly established Sun Yat-sen University in Moscow, the Soviet Union.

Deng developed ideas in Moscow that would shape him for the rest of his life. For example, he wrote a paper that stated “centralized power flows from the top down. It is absolutely necessary to obey the directions from above. How much democracy can be permitted depends on the changes in the surrounding environment.”

His Communist training was cut short when the tenuous relationship between the Nationalists and Communists came to an abrupt end in 1927. He returned to China to fight in the civil war.

The Nationalists were superior to the Communists militarily as well as economically. They forced Communists forces on a treacherous 6,000-mile march from

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66 Ibid., 21

67 Schell and Delury, Wealth and Power, 263.

68 The purpose of the Sun Yat-sen University in Moscow was to train Chinese revolutionaries from both the Nationalist Party and the CCP. It operated from 1925-1930.

69 Schell and Delury, Wealth and Power, 263.

70 Vogel, Deng Xiaoping and the Transformation of China, 26.

71 Ibid., 2.
its base in Jiangxi to Shanxi from 1934-1935.\textsuperscript{72} This trek became known as the Long March, and it defined an entire generation of CCP leaders. Deng was responsible for sustaining the morale of 86,000 troops during the March.\textsuperscript{73} When Communist forces arrived at Shanxi, fewer than 10,000 had survived. In 1936, the Nationalists and Communists united to fight against the Japanese in the aftermath of the Xi’an incident\textsuperscript{74}. Deng was a political commissar for the Communist’s Eighth Army during the war from 1937-1945.\textsuperscript{75} Unlike other political commissars, he had the authority to make military decisions as first party secretary.\textsuperscript{76} After the war had ended, the alliance between the Nationalists and Communists disintegrated, and they engaged in a civil war from 1946-1949. Deng commanded 500,000 troops during the civil war and played a critical role in the Communists’ victory over the Nationalists in 1949.\textsuperscript{77}

Deng was a faithful implementer of Mao’s ideological-driven policies. He rose quickly after the civil war to become the general secretary of the Party and gained a seat on the six-member PSC.\textsuperscript{78} In 1957, Mao initiated the Hundred Flowers Campaign (1957-

\begin{itemize}
\item \textsuperscript{72} Ibid., 30.
\item \textsuperscript{73} Ibid., 28.
\item \textsuperscript{74} Nationalist leader Chiang Kai-Shek was arrested by former Manchuria warlord Marshal Zhang Xueliang who was resisting Japan in Manchuria. Chiang’s arrest led to a truce between the Nationalist and Communists and their uniting to fight against Japan.
\item \textsuperscript{75} Vogel, \textit{Deng Xiaoping and the Transformation of China}, 31.
\item \textsuperscript{76} Ibid.
\item \textsuperscript{77} Ibid.
\item \textsuperscript{78} Ibid., 38.
\end{itemize}
1958) to encourage intellectuals to voice their opinions about the Party’s policies. Their opinions devolved into criticisms against the Party. In response, Mao tasked Deng to lead an “anti-rightist” campaign to retaliate against participants of the Hundred Flowers Campaign. As a Party loyalist, Deng supported the crackdown. The “anti-rightist” campaign resulted in over 300,000 intellectuals exiled, sent to labor camps, jailed, or executed. With China’s intellectuals marginalized, Mao was ready to move on to his next utopian endeavor.

The GLF (1958-1962) was supposed to accelerate Mao’s vision self-reliance by increasing agricultural productivity to boost industrial development. Rural peasants were organized into large collective farming communes in which all resources and labor were centralized. Agricultural production plummeted and caused widespread famine, death, and corruption. The catastrophic results of the GLF led Deng to shift his loyalty from Mao to moderates within the Party such as Liu Shaoqi.


80 Vogel, *Deng Xiaoping and the Transformation of China*, 40.

81 Ibid.

82 Ibid.

83 Spence, *The Search for Modern China*, 512.

84 Ibid., 518.

85 Ibid., 520.

86 Ibid., 523.

87 Spence, *The Search for Modern China*, 523. Liu Shaoqi was a soviet-educated Communist theorist and labor organizer. He wrote a book titled *How to Be a Good Communist* that was considered a mandatory reading for new cadres. He was the third
Deng and other moderate leaders responded to the aftermath of the GLF by sending upper-level Party officials to the countryside to oversee Peasants. They instituted economic reforms such as allowing farmers to sell surplus crops in local markets. In response to corruption, Liu Shaoqi led a covert operation that rooted out corrupt officials. Their efforts restored the productivity of the collective farming communes. Despite Mao’s protestations about the way Deng and other moderate leaders handled the fallout of the GLF, they continued on their path. Mao became increasingly sidelined.

Mao launched his final and most destructive utopian endeavor–the GPCR–after Lin Biao helped restore his confidence. The GPCR, which lasted from 1966-1976, was a radical political movement aimed at attacking the “four old” elements in Chinese

most powerful leader after Mao Zedong and Zhou Enlai for 15 years and was Mao’s designated successor until he publicly criticized Mao in 1962 for the faults of the GLF. As a result, Mao branded Liu as the biggest capitalist roader in the Party. Liu received harsh treatment during the GPCR and died under house arrest. He was posthumously exonerated by Deng Xiaoping in 1980.

89 Ibid.
90 Ibid.
91 Spence, *The Search for Modern China*, 535.
92 Ibid.
93 Lin Biao was a military commander who restored Mao’s confidence in the aftermath of the GLF. He strengthened Mao’s vision as a great leader by compiling a book titled *Quotations from Chairman* from Mao’s speeches and papers. He was named Mao’s successor but died in a plane crash.
94 The four old elements are old customs, old habits, old culture, and old thinking.
Deng, who was the CCP’s fourth most power leader at the time and Mao’s presumed successor, was denounced as a capitalist roader for siding with Liu Shaoqi during GLF. He was removed from all his official positions in 1968 and then exiled to the countryside in 1969.

Deng spent his time in exile contemplating how to fix China’s problems and planning his return to Beijing. He was rehabilitated in 1973, after four years in exile, shortly after Lin Biao’s death. Deng was assigned to be an apprentice to Premier Zhou Enlai upon his return to Beijing. Mao became suspicious that Zhou was planning to usurp him, so he delegated Zhou’s responsibilities to Deng.

Zhou remained as the premier, but Deng began to carry out his duties, including meeting with foreign officials. Mao selected Deng, instead of Zhou, to address the Sixth Special Session of the United Nations General Assembly in 1974. Deng’s appearance at the United Nations was the first time that any Chinese leader had addressed the Assembly since China replaced Taiwan at the United Nations in 1971.

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95 Spence, *The Search for Modern China*, 545.
98 Ibid., 69.
99 Ibid., 76.
100 Ibid., 78-79.
101 Ibid.
102 Ibid., 83.
As Deng’s influence grew, he started focusing on issues he believed to be vital for China’s modernization—science, technology, education, promoting material incentives, and expanding trade.\textsuperscript{103} Jiang Qing\textsuperscript{104} and the Gang of Four attacked Deng for his work.\textsuperscript{105} In 1975, Mao halted Deng’s works and began to criticize.\textsuperscript{106} Mao deemed Deng’s self-criticisms inadequate, as he refused to affirm the GPCR.\textsuperscript{107} The campaign against Deng intensified when Zhou Enlai died in January 1976. Deng’s eulogy at Zhou’s state funeral, which could be interpreted as criticisms against Mao, triggered increased attacks against him.\textsuperscript{108} In response, Jiang Qing ordered radical newspapers to publish criticisms against Deng.\textsuperscript{109}

A sudden protest erupted in Tiananmen Square on the morning of April 5th, 1976, a day after Beijingers mourned Zhou’s death for the annual grave-sweeping holiday.\textsuperscript{110} It

\textsuperscript{103} Ibid., 122.

\textsuperscript{104} Jiang Qing was Mao’s third wife. She was an actress during the 1930s. She became involved in politics in the early 1960s because she believed that traditionalist and feudal content tainted contemporary Chinese art and theater. Jiang also believed that Chinese culture was permeated with unhealthy criticisms of the Party and Mao. She held considerable power during the GPCR, as Mao allowed her and her radical Gang of Fours to speak on his behalf and to carry out his policies. Jiang’s power died along with Mao in 1976. Hua Guofeng ordered her arrest when he came to power. In 1991, Jiang committed suicide while serving a life sentence in prison.

\textsuperscript{105} Vogel, \textit{Deng Xiaoping and the Transformation of China}, 122.

\textsuperscript{106} Ibid.

\textsuperscript{107} Ibid.

\textsuperscript{108} Spence, \textit{The Search for Modern China}, 581.

\textsuperscript{109} Vogel, \textit{Deng Xiaoping and the Search for Modern China}, 170.

\textsuperscript{110} Ibid.

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was unclear whether Deng played a role in organizing the protest, but he was blamed for it and was purged.\textsuperscript{111} Mao allowed him to remain in Party to observe his behavior.\textsuperscript{112} When Mao learned that the Gang of Four was preparing to harm Deng, he relocated him to a safe location in the countryside.\textsuperscript{113}

**Ascension to Power**

Hua Guofeng\textsuperscript{114} succeeded Mao as the Party Chairman, Premier, and CMC Chairman when he died in September 1976.\textsuperscript{115} The Gang of Four tried to seize power from Hua, but they were quickly arrested.\textsuperscript{116} Hua promulgated a political line of “two whatevers”–upholding those policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao. Hua’s authority stemmed from Mao, who said “with you [Hua] in charge I am relieved.”\textsuperscript{117} Furthermore, Hua’s political line was unpopular among veteran Party leaders, as many of them had suffered under Mao’s rule.

It was inevitable that Deng Xiaoping would be rehabilitated. Hua tried to delay Deng’s return for as long as possible, but Party leaders advocated strongly for his return, 

\textsuperscript{111} Ibid.

\textsuperscript{112} Ibid.

\textsuperscript{113} Ibid.

\textsuperscript{114} Hua was a generalist with experience in many sectors, including technology, science, finance, agriculture, and industry. He rose within the CCP’s hierarchy gradually. Hua was not a brilliant leader but Mao chose him as his successor because he knew that Hua would continue his legacy.

\textsuperscript{115} Vogel, *Deng Xiaoping and the Transformation of China*, 170.

\textsuperscript{116} Ibid. 177.

\textsuperscript{117} Ibid.
especially Chen Yun.\textsuperscript{118} Moreover, the “two whatevers” galvanized Hua’s critics and forced the debate on Deng’s return to the forefront. Hua restored Deng to all his former positions in 1977.

At first, Deng did not challenge Hua authority as Mao’s chosen successor.\textsuperscript{119} Eventually, though, Deng began promulgating a political line known as “practice is the sole criterion for judging truth” that directly competed against Hua’s “two whatevers.”\textsuperscript{120}

In a conversation with two officials from the central committee, Deng criticized Hua’s political line as not conforming with Mao’s ideology:

A few days ago, when two leading comrades of the General Office of the Central Committee of the Party came to see me, I told them that the “two whatevers” are unacceptable. If this principle were correct, there could be no justification for my rehabilitation, nor could there be any for the statement that the activities of the masses at Tiananmen Square in 1976 were reasonable. We cannot mechanically apply what Comrade Mao Zedong said about a particular question to another question, what he said in a particular place to another place, what he said at a particular time to another time, or what he said under particular circumstances to other circumstances. Comrade Mao Zedong himself said repeatedly that some of his own statements were wrong. He said that no one can avoid making mistakes in his work unless he does none at all.\textsuperscript{121}

The two competing political lines sparked a power struggle between Hua and Deng. Veteran cadres who suffered under Mao did not intend to continue Mao’s policies. In a central Party work conference before the December 1978 Third Plenum, Deng had

\textsuperscript{118} Ibid.

\textsuperscript{119} Ibid., 200.

\textsuperscript{120} Ibid., 211.

gained the upper hand over Hua.\textsuperscript{122} Sensing that the political tides had turned against him, Hua ceded to Deng.\textsuperscript{123}

Deng gave the keynote address at the Third Plenum of the 11th Central Committee of the CCP in December 1978. In his speech, he urged the Party to “emancipate their minds” and to “seek truth from facts.”\textsuperscript{124} Initially, Deng allowed Hua to retain the top position in CCP. With due time, however, he eventually replaced Hua with younger and better educated reform-minded cadres–such as Hu Yaobang\textsuperscript{125} and Zhao Ziyang\textsuperscript{126}–to carry out his vision of reform and opening up.

\textsuperscript{122} Vogel, \textit{Deng Xiaoping and the Transformation of China}, 234.

\textsuperscript{123} Ibid., 237.

\textsuperscript{124} The Selected Works of Deng Xiaoping, “Emancipate the Mind, Seek Truth from Facts, and Unite as One in Looking to the Future.”

\textsuperscript{125} Deng Xiaoping chose Hu Yaobang to be the general secretary of the Party in 1982. (The Party abolished the title of chairman in 1982.) Hu was chosen because he was energetic, idealistic, well regarded, and most importantly, he was deeply committed to reforms. Prior to becoming general secretary, Hu led the Chinese Communist Youth League, worked in the political department of the People’s Liberation Army, and promoted the essay “Practice Is the Sole Criterion for Judging Truths,” during his tenure at the Central Party School. That essay was the basis on which Deng formed his political line. As a child, Hu ran away from home to join the Long March. He was a “little red devil,” the dedicated youth who followed along to serve older soldiers. Hu was forced to resign as general secretary in 1987 after he was blamed for student protests but he remained on the Politburo.

\textsuperscript{126} After much cajoling by Deng, Zhao Ziyang agreed to become the premier in 1980. Deng selected Zhao because he was an experienced official with a proven record of innovative economic reforms as a regional administrator. He was brilliant and committed reformer. Prior to becoming the premier, Zhao was appointed by Deng to be the first party secretary in his home province of Sichuan. Zhao replaced Hu Yaobang as general secretary in 1987, after Hu was forced to resign. Zhao is best known for his reluctance to order the military to stop the Tiananmen Square protests in 1989. After Tiananmen, Zhao was purged but he was not physically harmed.
The Chinese Economy in 1978

Hua Guofeng continued Mao’s policies that considered the state as an instrument for mobilizing mass political movements to achieve economic goals.\textsuperscript{127} The intensity and scale of those movements were reduced to mitigate the disruption of economic development.\textsuperscript{128} China began the reform era in 1978 as one of the poorest countries in the world. Its per capita GDP was only $156 (current U.S. dollars). Eighty-two percent of its population of 790 million people lived in rural areas. In addition, about 76 percent of its labor force worked in the countryside, mainly in agriculture. While it was an agrarian society, the PRC could not produce enough food to sustain its population.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Per capita GDP</th>
<th>GDP (million)</th>
<th>GDP based on PPP, share of world</th>
<th>Share of Global Trade of Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$10,587</td>
<td>$2,356,571</td>
<td>21.9%</td>
<td>12.15%</td>
</tr>
<tr>
<td>Japan</td>
<td>$8,675</td>
<td>$996,741</td>
<td>7.37%</td>
<td>6.84%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$3,923</td>
<td>$18,315</td>
<td>0.26%</td>
<td>1.06%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$3,193</td>
<td>$7,515</td>
<td>0.16%</td>
<td>1.09%</td>
</tr>
<tr>
<td>India</td>
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<td>$139,708</td>
<td>2.92%</td>
<td>0.59%</td>
</tr>
<tr>
<td>China</td>
<td>$156</td>
<td>$149,540</td>
<td>2.34%</td>
<td>0.96%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$1,240</td>
<td>$16,358</td>
<td>0.35%</td>
<td>0.60%</td>
</tr>
</tbody>
</table>


\textsuperscript{128} Ibid.
Economic Reforms under Deng Xiaoping

Deng Xiaoping and Chinese reformers did not have a clear blueprint or plan for improving the Chinese economy. They also did not have an ultimate or clear end-state, nor a series of steps or phases to reach it. Although it did not have a clear plan, the Party had a strategic political goal: to re-establish the Party’s legitimacy and achieve its vision of state capitalism. Economic reforms initiated under Deng Xiaoping involved “a constantly moving interaction between ideas, politics and practical results in a context of changing political alignments.”

Instead of following the “big bang” model of transitioning to a market economy as quickly as possible that former Eastern European Communist countries and Russia followed, the PRC took a gradual approach. Deng likened his approach to “crossing the river by feeling for stones.” The rationale for the big-bang model was that negative short-term impacts would be front-loaded and the market would set the conditions for long-term economic health. Adverse effects of the rapidly transitioning from a planned economy to a market one, however, were underestimated.

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129 Ibid., 49.
130 Ibid.
131 Ibid.
132 Ibid.
134 Ibid.
135 Ibid.
Chinese reformers prioritized reforms that contributed to economic growth. Their focus was to correct the structural inadequacies of the command economy. The erosion of the command economy was a secondary effect. As a result, the PRC avoided a big bang.

Agricultural and Rural Reforms

Market reforms began in 1978 in China’s countryside in response to the low agricultural output. Agricultural reforms were aimed at achieving a breakthrough in production by funneling more resources toward agriculture, creating incentives for households, and fostering an environment more conducive to commerce and entrepreneurship.

The Third Plenum in 1978 decided to give farmers a “chance to catch their breath.” Farmers were not motivated to increase productivity because state procurement quotas were high while state-fixed procurement prices were kept low. The central government reduced procurement quotas, increased the state procurement price for grains sold at quota, and allowed farmers to sell excess agricultural output on

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136 Ibid.
137 Ibid.
138 Ibid.
139 Ibid., 89.
140 Ibid.
the market at market price.\textsuperscript{141} These initiatives reduced the state’s need to pressure farmers to produce more by incentivizing higher productivity.

Reformers allowed collective farming communes to experiment how to restructure themselves to maximize output.\textsuperscript{142} This led to the emergence of contracting land to individual households (household responsibility system).\textsuperscript{143} While this idea was controversial, the state supported it because of its effectiveness and officially established a national household responsibility system.\textsuperscript{144} By 1985, China became a net exporter of grains for the first time since the GLF.\textsuperscript{145}

Surplus agricultural output and relaxed rules revived TVEs.\textsuperscript{146} These rural enterprises became a significant part of the rural economy. They processed agricultural products sold on the rural market and were eventually allowed to engage in commercial activities to fill gaps in the rural markets\textsuperscript{147} TVEs were the most dynamic component of

\footnotesize
\begin{enumerate}
\item Ibid.
\item Ibid.
\item Ibid.
\item Ibid., 87.
\item Ibid.
\item TVEs were rural household businesses that provided various goods and services; produced handicrafts, and building supplies; and processed agricultural output. They were an integral part of the Chinese economy before 1949. TVEs disappeared with the shift to heavy industries in countryside under Mao.
\item Naughton, \textit{The Chinese Economy: Transitions and Growth}, 241.
\end{enumerate}
China’s agricultural reforms. They contributed to dramatic rural income growth and forced other sectors of the Chinese economy to become more competitive.148

Open Policy

The PRC began market reforms as one of the most closed economic in the world. Double airlocks sealed its foreign trade system from the global economy.149 The first airlock controlled China’s 12 national foreign trade companies while the second one controlled its currency.150 This dual airlock system caused a shortage of foreign reserves that China needed for its imports, including raw materials, and technology.151

Reformers established SEZs in the southern provinces of Guangdong and Fujian in 1979 to attract foreign investment and to obtain foreign reserves.152 SEZs provided incentives for foreign businesses to operate in China, such as the absence of taxes and fewer regulations.153 They protected China’s domestic manufacturers from competition while attracting foreign direct investment and technology that China desperately needed to develop.154 Most notably, SEZs allowed reformers to experiment with market reforms before they were introduced domestically. Experimentation was and continues to be a

148 Ibid., 275.
149 Ibid.
150 Ibid., 380.
151 Ibid., 381.
152 Ibid.
153 Ibid., 407.
154 Ibid.
defining characteristic of China’s economic reforms. The success of the initial SEZs led to a second wave of trade liberation in 1984 and the proliferation of SEZs along the coast. Reformers allowed more companies to engage in direct import and export activities. China began reform era with only 12 state-owned foreign trade companies.\textsuperscript{155} By 1988, there were over 5,000 state-owned foreign trade companies and 10,000 manufacturing enterprises with direct rights to import and export.\textsuperscript{156}

\textbf{SOE Reforms}

SOEs controlled strategic sectors of the Chinese economy and provided a majority of the Chinese population with stable and steady employment.\textsuperscript{157} They were also responsible for workers’ welfare, health, and political indoctrination.\textsuperscript{158} SOEs played a central role in Chinese economy and society, but the changing landscape of the Chinese economy threatened their existence.

Market reforms introduced new entrants into the economy that did not have the additional burdens of the SOEs. New entrants, such as TVEs and SEZs, quickly expanded once they entered the market.\textsuperscript{159} SOE managers did not possess the experience, incentive, nor authority to make SOEs more competitive in this new economic environment.

\begin{flushright}
\textsuperscript{155} Ibid., 384.
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\begin{flushright}
\textsuperscript{157} Ibid., 300.
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\begin{flushright}
\textsuperscript{158} Ibid.
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\textsuperscript{159} Ibid.
\end{flushright}
Reformers employed a similar approach to improving the state sector as they did in the countryside. First, they incentivized managers’ performance through a system of rewards and profit sharing that evolved throughout the 1980s. Second, they introduced a dual-track pricing system in which SOEs could buy and sell at market prices after they fulfilled their state quota to make the system of incentivization work. This dual-track system encouraged managers to make SOEs more competitive.

Decentralization

A key factor in enabling economic reforms was decentralization. Deng articulated the need for decentralization at the Third Plenum in 1978: “In the present system of economic management, power is over-concentrated, so it is necessary to devolve some of it to the lower levels without hesitation but in a planned way. Otherwise, it will be difficult to give full scope to the initiative of local as well as national authorities and the enterprises and workers, and difficult to practice modern economic management and raise the productivity of labor.”

Decentralization occurred at three levels: administrative, fiscal, and industrial policy and supporting investment in infrastructure. Administrative decentralization

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160 Ibid., 311.
161 Ibid., 312.
162 Ibid.
163 The Selected Works of Deng Xiaoping, “Emancipate the Mind, Seek Truth from Facts, and Unite as One in Looking to the Future.”
allowed provincial and local authorities – who were familiar with the local economy – to engage in decision-making and conduct day-to-day government business.\textsuperscript{165} This allowed local governments to transform Beijing’s broad policy proposals into local policies.\textsuperscript{166}

Fiscal decentralization, which began in 1981, enabled provinces to retain a larger share of their tax revenues instead of transferring them to Beijing.\textsuperscript{167} Fiscal decentralization encouraged local authorities to promote development and support increasingly difficult reforms by giving them a larger stake in their prosperity.\textsuperscript{168}

Decentralization of industrial policy and supporting investment in infrastructure, which began in the early 1980s, allowed provincial bureaus to collaborate with entrepreneurial-minded enterprise managers.\textsuperscript{169} This resulted in increased local investments in transport and urban infrastructure, bolstered industrial activity, generated demand, and attracted additional investments.\textsuperscript{170}

Challenges to Economic Reforms

There was a high degree of consensus among CCP leadership for economic reforms after the Third Plenum in 1978.\textsuperscript{171} There were also early indications that

\begin{itemize}
  \item \textsuperscript{165} Ibid.
  \item \textsuperscript{166} Ibid.
  \item \textsuperscript{167} Ibid.
  \item \textsuperscript{168} Ibid.
  \item \textsuperscript{169} Ibid.
  \item \textsuperscript{170} Ibid.
  \item \textsuperscript{171} White, \textit{Riding the Tiger}, 53.
\end{itemize}
differences in the approach to reforms within Party leadership began to emerge.\textsuperscript{172} The nature and pace of reforms depended on the balance of power between reformers led by Hu Yaobang and Zhao Ziyang and conservatives\textsuperscript{173} led by Chen Yun.\textsuperscript{174}

The first stage of reforms, from 1978-1984, saw the breakthrough success of agricultural reforms. The township replaced the farming communes as the basic local level of government.\textsuperscript{175} The household responsibility system provided a de facto private agricultural system.\textsuperscript{176} Agricultural production skyrocketed. Rural per capita income increased by 70 percent between 1979-1983.\textsuperscript{177} From 1980-1984, gross agricultural output grew at an annual average rate of 7 percent.

The first phase of reforms also had negative consequences. The open policy resulted in a massive increase in foreign direct investment, loans, and foreign trade.\textsuperscript{178}

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{172} Ibid.
\item \textsuperscript{173} Both reformers and conservatives agreed that economic reforms were necessary but it was the pace and type of reforms on which they did not agree. Conservatives sought to preserve the socialist elements of the former economic system and that they should play a dominant role in the economy. They believed that that trade should be beneficial but should supplement self-reliant economy. They believed that central planning should play a dominant role in the economy while markets played a supplemental role. Reformers, on the other hand, believed in dismantling the old planning system. State planning should exist to correct the market’s negative effects and to achieve long-term national objectives. Reformers believed in comprehensive marketization of the economy.
\item \textsuperscript{174} White, \textit{Riding the Tiger}, 53.
\item \textsuperscript{175} Ibid.
\item \textsuperscript{176} Ibid.
\item \textsuperscript{177} Ibid., 54.
\item \textsuperscript{178} Ibid., 59.
\end{enumerate}
\end{footnotesize}
These increases caused macroeconomic imbalances and unfamiliar problems to policy makers.\textsuperscript{179} Conservatives became concerned with the pace and trajectory of reforms, and the negative impact of the open policy, including macroeconomic instability, ideological and cultural pollution, and corruption.\textsuperscript{180}

In the second phase of reforms, from 1984-1989, reformers sought to accelerate reforms in the urban-industrial sector by expanding the open policy and liberalizing price controls.\textsuperscript{181} State procurement in the agricultural sector was abolished to deepen commercialization in the countryside. By 1985, inflation, budgetary deficits, and over-investment became major problems and brakes were applied.\textsuperscript{182}

Reformers viewed the adverse consequences as necessary byproducts of marketization.\textsuperscript{183} The gulf between the reformers and conservatives widened as reformers pressed on with market reforms without political reforms that were acceptable to conservatives.\textsuperscript{184} As the economy grew increasingly complex, control over the reform process became more difficult.\textsuperscript{185} Social unrest and dissatisfaction with corruption, inflation, and expectations for economic and political change built up.\textsuperscript{186} These trends

\begin{thebibliography}{99}
\bibitem{179} Ibid.
\bibitem{180} Ibid., 63.
\bibitem{181} Ibid., 60.
\bibitem{182} Ibid., 61.
\bibitem{183} Ibid., 70.
\bibitem{184} Ibid., 60.
\bibitem{185} Ibid., 71.
\bibitem{186} Ibid.
\end{thebibliography}
resulted in pro-democracy protests in Tiananmen Square in 1989. During the same time, communist rule in central and Eastern Europe began to collapse. Fearful for its existence, the CCP authorized the use of military force to suppress the protests in Tiananmen Square.\(^{187}\)

In the aftermath of the Tiananmen Square massacre, conservatives purged reformers, and the PRC entered a period of economic retrenchment that lasted from 1989-1992.\(^{188}\) Market reforms stalled due to political gridlock within the party. Conservatives also attempted to reverse market reforms.\(^{189}\)

Frustrated with the slow pace of reforms, Deng went on “Southern Tour” to inspect SEZs that were established during the early reform era. While in southern China, Deng made his case for accelerating economic reforms and emphasized a non-ideological approach by stating that “development is the only hard truth” and “it does not matter if policies are labeled socialist or capitalist, so long as they foster development.”\(^{190}\) By making his cause publicly to the Chinese population, Deng successfully restarted market reforms. The 14th NPC in 1992 officially endorsed the establishment of a “socialist market economic system.”\(^{191}\)

\(^{187}\) Ibid.


\(^{189}\) Ibid.

\(^{190}\) Ibid.

Chinese Politics in 1978

The Party was in disarray after 30 years of instability under Mao Zedong. Mass political mobilizations and upheaval did not advance the PRC toward a Communist utopia. Instead, Mao’s ideological-driven endeavors decreased living standards and severely damaged Party’s legitimacy. Governing institutions were weak and almost nonexistent. Party cadres still wrestling with the question of how to deal with Mao’s political legacy. Furthermore, the Party had just undergone a power struggle that resulted in Deng becoming the paramount leader and the Party ratifying his political line of “practice is the sole criterion for judging truth.”

Political Reforms under Deng Xiaoping

Political reforms instituted under Deng restored and strengthened Party norms, diminished the role of ideology, and developed the Party’s concept of a “socialist democracy.” Political reforms were not discussed on their own, but rather they were couched in the context of economic reforms and had to adhere to the Four Cardinal Principles. In a speech in 1979, Deng laid out the parameters for political reforms: “What I want to talk about now is ideological and political questions. The Central Committee maintains that to carry out China’s four modernizations, we must uphold the

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192 We must keep to the socialist road, we must uphold the dictatorship of the proletariat, we must uphold the leadership of the Party, we must uphold Marxism-Leninism and Mao Zedong Thought.
Four Cardinal Principles ideologically and politically. This is the basic prerequisite for achieving modernization.”

Institutionalization

Veteran Party cadres believed that one of the primary causes of the GPCR was the destruction of party norms under Mao. During the Deng era, the CCP prioritized restoring and strengthening party rules. Their efforts led to the establishment of the Central Discipline Inspection Commission in 1979, adoption of the *Guiding Principles of Political Life within the Party* in 1980, and approval of the state and party constitution in 1982. The constitution, which said that all political parties must adhere to the constitution as the fundamental norm of conduct, was a sharp departure from Mao, who said he was unrestrained by law like “a monk holding an umbrella.”

In addition to restoring old norms, the Party also instituted new ones. The realization of the four modernizations required younger and better-educated cadres. In response, the Party established a mandatory retirement system that was completed by

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195 Ibid.

196 Ibid.

197 Ibid., 55-58.
1989. Most cadres stepped down promptly and were replaced technocrats. By 1987, almost all leading positions in the Party’s hierarchy were filled with younger and better-educated cadres. The retirement system transformed the CCP from a revolutionary party to a bureaucratic one, which enabled its center to control personnel selection and promotion better, and monitor cadre behavior.

Finally, the Party began convening regular meetings that it had abandoned during the GPCR. During the GPCR, five plenums were held from 1969-1973. Between 1977-1982, the Party held seven plenums. Since 1977, Party congresses have convened every five years, and plenums held more frequently than once a year. Regular Party meetings signified—to a certain extent—the limiting of inner-party conflicts.

Ideology

The role of ideology plays a critical role in the PRC. Under Mao, the Party had a privileged claim to truth. In other words, policies were derived from a set of

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198 Ibid., 59.
199 Ibid.
200 Ibid.
201 Ibid.
202 Ibid.
205 Ibid., 55.
ideological principles. The Party relinquished its privileged claim to the truth when it ratified “Practice is the sole criterion for judging truths.” The CCP enabled experimentation with reforms that would otherwise not be possible by relinquishing its claim to truth. By giving up its claim to the truth, however, the Party also gave up what it had previously based its legitimacy—ideology. To bolster its claim on its legitimacy to rule, the Party turned to economic performance and rejected the ideological utopian vision that Mao used to control and mobilize society. The relinquishing of ideology also changed the Party’s relationship with society. The Party loosened and no longer governed individual. Ultimately, ideology could no longer be used as a cause for action.

The Socialist Democracy

In Leninist party-states, the legislature exists only to provide the state with a false veneer of legality and democracy by serving as a rubber stamp that approves the Party’s policies. It does have the ability to conduct oversight of the state nor capacity to draft laws and regulations. Under Deng, the National People’s Congress transformed from a typical Leninist party-state legislature to one that had authority.

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208 Ibid.
209 Ibid.
210 Tanner, “The National People’s Congress,” 100.
211 Ibid.
Deng called for greater rule by law and a more democratic legislature at the Third Plenum in 1978 in response to the PRC’s need for laws and regulations to enable reform and opening up. He did not detail specific changes, but rather he left it to the National People’s Congress members, legislative needs, party leaders, and other forces to shape the role of the legislature and the amount of influence it had over policymaking and oversight.

At the beginning of the early reform era, China did not have a legitimate body of law nor a functioning drafting apparatus at any level of the state. To address these gaps, the National People’s Congress was allowed to expand its influence over the policy-making process through the drafting and reviewing of legislation. It also became more representative of different interests, as the People’s Congress began consulting with various groups representing different concerns.

In response to worsening relations between Party cadres and farmers—which threatened the Party’s rule—the National People’s Congress passed the *Organic Law of Villagers’ Committee* in 1988. The *Organic Law* introduced democracy at the lowest level of government (the village) in the form of popular elections of members for village

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212 Senior party and state officials, some were Long March revolutionaries, were retired to the National People’s Congress and its standing committee. These officials wielded great influence and expertise that provided the National People’s Congress with the influence it needed to become more relevant.

213 Ibid., 105.

214 Ibid., 103.

215 Ibid.

committees that oversee the village.\textsuperscript{217} All adult villagers were allowed to vote and run for seats on the board. Rural residents welcomed grass-roots elections. They recognized it as a method to remove corrupt, partial, and incompetent cadres.\textsuperscript{218} Elections also produced material benefits for a community, as candidates promise to do good things for their village.\textsuperscript{219}

\textbf{Conclusion}

Deng Xiaoping is considered the architect of modern China. His policy of reform and opening up was a dramatic departure from Mao’s rule by personality and destabilizing mass political movements. Economic reforms initiated under Deng’s tenure as the paramount leader sparked over three decades of rapid economic growth that propelled China from one of the poorest countries in the world to the world’s second largest economy and largest contributor to global economic output today. In the process, the PRC lifted 800 million people out of extreme poverty.\textsuperscript{220}

Political reforms the Party initiated under Deng resulted in the stabilization of elite politics, regularization of party governance, the establishment of a system to recruit and promote officials, and abolition of lifetime tenure. The overall impact of Deng’s political reforms is a system of collective leadership in which decisions are made

\textsuperscript{217} Ibid.

\textsuperscript{218} Ibid., 137.

\textsuperscript{219} Ibid., 141.

\textsuperscript{220} The World Bank defines “extreme poverty” as living on less than $1.90 per person per day.
collectively by the PSC—not by a single individual. As a testament to the strength of Deng’s political reforms, China experienced two peaceful transfers of power after Deng’s death in 1997: Jiang Zemin to Hu Jintao in 2002 and Hu Jintao to Xi Jinping in 2012.
Chapter 5 discusses Xi Jinping’s background, ascension to power, and the economic and political reforms that the Party is currently undergoing. This chapter is organized into the following main sections: background, ascension to power, the Chinese economy in 2012, economic reforms under Xi Jinping, Chinese politics in 2012, political reforms under Xi Jinping, and conclusion.

Background

Xi Jinping was born in 1953 in Beijing. His father, Xi Zhongxun, was a Communist revolutionary. During the GPCR, Xi was sent to the Shanxi province countryside to experience rural life first-hand. Because his father was purged during the GPCR, Xi was denied membership in the Chinese Communist Party Youth League at least nine times before he was finally accepted. According to Xi’s biography in the Governance of China, he “suffered public humiliation and hunger, experienced homelessness, and was even held in custody on one occasion” during the GPCR.

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221 Xi Zhongxun was a deputy-minister for propaganda before he was purged during the GPCR. Xi was rehabilitated by Deng in 1979. He eventually became first secretary of the Guangdong Party Committee, where he played a key role in advancing reform and opening up.

222 Brown, CEO, China: The Rise of Xi Jinping, 54.

223 Ibid.

224 Xi Jinping, “Man of the People,” 479.
Xi studied engineering at the prestigious Tsinghua University from 1975-1979. Like many of his cohorts who graduated during the same period, he never practiced engineering.\textsuperscript{225} Upon graduating from Tsinghua in 1979, Xi began his career concurrently in Beijing at the State Council General Office and the CMC office.\textsuperscript{226} Xi’s career at the CMC came at an opportune time, as the United States and China had just formalized diplomatic relations. His experience at the CMC exposed to him the intricacies of the U.S.-China bilateral relationship very early in his career.\textsuperscript{227} After three years at the CMC, Xi transitioned to work in rural China.\textsuperscript{228}

Xi began his provincial career in 1982 at the lowest level of government as the Party secretary of Zhengding village.\textsuperscript{229} A year later, he was promoted to county Party secretary, which he served until he was transferred to Fujian in 1985.\textsuperscript{230} Xi spent 17 years in Fujian province, from 1985-2002.\textsuperscript{231} Xi began his tenure in Fujian as deputy mayor of

\begin{itemize}
\item \textsuperscript{225} Lam, \textit{Chinese Politics in the Era of Xi Jinping}, 42.
\item \textsuperscript{226} Ibid.
\item \textsuperscript{227} Ibid.
\item \textsuperscript{228} Brown, \textit{CEO, China: The Rise of Xi Jinping}, 64.
\item \textsuperscript{229} Ibid.
\item \textsuperscript{230} Ibid.
\item \textsuperscript{231} Ibid., 44.
\end{itemize}
Xiamen, which had been designated a SEZ in the 1980s. Xiamen was on the front line of reform and opening up.\textsuperscript{232} It was also where Xi met his second wife, Peng Liyuan\textsuperscript{233}

In 1988, Xi was promoted to Party secretary of Ningde township, one of the poorest parts of Fujian.\textsuperscript{234} In Ningde, Xi witnessed the rampant systemic and individual corruption caused by reform and opening.\textsuperscript{235} One of the major sources of corruption was the requisitioning of land by local authorities to develop for commercial use.\textsuperscript{236} In 1990, Xi was transferred to the city of Fuzhou, one of the largest urban centers in the province.

Xi arrived in Fuzhou in one of the most difficult times during the reform period.\textsuperscript{237} Deng’s policy of reform and opening up had stalled in the aftermath of the Tiananmen Square massacre. It was not until Deng Xiaoping went on his southern tour in 1992 that market reforms restarted in Fuzhou. With reforms restarted, economic growth accelerated in Fuzhou. Xi was promoted to deputy mayor in 1996 due to Fuzhou’s economic performance.\textsuperscript{238} In 1997, Xi joined the CCP central committee.\textsuperscript{239}

\textsuperscript{232} Ibid.

\textsuperscript{233} Peng Liyuan is Xi Jinping’s second wife. She is a famous folk singer and a member of the People’s Liberation Army.

\textsuperscript{234} Ibid., 45.

\textsuperscript{235} Ibid., 69.

\textsuperscript{236} Ibid., 70.

\textsuperscript{237} Ibid.

\textsuperscript{238} Ibid., 72.

\textsuperscript{239} Ibid.
From 2002-2007, Xi was the Party Secretary and Governor of Zhejiang, one of China’s richest provinces in Fujian. Zhejiang’s stellar economic performance during Xi’s tenure there earned him a seat on the Politburo, and he became a serious contender to become the next Part general secretary. In 2007, he was appointed to a brief tenure as the party secretary of Shanghai. After seven months in Shanghai, he was elevated to the PSC and was transferred to Beijing. From 2008-2010, he held the positions of vice president and president of the Central Party School. In 2010, he also became the vice chairman of the CMC.

Ascension to Power

Xi Jinping became the general secretary of the CCP and the Chairman of the CMC at the 18th National Party Congress in November 2012. He quickly began cultivating his image as a reformer similar to Deng Xiaoping upon coming to power. Within 24 days of becoming the general secretary, he made his first trip outside of Beijing to the Shenzhen SEZ to visit a statue of Deng Xiaoping. During the visit, he stated “reform and opening up is a guiding policy that the Communist Party must stick.

240 Ibid.
242 Xinhua, “Xi Jinping – General Secretary of the CPC General Secretary.”
243 Ibid.
244 Ibid.
We must keep to this correct path. We must stay unwavering on the road to a prosperous country and people, and there must be new pioneering.”

Initial expectations for change under Xi were tepid. The New York Times opined in November 2012 “he [Xi] is unlikely to have the sweeping authority as Mao Zedong or Deng Xiaoping.” A year later, however, attitudes regarding Xi had shifted. Xi started his tenure as the Party leader by launching an aggressive anti-corruption campaign targeted at high-profile officials as well as low-level bureaucrats. In November 2012, he articulated his vision for his “Chinese Dream”:

I firmly believe that the goal of bringing about a moderately prosperous society in all respect can be achieved by 2021, when the CCP celebrates its centenary; the goal of building China into a modern socialist country that is prosperous strong, democratic, culturally advanced, and harmonious can be achieved by 2049, when the PRC marks its centenary; and the dream of the rejuvenation of the Chinese nation will then be realized.

At the Third Plenum of the 18th Central Committee of the CCP in November 2013, Xi announced a reform agenda that is on par with Deng’s in 1978 in terms of the change it will bring about in China. All third plenum decisions since 1978 have focused on only one area. Xi’s Third Plenum reforms, however, deal with the economy,

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246 Ibid.


249 The decision of 1993’s Third Plenum focused on establishing a socialist market economy, 1998’s concentrated on agriculture, 2003’s prioritized perfecting the socialist market economy, and 2008’s dealt with rural reform.
political system, legal system, environment, military, land, education, and several other sectors. While Xi’s Third Plenum reform agenda cuts across many sectors, its primary goal is to allow the market to play a “decisive” role in the Chinese economy. His focus on market reforms is a sharp departure from his predecessor, Hu Jintao, whose tenure saw the stalling and reversing of efforts to improve the economy.

Table 2. The Decision’s 16 Subheadings

| I. The Significance of and Guiding Thoughts on Deepening the Reform Comprehensively |
| II. Adhering to and Improving the Basic Economic System |
| III. Accelerating the Improvement of the Modern Market System |
| IV. Accelerating the Transformation of Government Functions |
| V. Deepening the Reform of the Fiscal and Taxation Systems |
| VI. Improving Mechanisms and Institutions for Integrated Development of Urban and Rural Areas |
| VII. Building a New Open Economic System |
| VIII. Strengthening Building of the Socialist Democratic System |
| IX. Promoting Rule of Law |
| X. Strengthening Check and Oversight System of Exercise of Power |
| XI. Promoting Innovation in Cultural Systems and Mechanisms |
| XII. Promoting Reform and Innovation of Social Undertakings |
| XIII. Making Innovation in Social Governance System |
| XIV. Accelerating Ecological Progress |
| XV. Deepening Reform of National Defense and Armed Forces |
| XIV. Strengthening and Improving the Party’s Leadership in the Course of Comprehensively Deepening the Reform |

In 2012, the Chinese economy experienced its lowest period of growth since 1999. According to a joint World Bank and the PRC’s Development Research Center of the State Council study titled *China 2030: Building a Modern, Harmonious, and Creative Society* the period of double-digit growth China had experienced over the past two decades is over. The report explains that without drastic reforms that address the Chinese economy’s structural imbalances, China will not be able to avoid the MIC.

*China 2030* assesses that reforms that “increase efficiency in input use, higher human capital investments, increased innovation, and a shift to high-value services—will help China avoid the MIC and maintain an expected average growth rate of between six and seven percent a year in the coming two decades, compared with an average of nearly 10 percent a year in the past three decades.”

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252 According to the World Bank, the MIC occurs when low-income countries enter middle-income status and the advantage they enjoyed as low-income countries—low labor cost and easy technology adoption—disappear. To escape the MIC, middle-income countries must find new drivers of growth.

China is expected to overtake the United States as the largest economy sometime before 2030.254

Table 3. China’s Comparative Starting Point in 2012 (current U.S. dollars)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Per capita GDP (millions)</th>
<th>GDP based on PPP, share of world</th>
<th>Share of Total Global Trade of Goods.</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$ 51,433</td>
<td>$ 16,155,255</td>
<td>16.27%</td>
</tr>
<tr>
<td>Japan</td>
<td>$ 48,629</td>
<td>$ 6,203,213</td>
<td>4.58%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$ 36,707</td>
<td>$ 262,629</td>
<td>0.37%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$ 54,451</td>
<td>$ 289,268</td>
<td>0.41%</td>
</tr>
<tr>
<td>India</td>
<td>$ 1,447</td>
<td>$ 1,828,985</td>
<td>6.27%</td>
</tr>
<tr>
<td>China</td>
<td>$ 6,337</td>
<td>$ 8,560,546</td>
<td>15.35%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$10,834</td>
<td>$314,442</td>
<td>0.68%</td>
</tr>
</tbody>
</table>


Economic Reforms under Xi Jinping

Xi Jinping emphasized the PRC’s immense economic challenges in his explanatory notes to the Decision:

After 20 years of practice, a socialist market economy has been basically established in China. But there are still many problems. The market lacks order, and many people seek economic benefits through unjustified means; the market for factors of production lags behind in development, unable to allocate the factors of production to meet effective demand; the lack of unified markets rules has resulted in rampant protectionism initiated by departments or local governments; and market competition is not good enough to select the superior and eliminate the inferior, and thus slows down economic restructuring. If left

254 Ibid.
unsolved these problems will hinder the development of a sound socialist market economy.\textsuperscript{255}

While Xi’s Third Plenum reform blueprint outlines reforms in several sectors, improving the economy is the key focus. The \textit{Decision} underscores that “economic system reform is the focus of deepening the reform comprehensively. The underlying issue is how to strike a balance between the role of the government and that of the market, and let the market play a decisive role in allocating resources and let the government play its function better.”\textsuperscript{256} Of the \textit{Decision’s} 60 points, 22 are related to reforming the economy. The urgency with which Xi views improving the Chinese economy is expressed by the \textit{Decision’s} ambitious target completion date of 2020.

\begin{flushright}
\textsuperscript{255} Xi Jinping, “Explanatory Notes to the Decision of the CPC Central Committee on Some Major Issues,” in \textit{The Governance of China}, 83.

\end{flushright}
### Table 4. The 22 Points Related to Reforming the Economy

<table>
<thead>
<tr>
<th>Section</th>
<th>Points</th>
</tr>
</thead>
</table>
| **III. Accelerating the Improvement of the Modern Market System** | • Point 9: Enacting market rules that are fair, open, and transparent  
• Point 10: Improving the mechanism whereby prices are mainly determined by the market  
• Point 11: Forming a unified construction land market for both urban and rural areas  
• Point 12: Improving the financial market  
• Point 13: Deepening reform of the management system for science and technology |
| **IV. Accelerating the Transformation of Government Functions** | • Point 14: Improving the macro-control system  
• Point 15: Fully correctly performing government functions  
• Point 16: Streamlining the government structure |
| **V. Deepening the Reform of the Fiscal and Taxation Systems** | • Point 17: Improving the budget management system  
• Point 18: Improving the taxation system  
• Point 19: Establishing a system whereby authority of office matches responsibility of expenditure |
| **VI. Improving Mechanisms and Intuitions for Integrated Development of Urban and Rural Areas** | • Point 20: Accelerating the building of a new type of agricultural operation system  
• Point 21: Endowing farmers with more property rights  
• Point 22: Promotion equal exchanges of factors of production and balanced allocation of public resources between urban and rural areas  
• Point 23: Improving the intuitions and mechanisms for promoting the sound development of urbanization |
| **VII. Building a New Open Economic System** | • Point 24: Relaxing control over investment access  
• Point 25: Speeding up the construction of free trade zones  
• Point 26: Further opening up inland and border areas |
| **XIV. Ecological Civilization** | • Point 51: Improve the property rights system for natural resources and the administration of their use.  
• Point 52: Draw a “red line” for ecological protection  
• Point 53: Establish a system of paid use for natural resources and ecological compensation  
• Point 54: Reform environmental protection and management systems |


The Asia Society Policy Institute report *Avoiding the Blind Alley: China’s Economic Overhaul and its Global Implications* provides an in-depth analysis of the
Decision’s economic reforms. Because many of the 2013 Third Plenum reforms overlap and affect the economy, Avoiding the Blind Alley reorganizes the Decision’s points related to improving the economy into nine clusters.257 The subsections below are organized in those nine clusters and provide a brief explanation of each cluster.

Center-Local Fiscal Reform

China has a decentralized government in which many policies are made outside of Beijing.258 Center-local fiscal reforms address the division of responsibilities and financial resources between the central government and local authorities that have been problematic since reform and opening up in 1978.259 Local officials are promoted based on their performance in achieving targets set by the immediately superior level of government.260 Objectives change over time, but economic growth and social stability have remained top priorities.261 Beijing also mandates local authorities to meet other priorities, such as social welfare.262 However, Local authorities do not receive additional funding to meet the extra demands.263 Local authorities have resorted to requisitioning

257 Rosen, Avoiding the Blind Alley: China’s Economic Overhaul and its Global Implications, 41.


259 Rosen, Avoiding the Blind Alley, 47.


261 Ibid.

262 Ibid.

263 Ibid., 25.
land to develop and setting up shell companies to take on debts that local governments cannot finance to meet targets and other mandates.\textsuperscript{264} The central government has had to bail out local governments and engage in other costly stopgap measures.\textsuperscript{265} The \textit{Decision} calls reforms that “adjusts revenue shares and expenditure obligations between central and local governments.”\textsuperscript{266} It also calls for reforms that “de-emphasizes local GDP targets in evaluation the performance of local officials, more open and transparent center-local budgeting, and an altered tax system.”\textsuperscript{267}

\textbf{Financial System Reform}

China’s financial system is one of the leading causes of the Chinese economy’s macroeconomic imbalances.\textsuperscript{268} Banks favor borrowers in industrial sectors over the profitable small and medium enterprises in the services sector.\textsuperscript{269} This has led to a shortage of credit and overcapacity in the state-dominated industrial sector. A large shadow-banking sector has emerged to satisfy the unfulfilled demand for credit.\textsuperscript{270}

\begin{footnotesize}
\begin{enumerate}
    \item \textsuperscript{264} Rosen, \textit{Avoiding the Blind Alley: China’s Economic Overhaul and its Global Implications}, 47.
    \item \textsuperscript{265} Ibid.
    \item \textsuperscript{266} Ibid.
    \item \textsuperscript{267} Ibid.
    \item \textsuperscript{268} Goodman and Parker, \textit{Navigating Choppy Waters: China’s Economic Decision Making at a Time of Transition}, 29.
    \item \textsuperscript{269} Ibid.
    \item \textsuperscript{270} Ibid.
\end{enumerate}
\end{footnotesize}
shadow-banking sector engages in licit, illicit, and nontraditional lending activities, and contributes to opacity and increased risk in the Chinese financial system.\textsuperscript{271}

China’s final system artificially depresses domestic consumption. The People’s Bank of China subsidizes banks’ funding costs by setting the deposit rate to below market value, which forces Chinese savers to accept lower returns on their savings.\textsuperscript{272} Chinese households are compelled to save more and consume less.\textsuperscript{273} Further exacerbating this problem are China’s closed capital accounts, which limit the flow of capital in and out of the country.\textsuperscript{274} With limited investment opportunities, Chinese savers are restricted to either save more in banks for decreased returns or invest in a small pool of domestic assets, such as real estate or risky wealth management products.\textsuperscript{275}

Financial reforms in the \textit{Decision} include liberalization of interest rates, exchange rates, capital accounts, and supporting institutional reforms.\textsuperscript{276} The Center for Strategic and International Studies’ report \textit{Navigating Choppy Waters} underscores that financial reforms are “an area where success or failure has clear implication for the health of the overall economy.” The report also stresses that “the country will likely struggle in its transition to a new consumption-led growth model as ineffective capital allocation harms

\textsuperscript{271} Ibid., 30.
\textsuperscript{272} Ibid.
\textsuperscript{273} Ibid.
\textsuperscript{274} Ibid.
\textsuperscript{275} Ibid.
\textsuperscript{276} Ibid.
productivity growth, leading the overall macro environment to deteriorate, and raising the risk that unproductive debts will further mount and eventually produce a crisis.\(^{277}\)

**Foreign Trade and Investment Reforms**

Foreign trade and investment have been significant drivers of China’s economic ascension. The PRC has severe restrictions on its capital outflows and sectors that are open to foreign competition and investment. As the second largest economy, the international community’s expectation for China to liberalize its trade and investment regime has grown. The *Decision* calls for reforms that liberalize foreign direct investment inflows, relax controls over investment access, and pledges to “have the same laws and regulations on Chinese and foreign investments.”\(^{278}\) The *Decision* also vows to accelerate the construction of next-generation free trade zones.\(^{279}\)

**SOE Reforms**

SOEs have a distorting effect on the Chinese economy. Banks favor larger borrowers in the SOE-dominated industrial sector, which has resulted in overleveraging and overcapacity in the state sector. SOEs dominate large swaths of the Chinese economy\(^{280}\) and keep competition closed off to private domestic firms, and foreign

\(^{277}\) Ibid., 31.

\(^{278}\) Rosen, *Avoiding the Blind Alley*74.


\(^{280}\) SOEs hold monopolies in the military, electricity, oil, telecommunications, coal, civil aviation, transport, steel, electronics, machine building, and automobiles.
businesses and investors. Furthermore, monopolies enjoyed by SOEs are often a result of “informal and differential application of the rules.” Reforming SOEs will be difficult, as they are aligned with powerful and well-connected families.

The Decision directs the state to withdraw from competitive sectors, dilute official ownership with private capital, and make the government a capital manager instead of an operating manager. At that same time, it calls for public ownership to remain a dominant, controlling force in the economy. It calls for the state to determine industries in which it needs to remain a controlling shareholder and provide reasons why. The Decision mandates the creation of a negative list that makes clear the extent to which the state’s control position will be withdrawn.

Land Policy Rationalization

The rush to develop land has become a major issue that affects the economy, social stability, and the environment. Local authorities have the incentive to develop land in their jurisdiction to foster economic growth, increase tax revenues, and boost their

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281 Rosen, *Avoiding the Blind Alley*, 86.
282 Ibid., 84.
283 Ibid.
284 Ibid.
285 Ibid.
286 Ibid.
287 Ibid.
career aspects.\textsuperscript{288} In the countryside, local governments—who are the only entities allowed to purchase land—buy land from farmers—who only hold land use rights but not the titles—at below-market prices. Local governments then develop the land for profit, with no benefit to farmers.\textsuperscript{289} In urban areas, authorities annex adjacent areas for space to develop, often using the same practices as in the countryside.\textsuperscript{290} The haste to develop land has led to a property bubble, social unrest and discontent toward the Party, and an environmental crisis.\textsuperscript{291}

The Decision calls for reforms that allow collectively owned, for-profit farming land to be “sold, leased, and appraised,” which eliminates the monopoly that local governments have on purchasing land.\textsuperscript{292} It also pledges to regulate the procedures for land appropriation and improve security mechanisms for farmers whose land has been requisitioned.\textsuperscript{293}

Labor and Shared Welfare

China’s rapid economic growth benefited greatly from its large population.\textsuperscript{294} After over 30 years of the one-child policy and rising wages, however, the Chinese labor

\begin{itemize}
  \item \textsuperscript{288} Rosen, \textit{Avoiding the Blind Alley}, 97.
  \item \textsuperscript{289} Ibid.
  \item \textsuperscript{290} Ibid.
  \item \textsuperscript{291} Ibid.
  \item \textsuperscript{292} Ibid., 98.
  \item \textsuperscript{293} Ibid.
  \item \textsuperscript{294} Ibid., 14.
\end{itemize}
force is now beginning to shrink long-term.\textsuperscript{295} Exacerbating the problem of China’s declining labor force is unfair access to social benefits, such as education healthcare.\textsuperscript{296} Rural migrants who relocate to the city for higher wage jobs do not have access to similar social benefits as urban residents due to the household registration system, which ties them to their rural addresses.\textsuperscript{297} China needs an educated workforce to move production higher up in the value chain and for its high-skilled services sector, but the declining labor force and unfair access to education and healthcare are negatively affecting the development of such a workforce.\textsuperscript{298}

To narrow the urban-rural divide and create a more equitable social welfare system, the \textit{Decision} mandates reforms to the household registration system to make it easier for rural migrants to register in cities.\textsuperscript{299} It calls for reforms to boost employment growth and business start-ups; overhaul employment statistics, and redistribute income through tax policy to narrow the urban-rural income disparity.\textsuperscript{300} The \textit{Decision} also outlines educational reforms to develop more well-rounded graduates.\textsuperscript{301}

\textsuperscript{295} Ibid.

\textsuperscript{296} Ibid.

\textsuperscript{297} Ibid., 16.

\textsuperscript{298} Ibid., 105.

\textsuperscript{299} Ibid., 109.

\textsuperscript{300} Ibid.

\textsuperscript{301} Ibid.
Environmental Policy Reform

The degradation of China’s environment is causing significant economic losses, social unrest, and discontent toward the Party. According to the World Bank, China’s environmental crisis costs China nine percent of its gross national income, and the water crisis 2.3 percent of gross national income. In 2016, the World Health Organization estimated that air pollution causes seven million premature deaths each year. Twenty percent of China’s agricultural soil is polluted, and 60 percent of its drinking water cannot be consumed without being processed.

The *Decision* outlines reforms that improve the system of property rights to avoid undervaluing and abusing land. It promises to implement environmental protection laws, create national parks, and waive GDP targets for fragile and damaged areas. It places political liability on local authorities for the environment and focuses on market mechanisms for companies to internalize costs for environmental damage.

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305 Ibid.

306 Ibid.

307 Ibid.

308 Ibid.
Innovation Policy Reform

Innovation is the key difference between high-earning-potential and low-earning-potential economies.\(^{309}\) Chinese firms copying from competitors and violating intellectual property laws are commonplace in China.\(^{310}\) The PRC needs to develop an environment that is more favorable toward innovation to move production higher up the value chain to avoid the MIC.

The *Decision* emphasizes the market’s role in enabling and fostering innovation.\(^{311}\) It calls for setting up and improving “mechanisms and institutions that encourage original innovation, interactions innovation, and re-innovation based on introduction and absorption, improve the mechanism that encourages market-based technological innovation, and five free reign to the markets guiding role in technological research and development orientation, choice of paths, pricing factors, and allocation of all innovation factors.”\(^{312}\)

Challenges to Economic Reforms

Xi faces difficult challenges in implementing his ambitious economic reform agenda. His challenges are vested interests that developed under his predecessors, former

\(^{309}\) Ibid., 16.

\(^{310}\) Ibid., 124.

\(^{311}\) Ibid., 125.

\(^{312}\) “China.org.cn, “The Decision on Major Issues Concerning Comprehensively Deepening Reforms.”
General Secretary Hu Jintao and Premier Wen Jiabao. Market reforms stalled and reversed during the Hu-Wen administration.

From 1989-2013, former General Secretary Jiang Zemin and Premier Zhu Rongji deepened economic reforms initiated by Deng Xiaoping. They converted SOEs to corporations under the 1994 Company Law.\textsuperscript{313} The conversion process stalled and reversed under the Hu-Wen administration. Instead of converting SOEs, the Hu-Wen administration granted them monopolies in certain sectors and maintained state control of others.\textsuperscript{314}

The Hu-Wen administration employed a hands-off approach to managing the economic decision-making process.\textsuperscript{315} Unlike his predecessor Zhu Rongji, who held on to the levers of power, Premier Wen delegated authority normally under the purview of the state council to agencies such as the State Asset Supervision and Administration Commission\textsuperscript{316} and the National Development and Reform Commission.\textsuperscript{317} The delegation of the state council’s authorities strengthened those agencies.\textsuperscript{318}

\begin{footnotesize}
\textsuperscript{313} Naughton, “Reform Retreat and Renewal,” 31.

\textsuperscript{314} Ibid.

\textsuperscript{315} Ibid.

\textsuperscript{316} The State Asset Supervision and Administration Commission is a special Commission under the PRC’s state council. It is responsible for managing and reforming SOEs.

\textsuperscript{317} The National Development and Reform Commission is a macroeconomic management agency under the state council. It studies and develops policies for economic and social development, oversees economic development, and guides restructuring of China's economic system. Naughton, “Reform Retreat and Renewal,” 39.

\textsuperscript{318} Naughton, “Reform Retreat and Renewal,” 39.
\end{footnotesize}
The strengthening of SOEs and government ministries created rampant systemic and individual corruption.\textsuperscript{319} Exacerbating this problem is the embedding of elite families into SOEs.\textsuperscript{320} Individual corruption layered on top of system corruption and the lack of economic reforms under the Hu-Wen administration led to the state’s loss credibility and a crisis of confidence in improving the economy.\textsuperscript{321} SOEs, ministries, and Party official became resistant to changing the system from which they benefit.

Overall Progress of Economic Reforms

The Xi administration has made limited progress on its economic reform agenda. In 2013, it rolled out the Shanghai free trade zone. The People’s Bank of China liberalized deposit interest rates in 2015. In 2016, the negative list for the Shanghai free trade zone clarifying sectors that are open to foreign investment was published.\textsuperscript{322} The one-child policy was phased out in 2015.\textsuperscript{323} On the downside, the negative list failed to relax existing restrictions, and there has been no progress on meaningful SOE reforms. Overall progress since economic reforms were announced in 2013 has been disappointing.

\textsuperscript{319} Ibid.

\textsuperscript{320} Ibid.

\textsuperscript{321} Ibid., 40.


The U.S.-China Business Council’s most recent quarterly report on the progress of China’s economic reforms (from February 2016) assessed that the Xi administration had made only limited progress, an assessment that has remained unchanged since its September 2015 report.\(^{324}\) The quarterly report explains that while the Chinese government has made positive steps, “counterproductive policies persist, and doubts remain about the government’s follow through on the three-year-old pledge at the Third Plenum to allow the market to play a decisive role.”\(^{325}\)

![Image of a chart showing USCBC Assessment: Steps Forward, Steps Back]

**Figure 1.** The U.S.-China Business Council’s Assessment on the Progress of China’s Economic Reforms


\(^{325}\) Ibid.
The lack of significant progress on economic reforms is not without criticism in China. *The New York Times* reported on April 2, 2017, that—in a rare move—a Chinese think tank, the Economic System and Management Institute of China’s National Development and Reform Commission, released a report criticizing the slow pace of reforms titled “The Reform Obstruction Phenomenon.”326 According to the article, the report assessed that center-local reforms have stalled, no progress has been made on reforming the household registration system, and SOEs have resisted plans to address overcapacity and heavy debt.327 The report concludes that “to a certain extent reforms have fallen into a stalemate.”328

**Chinese Politics in 2012**

In the lead up to the 18th National Party Congress in fall 2012, Chongqing Party Secretary Bo Xilai, a princeling, broke with political norms that emphasized low-key public personas in an attempt to gain a seat on the PSC.329 To the chagrin of the Party, he aggressively promoted his development model that focused on mass rallies, Maoism, and an authoritarian anticorruption campaign.330 Bo’s political career ended when Chongqing’s police chief revealed that he had covered up the murder of a British

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327 Ibid.

328 Ibid.


330 Ibid.
businessman by his wife. 331 An investigation revealed that Bo embezzled over $700,000 in state funds and received $3.3 million in bribes. 332 Bo’s downfall was the most high-profile case of public corruption and the largest blow to the Party’s legitimacy since the Tiananmen Square massacre in 1978. 333

**Political Reforms under Xi Jinping**

The *Decision’s* political reforms aim to strengthen the socialist democratic system, combat corruption and improve party discipline, and reinforce CCP central leadership and authority. Emphasizing that “a large number of facts have proved that corruption is raging; if it is not curbed our Party and country will surely be doomed,” Xi believes that systemic corruption and a lack of disciple within the Party are as existential threats. Therefore, he prioritized these two areas in overall political reform efforts. He has also prioritized reinforcing CCP central leadership and authority. Xi’s explanatory notes to the *Decision* states “to continue the reform comprehensively, we should strengthen planning at the top level and adopt a holistic approach.” 334 Of the Decision’s 60 points, nine deal with reforming the Chinese polity. The subsections below are organized by the


333 Ibid.

Table 5. The Nine Points Related to Reforming the Chinese Polity

<table>
<thead>
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<th>VIII. Strengthening Building of the Socialist Democratic System</th>
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<th>XIV. Strengthening and Improving the Party’s Leadership in the Course of Comprehensively Deepening the Reform</th>
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<td>• Point 58: All Party members should align their thinking and action with the decisions and plans of the Party Central Committee for deepening reform comprehensively; properly handle the relationships between the central authority and local governments, between the overall situation and situations of localities, between immediate interests and long-term needs; correctly understand the adjustment of interest patterns; fully promote intra-party democracy; resolutely uphold the authority of the Party Central Committee; ensure that the decisions of the Party Central Committee are carried out efficiently; and preserving impellent the Party Central Committee’s reform decision and plans.</td>
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<tr>
<td>• Point 59: Deepening reform comprehensively requires forceful organization and personnel support</td>
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<td>• Point 60: The people are the mainstay of reform. We should uphold the Party’s mass line, establish a social participation mechanism, fully give rein to the people enthusiasm, initiative and creativity, and bring into full play the role of people’s organizations such as trade unions, the Chinese Communist Youth League, and women’s federations to act in concert for advancing reforms.</td>
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Strengthening Building of the Socialist Democratic System

Xi emphasized in his explanatory notes to the Decision that “consultative democracy is a unique form of the distinctive advantage of China’s socialist democracy,
and an important embodiment of the Party’s mass line in the political field. Promoting consultative democracy is conducive to improving the people’s orderly participation in political affairs, strengthening the ties between the Party and people, and promoting scientific and democratic decision-making.”

The Decision calls for strengthening the National People’s Congress and the Chinese People’s Political Consultative Conference by giving “full play to the role of the people’s congress as the country’s fundamental political system. There are three points under this subheading. Point 27 outlines improvements to the National People’s Congress by perfecting the legislative process, allowing greater debate, and increasing the Congress’s coordination and review mechanisms. It also calls for improving public participation in the legislative process and more transparency through hearings.

Point 28 calls for “intensive consultations on issues relation to legislation, administration, democracy, political participation, and social problems” by expanding consultation channels of the “organs of state power, Chinese People’s Political Consultative Conference, political parties and the community-level, and social organization.” Point 29 expands upon point 28 by outlining reforms that

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337 Ibid.

338 Ibid.
institutionalize community-level consultative democracy and improve community-level elections, political discussions, accountability, and transparency.  

Strengthening Check and Oversight of Exercise Power

In a series of speeches shortly after he became the Party general secretary, Xi underscored the importance of combating corruption and improving party discipline. Citing an ancient Chinese scholar, he said: “many worms will disintegrate wood, and a big enough crack will lead to the collapse of a wall.” He emphasized the severity of his anticorruption efforts by stating in 2013 “we must catch both tigers and flies.” The Decision states “we will improve a system that combats and prevents corruption, promotion political integrity, and see to it that officials are honest, the government is clean, and political integrity is upheld.”

Point 35 states that reforms will “introduce a list of the powers of local governments and their working departments at all levels, and publicize the power

339 Ibid.


341 Tigers refer to high-level corrupt officials and flies refer to corrupt lower-level officials. Xi Jinping, “Power Must Be ‘Caged’ by the System,” in The Governance of China, 425-431.

342 China.org.cn, “The Decision on Major Issues Concerning Comprehensively Deepening Reforms.”
exercise process in accordance with the law.”\textsuperscript{343} It mandates transparency in “decision-making, management, services, and results.”\textsuperscript{344}

Point 36 emphasizes the Central Commission for Disciple Inspection’s role in the supervision of corruption cases at all levels of government. Point 37 deals with curtailing official spending. It calls for strict budgeting, and approval and auditing, and control of the “three public expenses,” which are “vehicle purchase and maintenance, overseas trip and official receptions, and building of government offices.”\textsuperscript{345}

Strengthening and Improving the Party’s Leadership in the Course of Comprehensively Deepening the Reform

In guiding the country through comprehensively deepening the reform, Xi Jinping believes in a stronger role for the Party central leadership and authority. Point 58 calls for “fully promoting intra-party democracy, resolutely upholding the authority of the Party Central Committee; ensure that the decision of the Party Central Committee is carried out effectively and preservingly implement the Party Central Committee’s reform decision and plans.”\textsuperscript{346} Most notably, point 58 establishes the Central Leading Group for Deepening Reform Comprehensively in charge of designing, coordinating, and supervising the implementation of reforms.\textsuperscript{347}

\begin{itemize}
\item \textsuperscript{343} Ibid.
\item \textsuperscript{344} Ibid.
\item \textsuperscript{345} Ibid.
\item \textsuperscript{346} Ibid.
\item \textsuperscript{347} Ibid.
\end{itemize}
Point 59 deals with improving the state’s personnel and talent management system. It reinforces the Party’s role in managing performance of officials and the CCP’s role in reforming the system. It also calls for improving incentives for talented officials to move to lower echelons of government and areas with poor conditions.

Lastly, point 60 stresses that the people are the mainstay of the reform agenda.\(^{348}\) It mandates establishing participation mechanisms that incorporate trade unions, the Chinese Communist Youth League, and women’s federations to advancing reforms. It encourages lower levels of government to experiment and be bold with reforms.\(^ {349}\)

**Overall Progress of Political Reforms**

Xi Jinping has issued a host of regulations, policies, and directives targeted at combating corruption and improving party discipline. Immediately upon coming into power, he issued an eight-point rule (“eight-musts”) intended to improve the work of Party officials and curbing their extravagant lifestyles.\(^ {350}\) The Party updated Deng Xiaoping’s *Code of Conduct for Intraparty Political Life* and Hu Jintao’s *Regulations of the Communist Party of China on Internal Oversight*. The two documents address urgent problems plaguing the Party, including disloyalty to the Party, failure to observe discipline, widespread abuse of power, embezzlement and bribery, moral degeneration,

\(^ {348}\) Ibid.

\(^ {349}\) Ibid.

and growing political ambitions and lust for power.\textsuperscript{351} In 2016, Xi announced a “four comprehensives”\textsuperscript{352} strategy to support his reform agenda.

In 2012, the Party launched an anti-corruption campaign that moved swiftly to deal with the high-profile Bo Xilai case. Bo received a life sentence for his crimes. Keeping to his promise of catching both tigers and flies, Xi rejected the Party convention of not punishing former and current PSC members by investigating Zhou Yongkai.\textsuperscript{353} Zhou, a powerful former security chief and PSC member, was sentenced to 15 years in prison for abuse of power and accepting bribes.\textsuperscript{354} His family was also punished with prison sentences for graft.\textsuperscript{355} The inclusion of family members in anti-corruption efforts


\textsuperscript{352} Comprehensively build a moderately prosperous society, comprehensively deepen reform, comprehensively govern the nation according to law, and comprehensively strictly govern the Party.

\textsuperscript{353} Minzer, “The End of the Reform Era,” 137-138.


has intensified unease among the political elite. As of March 2016, over 300,000 officials have reportedly been punished.

Xi has revitalized the role of ideology in the Party and society. In 2012, the CCP revived the Mao-era practice of Party officials publicly confessing their wrong doings. The Party issued an internal communiqué in 2013 on the state of ideological decline within the country and warned against promoting the “seven subversives,” which include Western-style constitutional democracy, universal human rights, and civil society. The communiqué calls for the Party to strengthen its leadership in the ideological sphere and enhance its management of the ideological battlefield. Stating that colleges, universities, and the entire education system must be ideological strongholds, Xi emphasized that educational institutions must adhere to Party’s leadership and teach ideology.

In accordance with the Party’s renewed emphasis on ideology, the PRC has intensified the crackdown on lawyers, activists and civil society that began in the Hu-

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Wen administration. China passed the *Law on Management of Foreign Nongovernmental Organizations Operating within Mainland China* that went into effect on January 1, 2017. The law tightens the already restrict space in which civil society operates. Furthermore, the *Economist* reported in February 2017 that the Party is squelching liberal groups’ debates about the progress of economic reforms.\(^{361}\)

**Conclusion**

Xi Jinping became the CCP general secretary and the CMC chairman at the 18th NPC in 2012. Initial expectations for drastic change under his tenure were low but he quickly altered those sentiments. Within a year, Xi had consolidated power to hold the top positions in the Party, state, military, and numerous central leading groups. He has also cultivated an image as a reformer similar to Deng Xiaoping.

At the Third Plenum in 2013, he announced the most aggressive and comprehensive reform agenda since Deng’s in 1978. Xi’s Third Plenum reform blueprint cuts across many sectors, but the goal is to allow markets to “decisive” role in the Chinese economy. The primary focus of his economic and political reforms is to enable markets to play a “decisive role,” combat corruption and improve party discipline, and reinforce Party central leadership and authority.

Xi has ostensibly been consolidating power to overcome vested interested opposed to changing the status quo. The lack of significant progress on economic reforms and his consolidation of power, however, has led some China observers to question

whether he is consolidating power as an end. In the lead up to the 19th NPC in fall 2017, there have been reports that Xi has not yet named a successor.\textsuperscript{362} This is further fueling speculating that he is seeking to prolong his tenure as general secretary.\textsuperscript{363}

Barry Naughton, an expert on the Chinese economy, argues Xi’s policies are a response to the challenges he inherited from the Hu-Wen administration.\textsuperscript{364} He explains that Xi has fundamentally altered the status quo by consolidating economic decision-making into his own hands and revoking the management of economic issues from the state council and premier Likeqing.\textsuperscript{365} Displaying the extent to which Xi has dominated the economic decision-making process was the mentioning of his name 34 times in the Party’s official account of the drafting of the \textit{Decision}.\textsuperscript{366} Premier Li was not mentioned even once.\textsuperscript{367} Finally, Naughton explains that the anti-corruption campaign can be seen as fitting into Xi’s broader political strategy aimed at profoundly disrupting the institutionalized, systemic corruption in the state sector.\textsuperscript{368}


\textsuperscript{363} Xi’s power is derived from his position as the general secretary of the Party. The limit for the general secretary is two five-year terms.

\textsuperscript{364} Naughton, “Reform Retreat and Renewal,” 46.

\textsuperscript{365} Ibid.

\textsuperscript{366} Ibid., 43.

\textsuperscript{367} Ibid.

\textsuperscript{368} Ibid., 44-45.
Alice Miller of Stanford University’s Hoover Institution argues that Xi draws his ideological inspiration from Deng Xiaoping—as evidenced by his extensive citing of Deng’s speeches and phrases in his book *The Governance of China*. Similar to Deng’s *Selected Works of Deng Xiaoping*, the *Governance of China* is a collection of speeches and interviews that explain Xi’s policies in pursuit of the Chinese dream. Miller explains that Xi’s emphasis on institutionalizing party leadership and discipline is in line with Deng’s Leninist vision of formalized party institutions that will ensure Party’s longevity and ability to carry out reforms. Xi and CCP pronouncements have made clear that the Party’s incentives for reforming the economy are high. The CCP’s survival hinges on further marketization of the economy. Because of this, Miller believes that observers should take the “long view” regarding China’s market reforms.

Willy Wo-Lap Lam offers a more critical perspective on Xi. He argues that Xi has adulterated Deng’s legacy. He believes that Xi’s consolidation of power runs counter to Deng’s ideals about institutions over individuals. The creation of central leading groups, many of which Xi leads, is a blow to Deng’s concept of collective leadership.

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370 Ibid.
371 Ibid.
372 Ibid.
373 Ibid.
374 Lam, *Chinese Politics in the Era of Xi Jinping: Renaissance, Reform, or Retrogression?*, xiii.
Finally, he believes that Xi’s top-down design for reforms conflicts with Deng’s governing axiom of “giving more clout to regional administrations.”375

Cheng Li and Ryan McElveen believe that without meaningful political reforms, economic reforms will not go far.376 They argue that an innovative economy requires political openness.377 Likewise, the services sector needs the rule of law and a developed legal system.378 They explain that Xi that has assembled a highly qualified and impressive team at the ministry level to guide economic and fiscal reforms but the CCP’s ambivalence toward meaningful political reforms ultimately impedes economic reforms.379

376 Ibid., 6.
377 Ibid.
378 Ibid.
379 Ibid.
CHAPTER 6
ANALYSIS AND CONCLUSION

Chapter 6 compares and contrasts Xi Jinping to Deng Xiaoping to answer the primary questions of whether Xi is a reformer similar to Deng. This analysis is conducted using the information presented in chapters five and six and focuses on both leaders’ economic and political reform efforts. This chapter also concludes this paper.

**Economic Reforms**

Starting Point

**Deng Xiaoping**

In 1978, China was one of the poorest and most closed-off countries in the world. Its GDP was one-fifteenth the size of the United States’. At $156, its per capita GDP was less than India’s. Its share of the global trade of goods was less than 1 percent. The economies of Hong Kong and Singapore, both of which were a fraction of the PRC in terms of size and population, accounted for more in global commerce. Despite being a primarily agrarian country, China could not produce enough food to sustain its people.

**Xi Jinping**

*When Xi came to power in 2012,* China had already transitioned from one of the poorest countries in the world to the second largest economy, behind the United States. Its GDP per capital has grown to $6,337. In 2012, the PRC was the second-largest contributor to global economic output and accounted for 10.62 percent of global trade in goods, which also made it the world’s second-largest trading partner. In the same year,
however, the Chinese economy experienced its lowest rate of growth since 1999 and began to slow down long-term due to structural imbalances.

Economic Reform Efforts

Deng Xiaoping

China began economic reforms in 1978 without a clear blueprint nor plan for improving the Chinese economy. Deng likened his approach to “Crossing the river by feeling the stones.”[^380] Although a clear plan did not exist, the Party’s strategic political goal was to re-establish the Party’s legitimacy by improving living standards and achieving its vision of state capitalism. The CCP focused on reforms that contributed to growth and corrected the planned economy’s structural inadequacies. The dismantling of the non-market based economy was a secondary effect.

Economic reforms began in the agricultural sector out of necessity. Deng led the effort to relax state procurement quotas, increase state purchase prices, and allow farmers to sell surplus agricultural products on the market after they fulfilled their quotas. The central government granted farmers the freedom to experiment with restructuring collective farming communes to maximize output. This resulted in the household responsibility system, which contracted land to individual households. Agricultural productivity increased and TVEs reemerged and flourished. The relaxation on curbs on individual commercial activity enabled TVEs to expand and fill gaps in rural markets.

In the urban-industrial sector, agricultural-style reforms were introduced to SOEs to increase the competitiveness of the state sector in light of the changing economic landscape. Reformers abandoned Mao’s policy of self-reliance and opened up the Chinese economy to the outside world. Under the open policy, SEZs were established along the southern coast of China. These zones attracted foreign direct investment and provided foreign currency that the country needed for its imports, including raw materials and industrial technology.

Xi Jinping

The old drivers of China’s miracle—exports and government-led investments—are no longer able to generate and sustain rapid economic growth. China must rebalance its economy to growth led by innovation, the services sector, and domestic consumption to transition from an upper middle-income economy to a high-income economy and avoid the MIC. The Chinese economy is projected to be able to maintain a six-seven percent growth rate with these adjustments and is expected to overtake the United States as the largest economy before 2030.

Xi unveiled his reform agenda at the Third Plenum of the Central Committee of the CCP in 2013. His Third Plenum reform plan is the most comprehensive and aggressive since Deng’s in 1978. It contains 60 points outlining over 300 reforms that cover several sectors, including the economy, party, environment, land use, legal system,

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381 The World Bank classified upper-middle income countries as those with a per capita GNI of $4,036 to $12,475.
military, and other areas. Improving the economy is the key element of the reform agenda.

The Chinese economy has grown exponentially more complex after thirty years of marketization. As a result, the reforms it requires to transition from upper-middle status country to high-income status are more complex. Xi emphasized “China's reform has entered a deep-water zone, where problems crying to be resolved are all difficult ones.”382 His economic reforms address the role and responsibility of the central and local governments, the urban-rural divide, China’s financial system, SOE overcapacity, the environment, lack of innovation, and educational system, among other areas that affect the economy. Ultimately, economic reforms enable markets to play a “decisive” role in allocating resources and decreases the state’s role in managing the economy.

Comparison

Deng’s and Xi’s economic reforms are different, and the context in which they are being implemented are starkly different. However, both leaders’ reform agendas share the quality of drastically altering the Chinese economy and the state’s role with respect to managing it. Deng’s reforms were a sharp departure from Mao’s developmental model, which emphasized ideology, class struggle, and political mobilization to bring about economic development. His efforts sparked China’s rapid economic rise by introducing market forces into a state-dominated planned economy that had previously prohibited capitalism.

Similarly, Xi’s reform agenda will radically change the Chinese economy and the state’s role. Currently, SOEs dominate large swaths of China’s economy, the state controls the financial sector, and many areas of the Chinese economy are closed off to domestic and foreign investment and competition. If successfully implemented, Xi’s reforms will drastically reduce the state’s role in the management of the economy and usher in a new era of growth driven by innovation, the services sector, and domestic consumption.

Challenges to Economic Reforms

Deng Xiaoping

During the early Deng era, two factions within the Party sought to influence economic reforms: reformers and conservatives. Reformers, led by Party Secretary Hu Yaobang and Premier Zhao Ziyang, believed that the old planning system should be dismantled. State planning should exist to correct certain adverse effects of the market and to pursue long-term national objectives. Hu and Zhao believed in complete marketization of the economy.

Conservatives, led by Chen Yun, sought to preserve the socialist elements of the former economic system. They believed that central planning should play a dominant role in the economy and markets should play a supporting role. They thought that foreign trade should be beneficial, but supplement a self-reliant economy. The nature and pace of reforms depended on the balance of power between these two factions.

Reformers wielded more influence during the early reform era and were able to implement their vision of economic reforms. As reforms progressed, conservatives became increasingly concerned with their pace and trajectory, and the negative
consequences—macroeconomic instability, ideological and cultural pollution, and corruption. Social unrest and dissatisfaction with corruption and the economic trends built up. After a decade of reforms, a major pro-democracy protest erupted in Tiananmen Square in 1989 due to widespread discontent.

During the same period, communist rule in Central and Eastern Europe began to collapse. Fearful for its existence, the CCP authorized the use of military force to suppress the Tiananmen Square protests. In the aftermath of the Tiananmen Square massacre, conservatives purged reformers, and the PRC entered a period of economic retrenchment that lasted from 1989-1992.

Market reforms stalled due to political gridlock within the party. Frustrated with the slow pace of reforms, Deng Xiaoping embarked on a tour of the SEZs along southern China in 1992 to make his case publicly for continuing reform and opening. Deng’s southern tour successfully restarted market reforms.

Xi Jinping

Xi faces difficult challenges in successfully implementing his ambitious economic reform agenda. His challenges are vested interests that developed under his predecessors, former General Secretary Hu Jintao and Premier Wen Jiabao. Market reforms stalled and reversed during the Hu-Wen administration.

Before the Hu-Wen administration came to power in 2002, former General Secretary Jiang Zemin and Premier Zhu Rongji converted SOEs into corporations under the 1994 Company Law. Instead of continuing the conversion of SOEs into corporations, the Hu-Wen administration granted SOEs monopolies in key sectors of the economy and mandated that other areas remain under state control.
Ministries were delegated more authority in the economic decision-making process. The Hu-Wen administration’s policies coupled with the PRC’s party-state system resulted in rampant systemic and individual corruption. SOEs, ministries, and Party officials became resistant to changing the system from which they benefit.

Xi’s economic reforms remove the levers of economic decision-making from vested interests by allowing markets to play a “decisive” role in allocating economic resources. Nevertheless, Xi must overcome these challenges to implement his economic reforms successfully.

Comparison

Deng overcame the challenges to his economic reform agenda by circumventing the system of collective leadership for which he advocated. In 1992, frustrated by the lack of progress on economic reforms, he embarked on a tour of southern China to inspect SEZs. During the tour, he stated that “failing to adhere to socialism, to carry out reform and opening up, to develop the economy, and to improve people's livelihoods can only lead up to a blind alley. The basic line governs one hundred years and must not be shaken.”

By making his case publicly and directly to the Chinese people, he was able to overcome conservative opposition to restart reform and opening up.

Similarly, it appears that Xi is seeking to overcome vested interests by rapidly consolidating political power. He holds the top positions in the Party, state, and military. Furthermore, he leads various central leading groups that circumvent standard

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383 The Selected Works of Deng Xiaoping, “Excerpts from Talks Given in Wuchang, Shenzhen, and Shanghai.”

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bureaucratic processes, including the Central Leading Group for Comprehensively Deepening Reforms that was created by the Decision. Boosting his authority is the title of “core leader” the Party granted to him in 2016. Xi is widely accepted as the most powerful leader since Deng, but it remains to be seen whether he can overcome forces opposed to changing the status quo.

**Political Reforms**

**Starting Point**

**Deng Xiaoping**

The Party was in disarray after 30 years of instability under Mao Zedong. Mass political mobilizations and upheaval did not advance the PRC toward a Communist utopia, decreased living standards, and severely damaged Party’s legitimacy. Governing institutions weak and almost nonexistent. Party cadres still wrestling with the question of how to deal with Mao’s political legacy. Furthermore, the Party had just undergone a power struggle that resulted in Deng becoming the paramount leader and the Party ratifying his political line of “practice is the sole criterion for judging truth.”

**Xi Jinping**

Party norms have been institutionalized and regularized since reform and opening up. Since Deng’s death in 1997, the Party had experienced two peaceful and successful transfers of power: Jiang Zemin to Hu Jintao in 2002, and Hu Jintao to Xi Jinping in 2012. The system of collective leadership—in which the PSC is the Party’s pinnacle of power—advanced by Deng had been strengthened over by Jiang and Hu. The year 2012 also saw the line of succession established by Deng end.
Political Reform Efforts

Deng Xiaoping

Political reforms implemented under Deng were not discussed on their own but rather they were couched in the context of economic reforms and adhered to the Four Cardinal Principles384 so that the Party could focus on economic development and achieve modernization. Political reforms instituted under Deng restored and strengthened Party norms that were destroyed under Mao, diminished the role of ideology, and developed the Party’s concept of a “socialist democracy.”

Deng’s political reforms stabilized elite politics, regularized party governance, established a system to recruit and promote officials, and abolished lifetime tenure for Party cadres. The overall impact of his political reforms is a system of collective leadership in which members of the PSC make decisions collectively.

Xi Jinping

Xi’s political reforms are aimed at strengthening the socialist democratic system, combatting corruption and improving party disciple, and reinforcing CCP central leadership and authority. Emphasizing that “a large number of facts have proved that corruption is raging; if it is not curbed our Party and country will surely be doomed,” Xi believes that systemic corruption and a lack of disciple within the Party are existential threats. Therefore, he has prioritized combatting corruption and improving party disciple, and reinforcing CCP central leadership and authority.

384 We must keep to the socialist road, we must uphold the dictatorship of the proletariat, we must uphold the leadership of the Party, and we must uphold Marxism-Leninism and Mao Zedong Thought.
In the lead up to the 18th National Party Congress in fall 2012, Chongqing Party Secretary Bo Xilai, a princeling, broke with political norms that emphasized low-key public personas in an attempt to gain a seat on the PSC. To the chagrin of the Party, he aggressively promoted his development model that emphasized mass rallies, Maoism, and an authoritarian anticorruption campaign.

Bo’s political career ended when it was revealed that he had covered up the murder of a British businessman by his wife, embezzled state funds, and received millions in bribes. His downfall exposed the rampant, systemic corruption within the Party. This incident was the most high-profile case of official corruption and the largest blow to the Party’s legitimacy since the Tiananmen Massacre in 1978.

Since becoming the general secretary in 2012, Xi has issued a host of regulations, policies, and directives aimed at combating corruption and improving Party disciple. These include the eight-point rule, the “four comprehensives” strategy, the Code of Conduct for Intraparty Political Life, and the Regulations of the Communist Party of China on Internal Oversight.

Complementing these rules is an aggressive anti-corruption campaign that was launched in 2012 targeting both “tigers and flies.” In his mission to combat corruption, Xi has rejected the CPC’s convention of not punishing former and current PSC members and has included family members in anti-graft investigations. As of 2015, 300,000 officials have reportedly been punished.

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385 Tigers refer to corrupt high-level officials and flies refer to corrupt low-level officials.
Comparison

The Party’s political reforms are intended to enable economic reforms and, most importantly, uphold the Party’s monopoly on political power. Deng Xiaoping believed that political stability was required to enable the Party to focus on economic development. Therefore, political reforms during the Deng era reinstated and strengthened Party norms, increased rule by law, and established a channel by which the lowest level of government had an avenue to provide input to the political process.

Similarly, Xi’s political reforms serve the same purpose of enabling economic reforms and maintaining the Party’s grip on political power. His challenges, however, are different from Deng’s. Deng famously said “let some people get rich first.” He did not focus on corruption, as it did not pose an existential threat to the CPC. However, the PRC has reached a point in its political and economic development in which systemic and individual corruption threatens the legitimacy of the Party.

Xi has had to prioritize political reforms aimed at combating corruption and improving discipline to maintain the CPC’s legitimacy and enable economic reforms. Furthermore, his anti-corruption campaign can be viewed as a political tool to remove corrupt officials as well as those who are opposed to market reforms.

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Ideology

Deng Xiaoping

At the Third Plenum in 1978, Deng urged Party cadres to “emancipate their minds” and to “seek truth from facts.”\(^{387}\) In response, the plenum ratified “practice is the sole criterion of judging truth” over Hua’s “two whatever.” By ratifying “practice is the sole criterion of judging truths,” the Party relinquished its privileged claim to truth and enabled it to experiment with reforms that would otherwise not be possible.

By giving up its claim to the truth, the Party surrendered what it had previously based its legitimacy to rule–ideology.\(^{388}\) To bolster its legitimacy, it turned to economic performance and rejected the ideological utopian vision that Mao had used to control and mobilize society. As a result, the Party no longer governed individual activity and ideology could no longer be used an impetus for action.

Xi Jinping

By contrast, Xi has revitalized Party’s focus on ideology upon becoming the general secretary in 2012. He revived the practice of officials publicly confessing their wrong doings, which was commonplace under Mao. In 2013, a Party communiqué, known as Document Nine, was issued to strengthen its leadership in the ideological sphere and management of the ideological battlefield. Document Nine warned against

\(^{387}\) The Selected Works of Deng Xiaoping, “Emancipate the Mind, Seek Truth from Facts and Unite as One in Looking to the Future.”

promoting the “seven subversives”–which includes Western-style constitutional democracy, universal human rights, and civil society.

In accordance with the Party’s renewed emphasis on ideology, the PRC has intensified its crackdown on lawyers, activists, and civil society that began in the Hu-Wen administration. To the consternation of the international community, China passed a law in 2016 that further tightens the restricted space in which civil society operate. The law went into effect on January 1, 2017. The Economist reported in February 2017 that the CCP is squelching liberal groups’ debates regarding the progress of reforms.\textsuperscript{389} Xi is also seeking to expand the role of ideology in society. In December 2016, he called for teaching Communist ideology in colleges and universities and stressed that the education system should be strongholds that adhere to CCP leadership.\textsuperscript{390}

Comparison

Ideology is vital to the survival of the Party and its monopoly on power. The CCP’s ideological underpinnings shift based on its needs to maintain power. The Party was facing a legitimacy crisis in 1978 caused by ideological-driven policies. Deng had to loosen the Party’s grip on Maoist dogma to enable experimentation with economic reforms. The ability to experiment with reforms led to a dramatic increase in living standard and restored the Party’s legitimacy.


By contrast, Xi has revitalized the role of ideology in the PRC. Thirty years of rapid economic growth has eroded the Party’s core values and principles, and new sources of wealth, power, and opportunities have emerged that are not within its control. Furthermore, Xi’s economic reforms call for allowing the market to play a “decisive” role in the economy – which will further weaken the Party’s monopoly on power and control over society. Xi’s efforts to strengthen ideology within the Party and society can be viewed as an attempt to maintain its grip on political power while pursuing reforms that have the opposite effect.

Conclusion

The Deng era was marked by ideological openness, political stability, and rapid economic growth. Repudiation of ideological dogma unleashed the productive and entrepreneurial forces of the Chinese people. The strengthening and institutionalizing of the Party’s governing structures provided political stability so the Party could focus on economic development. There were limits, however, to Deng’s political reforms and ideological openness. Both had to conform to the Four Cardinal Principles. The Party’s monopoly on political power and its survival were paramount, as evidenced by Deng’s approval on the use of military force to quell pro-democracy protesters in Tiananmen Square.

When Xi became the leader of the CCP in 2012, he cultivated his image as a reformer similar to Deng. His first visit outside of Beijing was to pay tribute to a statue of Deng at the Shenzhen SEZ. He released a collection of speeches and essays titled The

391 Minzer, “The End of the Reform Era.”
Governance of China—similar to the multi-volume Selected works of Deng Xiaoping. Most importantly, he announced a Third Plenum reform agenda comparable to Deng Xiaoping’s reform and opening up in 1978 in terms of importance and scale. It is clear that Xi views himself as heir to Deng’s legacy, and despite the lack of significant progress on his economic reform agenda, he is indeed a reformer similar to Deng.

First, Xi is committed to reforming the Chinese economy in the same manner as Deng. Declaring that the era of mass class struggle was over at the Third Plenum in 1978, Deng shifted the Party’s focus to rapid realization of the four modernization, economic development, and improving the living standards of the Chinese people. Similarly, Xi emphasized the importance of economic reform by stating “economic reforms have not been complete, nor has the potential of such reforms been fully released. To keep economic development as our central task, we must continue to focus on economic reforms without the slightest hesitation.”392 Furthermore, Xi’s Third Plenum reform agenda includes a large military reform program. A strong economy is necessary to realize those military reforms.

Second, Deng Xiaoping faced enormous challenges in realizing his economic vision. He had to overcome forces opposed to market reforms by circumventing the system of collective leadership for which he advocated. Similarly, Xi also faces difficult challenges in successfully implementing his economic reform agenda. Although he has called for upholding collective leadership and inner-party democracy, he has shown a propensity for consolidating power, taking charge, and managing the reform process.

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himself. Furthermore, his ambitious target of accomplishing reforms by 2020 signals that he is not willing to waiting for Party consensus to form to move ahead with difficult reforms.\textsuperscript{393}

Third, Deng believed that maintaining the Party’s monopoly on political power and survival are paramount. He abandoned the CCP’s focus on ideology to enable experimentation with economic reforms and improve living standards. Political reforms and ideological openness were permitted to the extent they conformed to the Four Cardinal Principals and enabled economic reforms. Deng also used force to maintain the Party’s power when necessary, as evidenced by the Tiananmen massacre.

Similarly, Xi also believes the Party’s monopoly on power is paramount. Thirty years of economic reforms have eroded the party’s ideological base and its grasp on power. His economic reforms will further undermine the Party’s power. To strengthen the Party’s grip on power and counteract market reforms, Xi has revitalized the role of ideology within the Party and in society. The Party has issued directives and guidelines that limit the extent to which certain topics can be discussed. Similar to Deng, Xi has used force to maintain the Party’s control of power, as evidenced by the Party’s campaign against lawyers, activists, and civil society.

Lastly, the lack of significant progress on Xi’s Third Plenum reform agenda should not be viewed as non-commitment to market reforms. Xi is only in the first of his two five-year terms as the CCP general secretary. Although he holds the three highest positions in China’s party-state system, he still requires consensus in the PSC and

\textsuperscript{393} Miller, “How Strong is Xi Jinping?”

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Politburo to move ahead with difficult reforms. As Alice Miller argues, significant progress on market reforms can be expected in the second half of Xi’s tenure as the general secretary, after he installs his allies to the PSC and other leadership positions at the 19th National Party Congress in fall 2017.

To avoid the MIC, China must rebalance its economy to growth driven by innovation, the services sector, and domestic consumption. Of the 101 countries that reached middle-income status by the 1970s, only 13 have escaped the MIC by 2008. Furthermore, 12 of the 13 countries are democracies, according to the Economist Intelligence Unit’s Democracy Index. As Li and McElveen note, an innovative economy requires political openness, and a robust service sector requires the rule of law and a developed legal system. It remains to be seen whether China make the transition to high-income status in light of the revitalized emphasis on ideology and without meaningful political reforms.

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394 Taiwan, South Korea, Ireland, Japan, Israel, Spain, Singapore, Hong Kong, Portugal, Equatorial Guinea, Greece, Puerto Rico, and Mauritius.


396 The 12 democracies are Taiwan, South Korea, Ireland, Japan, Israel, Spain, Singapore, Hong Kong, Portugal, Greece, Puerto Rico, and Mauritius.


398 Li and Ryan, “Can Xi's Governing Strategy Succeed?”
Recommendations for Further Study

This thesis focused on whether Xi is a reformer similar to Deng in terms of their economic and political reforms. The comparison between the two leaders can be expanded to include their reforms in other areas—particularly the military—and their foreign policy. Deng promulgated a strategy of “observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership.” Despite Deng’s successors following his governing axioms, China has pursued a more aggressive foreign policy under Xi. Studying whether Xi is adhering to Deng’s governing axioms can shed valuable insight into whether he is reversing Deng’s policies or continuing his legacy.

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