

High on the party, low on the state A quantum leap in the process of China's reconstruction

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At its annual session in March 2018, the National People's Congress (NPC) approved a series of changes to the structure and organisation of the Central People's Government (also known as the State Council of the People's Republic of China, further in the text referred to as the central government) and an amendment to China's constitution. It also announced nominations to several important state offices. This represents a crowning achievement and formal confirmation of the process of changes to the Chinese system of power that has been ongoing since 2012. The purpose of these changes is to secure continued governance by the Communist Party of China (CPC), to maintain domestic stability and to break the impasse in economic and social reforms. The general thrust of these changes involves a shift in decision-making power and a transfer of control in terms of how the state apparatus works to organs of the CPC, at the cost of central government institutions and local governments. This is being done by concentrating power in the hands of the party's General Secretary, Xi Jinping, who in recent years has used the CPC structures to boost discipline within the party and state institutions, to increase coordination in domestic and foreign policy and to revive the process of economic and social reforms. The changes to the structure of the administrative apparatus follow the centralist ambitions of Xi Jinping. This refers both to how the central government operates and to Beijing's influence on local governments. These changes will considerably impact the functioning of the state and China's international relations.

In the Chinese system of governance, the NPC is the sole source of law and power in the state. However, in practice its acts reflect the decisions already taken by the main bodies of the CPC. The recent session of the NPC served to implement the changes Xi Jinping has been introducing in the Chinese system of power in terms of the new structure and personnel composition of the bureaucratic apparatus. The recent abolition of the two term limit, which until recently was stipulated in the constitution, has enabled Xi Jinping to continue to hold the office of President of People's Republic of China (a state function) post-2023. Regardless of the fact that

the source of his power is the function he is holding within the party (General Secretary of the CPC), enabling him to *de facto* hold the office of President of China for life is a symbolic gesture that seals the process of structural changes as a whole. Official nominations to key civil service posts have also been announced, including vice-president of China, the prime minister and his deputies, and ministers in the central government. The nominations reflect personnel decisions taken at the 19th CPC convention in October 2017, during which Xi Jinping's closest collaborators were promoted within the CPC hierarchy.

Challenges to the central government

In spite of the need to carry out wide-ranging economic and social reforms, the CPC has limited tools at its disposal to actually do so. Until recently, the central government's extensive bureaucratic apparatus included 32 ministries and around fifteen ministry-level institutions. The absence of a clear division of tasks and the drawn-out decision-making chain are causing problems with coordination, mutually exclusive regulations, and difficulties with maintaining the proper sequence of reforms. The bureaucratic apparatus is also a setting in which the conflict between competing factions within the CPC is being conducted, which makes the change implementation process conditional upon personnel issues and opens the doors to internal obstruction. The basic challenge the CPC leadership is facing is to regain control of the central state apparatus.

The absence of a clear division of tasks and the drawn-out decision-making chain are causing problems with continuation of the reforms.

From the point of view of the CPC leadership, the *sine qua non* condition for the reforms to be implemented is to gain control of their implementation at the local level (provinces, counties, cities). Back in the 1980s, China adopted a model in which Beijing set a general direction for the initiatives to be implemented and local authorities were free to carry out these initiatives according to local needs. Until recently, when changes were implemented which were against the interest of local CPC members and interest groups, in particular in such areas as economic development, environmental protection and the urbanisation process, the central government had limited means of putting pres-

sure on the local level structures. The central government's weakness also results from the fact that the state hierarchy is secondary to the party hierarchy. In a situation where many ministers and agency heads are less rooted in the party apparatus than local party officials are, their ability to successfully implement the central government's decisions is often merely illusory.

The nature of the changes

The purpose of the recent institutional changes is to resolve the problems discussed above by concentrating power in the hands of the CPC leadership.

Elimination of a portion of 'sovereign principalities' in central administration and a clear separation of the competences of specific ministries and agencies is intended to reduce the potential for rivalry and thereby slow down the natural process of internal tension arising within the ruling camp.

Stepping up direct control by the CPC's Central Committee of the ongoing functioning of the state apparatus, by reflecting the Central Committee's structures in the organisation of the central government, is intended to enable specific bodies and other more informal groups within the Central Committee to directly impact the central government components 'ascribed' to them. Personnel changes in the executive bodies of key ministries and central institutions are designed to allow Xi Jinping to remove his political opponents from the government structures and install in their place trusted collaborators able to carry out his agenda.

Subordinating the provincial structures to central-level institutions, in areas such as the budget and the chain of command, is done to facilitate the decision-making centre within the Central Committee of the CPC, so as to devise effective methods for exerting pressure on local party members.

The structural and personnel changes introduced at the NPC's session focus on those areas of state governance the CPC considers of priority importance.

Combating corruption. The anti-corruption campaign that has been in place since 2013 is the main tool for disciplining CPC members at central and local levels. Until recently, these activities were carried out by a party body, the Central Disciplinary Committee of the CPC, which in recent years has expanded its scope of action and managed to take control of local committees operating at the provincial level. At the NPC's session a new institution was established, the National Supervision Committee, with a legal status equal to that of courts and the public prosecutor's office. It echoes the structure and the personnel composition of the Central Disciplinary Committee of the CPC, which is intended to institutionalise the anti-corruption initiatives implemented so far. The head of the new institution is Yang Xiaodu (see Appendix 1).

The economic policy. Since March 2018, China's economic policy has been managed by the newly appointed deputy prime minister Liu He (see Appendix 1), the closest economic advisor to Xi Jinping and member of the Political Bureau of the Central Committee of the CPC. He is deputy head of the National Committee for Development and Reforms (the main planning body) and head of the Central Committee's Finance and Economy Leading Small Group – China's actual centre of economic power. The changes implemented signal the continued marginalisation of the prime minister, Li Keqiang (traditionally responsible for economic matters), and the concentration of economic control in the hands of Xi Jinping's most trusted advisor.

The fiscal system. Tax offices collecting local and central taxes will be merged at the level of provinces and lower local government levels. The purpose of this move is for the central govern-

ment to take control of the collection of local taxes. This will enable Beijing to not only gain full control of the fiscal system but also to limit the scale of abuse and the practice of local structures at various levels imposing illegal taxes, which is one of the main sources of social discontent.

The long-term effect of restructuring will be a major change in the relations between the central government and the local governments.

Environmental protection. The newly created Ministry of the Environment has been granted powers to enforce laws on environmental protection and prevent the adverse effects of climate change (see Appendix 2). Li Ganjie, one of the youngest party activists and Xi Jinping's trusted collaborator, has been appointed minister (see Appendix 1). This is intended to enable Beijing to break the resistance of local structures that view the more stringent environmental restrictions as a barrier to achieving macro-economic goals.

Urbanisation and agrarian policy. Beijing would like the new central-level bodies: the Ministry of Natural Resources, the Ministry of Agriculture and Rural Affairs and the Forests and Pastures Administration (see Appendix 2) to take over full control of the process of urbanisation and spatial planning as well as of the issue of land management in rural areas. It is unclear whether Beijing intends to strip local authorities of these powers or whether this is merely an attempt to unify the rules and eliminate abuse. The sale of the right to use land for up to 50 years is one of the main sources of income for local governments and a tool in achieving macro-economic goals. However, it involves displacing local rural communities, which is connected with abuse and embezzlement of compensation funds.

Foreign policy. Promotions of key diplomats in the party hierarchy during the 19th convention of the CPC and the new nominations announced at the recent NPC session are intended to more closely align the party's main decision-making body in foreign policy (the CPC's Political Bureau) and the Ministry of Foreign Affairs, which is responsible for the implementation of this policy. They are also intended to shorten the decision-making process and entrust Xi Jinping's trusted collaborators with managing international relations. The promotion of Wang Qishan (see Appendix 1) to the office of Vice President of China is interpreted as entrusting Xi Jinping's most trustworthy collaborator with supervising China's relations with the USA. Another key figure in foreign relations is Yang Jiechi, a diplomat promoted to the Political Bureau, head of the Central Committee's Foreign Policy Leading Small Group operating within the party structure. Deputy prime minister Liu He is to be partly responsible for foreign economic policy. Wang Yi, a member of the Central Committee of the CPC, remains the person responsible for supervising the implementation of this policy.

The consequences for bilateral relations

The centralisation of and the institutional support for the role of the CPC translate into an ongoing diminishment of state bodies and their reduction to auxiliary and symbolic institutions, including in international relations. Increasingly frequently, the intergovernmental contacts will be managed by individuals holding important positions in the CPC hierarchy, and representatives of the state bodies will only serve as liaison officers connecting their institutions with the actual decision-making centre. On the one hand, this will increase the decision-making potential of the apparatus, but on the other hand it may prolong the time taken to reach decisions. The long-term effect of restructuring will be a major change in the relations between central government and local governments, which will also impact the level of independence of local authorities in their contacts with foreign partners, particularly in economic cooperation. So far, this level of cooperation has been high. The government's restructuring also involves updating the list of counterparties and contact points for ministries and institutions operating in specific sectors (see Appendix 2).

APPENDIX 1

Major nominations

Wang Qishan (b. 1948), Vice President of China. Considered Xi Jinping's most trusted collaborator. In 2012–2017, head of the Central Disciplinary Committee of the CPC, responsible for carrying out a large-scale anti-corruption campaign. In 2012–2017, member of the CPC's Political Bureau and of its Standing Committee (the core of the party's leadership). Due to informal age limitations, he is no longer member of the Political Bureau. Information leaked to the press suggests that he will be responsible for China's global policy and for its relations with the USA.

Liu He (b. 1952), Chinese economist, graduate of Harvard University (1990). Considered Xi Jinping's principal economic advisor and co-author of the reform agenda announced in 2013. In 2017, he was promoted to the Political Bureau of the CPC and appointed head of the Central Committee's

Finance and Economy Leading Small Group. In recent years, he has competed with prime minister Li Keqiang for control of economic affairs. During the NPC's session he was promoted to the office of deputy prime minister. Deputy head of the main planning institution – the National Council for Development and Reforms.

Yang Xiaodu (b. 1953), director of the newly created National Supervision Committee. Member of the Political Bureau of the CPC, formerly a party activist in Shanghai (where he cooperated with Xi Jinping) and Tibet. Since 2014, deputy head of the Central Disciplinary Committee of the CPC (supervised by Wang Qishan).

Li Ganjie (b. 1967), minister of the environment, responsible for implementing environmental protection policy and for combating the effects of climate change. Since May 2017, head of the party committee at the Ministry of the Environment. Since October 2017 and the 19th party convention, member of the Central Committee of the CPC. Since March 2018, the youngest minister in China's history. He started his career in the National Nuclear Safety Administration (1991–1998), ultimately holding an executive post. In 2016–2017, deputy head of the party committee of the Hebei province (which surrounds Beijing).

APPENDIX 2

The restructuring of ministries and central government agencies

Dissolved ministries and ministry level agencies:

Ministry of Agriculture: its tasks have been split between the Ministry of Natural Resources, the Ministry of the Environment, the Ministry of Agriculture and Rural Affairs, the Ministry of Transportation, the Ministry for Managing Extraordinary Affairs, and the Forests and Pastures Administration.

Ministry of Culture: its tasks have been fully taken over by the Ministry of Culture and Tourism.

Ministry of Environmental Protection: its tasks have been fully taken over by the Ministry of the Environment.

Ministry of Land and Resources: its tasks have been split into the Ministry of Natural Resources, the Ministry of the Environment, the Ministry of Agriculture and Rural Affairs, the Ministry for Managing Extraordinary Affairs, and the Forests and Pastures Administration.

Ministry of Supervision: its tasks have been fully taken over by the State Supervision Committee.

National Committee for Health and Family Planning: its tasks have been split into the National Health Committee and the State Medical Safety Administration.

Ministries and ministry level agencies which received new powers:

Ministry of Transportation: managing control and supervision of the fishing fleet.

National Audit Bureau: auditing major projects; supervising the central budget; controlling tax proceeds and expenditures; auditing the budgetary responsibility of executive staff of state-controlled companies; assuming the role of the Council to Supervise Key Projects of State-Controlled Companies.

People's Bank of China: drafting bills and regulations; devising a prudential framework for the banking and insurance sectors

New ministries and ministry level agencies:

Ministry of Agriculture and Rural Affairs: most tasks of the Ministry of Agriculture; responsibility for rural investment projects; comprehensive agriculture development projects, arable land rehabilitation projects, arable land reclamation projects.

Ministry of Culture and Tourism: the tasks of the Ministry of Culture, the National Tourism Administration and the State Administration of the Press, Publications, Radio, Film and Television (selected tasks).

Ministry for Managing Extraordinary Affairs: work safety; coordination and provision of relief during natural disasters; prevention of forest and pasture fires; supervision of fire fighting services (only those at the disposal of the People's Liberation Army), prevention of geological disasters.

Ministry of Natural Resources: most of the tasks of the Ministry of Land and Resources and the State Ocean Administration; all tasks of the National Administration of Geodesy, Cartography and Geoinformation; managing spatial planning of rural and urban areas; managing the process of registering the rights to water resources, forests and pastures and exercising auditing powers in these fields.

Ministry for Veterans: providing help to veterans; helping the officers' corps to transition to civilian jobs; taking over a portion of the tasks from: the Department of Political Work of the Central Military Commission and the Department of Logistics Support of the Central Military Commission.

Ministry of the Environment: a portion of the National Nuclear Safety Administration tasks; all tasks of the Ministry of Environmental Protection; responsibility for combating the effects of climate change and for the reduction of greenhouse gas emission; supervision of the prevention of water and groundwater contamination; creation of water protection zones; managing pollution limits; protection of the shoreline and the maritime environment; environmental protection under the South-North Water Transfer project; supervision and management of control of pollution generated by agriculture.

National Health Committee: a portion of the tasks of the National Committee for Health and Family Planning; logistics support for the National Old Age Committee and the State Council's Leading Small Group for Medicine and Healthcare System Reform; implementation of the WHO Framework Convention on Tobacco Control; supervision and management of health and safety at work and work-related risk.

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