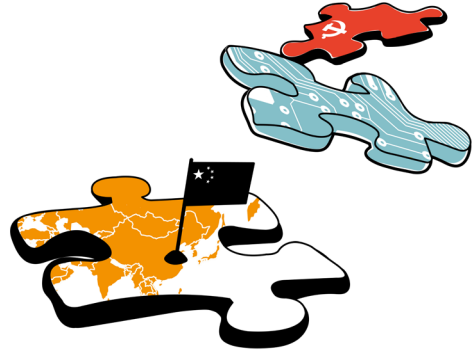


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MERICS China Essentials



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TOP STORY

Xi's third Third Plenum will lay the groundwork for his political legacy

The third plenary session of the 20th Central Committee of the Chinese Communist Party (CCP) is likely to tweak rather than change the country's economic trajectory. Faced with major challenges in the economy, public services and social welfare, party and state officials will still be looking for decisive guidance from the Central Committee when its 205 voting members and 171 alternates meet for their five-yearly "Third Plenum" from July 15-18.

With the chance to set important parameters for China's ambition to achieve "socialist modernization" by 2035, this Third Plenum will become a cornerstone of the legacy of CCP General Secretary and State President Xi Jinping. A half-year delay in holding the meeting suggests there was strong internal debate about its goals – although a shift from Xi's vision for a state capitalist party state is not on the cards. As Xi was quoted at the start of July in the People's Daily newspaper, the party's mouthpiece: "reform does not mean changing direction."

The Third Plenum is expected to adopt a policy document entitled "Decision on Further Comprehensively Deepening Reform and Advancing Chinese Modernization". This suggests a meeting of important adjustments, but not a radical change from current policies. This means any references to market opening and private enterprise should be read with caution – China is and will remain a socialist market economy defined by party and state leadership.

The "Decisions" issued by the 2013 Third Plenum at the beginning of Xi's rule give an idea of what to expect. This 60-point document addressed taxation and public finance, welfare, governance, state-market relations, and many other issues-but implementation was much more rigorous in areas that strengthened party power and state capitalism than in socioeconomic reforms. Many issues will resurface, even if the political will and financial resources to implement them have shrunk. Most importantly, the Third Plenum will reaffirm the strategic goals and institutional features of Xi's party state: technological self-sufficiency, national security, centralized rule by an all-dominant CCP focused intently on discipline and loyalty.

MERICS analysis: "One thing is clear, this Third Plenum will set the tone for a decade of policy – and it will be a Xi-dominated one," says **Nis Grünberg**, Lead Analyst at MERICS. "When analyzing the meeting's decisions, foreign observers will have to view terms like 'reform' through Beijing's conceptual lens. They will have to avoid projecting Western concepts onto its language, as the Third Plenum is first and foremost domestically oriented."

Media coverage and sources:

- Project Syndicate: [Don't be fooled by China's Third Plenum](#)
- Asia Society: [Politics First: The key to understanding China's Third Plenum](#)
- Financial Times: [China's plenum must offer action not rote slogans](#)

METRIX

205 + 171

This is the number of voting members and non-voting alternates of the 20th Central Committee of the Chinese Communist Party (CCP) who will meet from July 15 to 18 for the third of seven plenary sessions during their 2022-2027 term. Each so-called Third Plenum has been eyed closely for changes in economic policy ever since the third plenary session of 11th Central Committee backed Deng Xiaoping's move towards "reform and opening up" in 1978. The upcoming Third Plenum should by tradition have taken place in the latter half of 2023, about a year after the CCP's 20th Congress, which, among other things, installed Xi Jinping as CCP general secretary for a third time and elected a new Central Committee until 2027. The still unexplained delay to CCP ritual led to speculation that Xi and other CCP grandees were divided over what economic priorities to set for the coming years.

TOPICS

Ramping up science and technology to reach goal of "socialist modernization"

The Third Plenum will emphasize the urgency of the Chinese Communist Party's (CCP) "new-style whole of nation system" to achieve high-tech "socialist modernization" by 2035. The Central Committee of the CCP could boost science and technology (S&T) efforts by smoothing the way for national labs in key technologies and lay out a pathway towards empowering national champions – technology company Huawei is already coordinating a lot of the country's efforts in semiconductors, while the state-owned enterprise COMAC orchestrates China's ambitions to become a major manufacturer of commercial aircraft.

Chinese Minister of Industry and IT, Jin Zhuanglong, on Monday said leading S&T firms and "supply-chain chiefs" should be incentivized to launch more national innovation platforms and run national science, technology and innovation projects. This followed Xi Jinping last month telling top scientists to roll up their sleeves and deliver China's self-reliance in high-tech over the next 11 years. The "new-style whole of nation system" – the original-style effort in the 1960s allowed China to develop the atomic bomb after being shut out by the Soviet Union – implies a centralization of power and a recalibration of state-market relations.

MERICS analysis: "In Xi's worldview, science and technology are the tide that lifts all boats" said **Jeroen Groenewegen-Lau**, MERICS Head of Program Science Technology and Innovation. "The Third Plenum of this Central Committee will argue for collective effort and sacrificing short-term prosperity in order to achieve technological sovereignty and industrial upgrading, without specifying how and when this will improve people's livelihoods."

More on the topic:

- [Whole-of-nation innovation: Does China's socialist system give it an edge in science and technology?](#) IGCC-MERICS Policy Brief by **Jeroen Groenewegen-Lau**
- [Huawei is quietly dominating China's semiconductor supply chain.](#) IGCC-MERICS Policy Brief by **Antonia Hmaid**

Media coverage and sources:

- Official CCP website (CN): [新型工业化不断深入推进](#)
- Xinhua (CN): [习近平：在全国科技大会、国家科学技术奖励大会](#)

Talk of market forces should not distract from Xi's economic focus on the party state

Next week's Third Plenum is again likely to stress the CCP's commitment to market forces alongside the hand of the state – but Western observers will know not to misjudge this commitment after putting all their bets on the 2013 Third Plenum language that “market forces will play a decisive role in resource allocation”. Now into his second decade in charge of economic policy, Xi Jinping has shown remarkable consistency in his interventions into markets to support state-owned enterprises and the favored private firms in the right sectors.

Xi's economic priorities have only grown clearer over time: party-state leadership and guidance are key to China catching up in key technologies, developing independent and resilient supply chains, further unifying its domestic market, and developing industrial value chains at home. The 2024 Third Plenum will likely place a strong emphasis on “new quality productive forces”, with which China is meant to develop the advanced technology it can then use to transform its industrial base. It will use phrases to assuage citizens that this new concept does not mean abandoning traditional industries – much like Beijing still groups private companies alongside state-owned enterprises as the “two unwaverings” of economic success.

MERICS analysis: “Economically speaking, the Third Plenum will likely try to be many things to many people, so the key will be to see what goals CCP cadres and state officials actually pursue in the light of signals from Xi,” says **Jacob Gunter**, MERICS Lead Analyst.

Media coverage and sources:

- Lawprofessors.com: [Official translation of the 2013 Plenum decision document](#)
- China.Table: [Third Plenum: Chinese economists expect these reforms](#)
- Japan Times: [What to expect from the Third Plenum, China's big policy meeting](#)

The Communist Party still sees a need to strengthen its control of the military

The CCP's Central Committee will likely devote a small but eye-catching part of its deliberations to the People's Liberation Army (PLA) and the need to accelerate reform. The Third Plenum could well emphasize the need for more changes to military governance, bolstering political and ideological work, and the integration of new technologies to improve capabilities. It is also expected to renew calls to modernize China's reserve forces and national defense mobilization system. The CCP has called for a strong military that can "fight and win wars" and has given the PLA ample resources and support over the last decade.

But almost ten years after Xi Jinping launched his PLA reform, major issues remain. The CCP recently purged members of the military's top rank for corruption – including then defense minister, Li Shangfu – and dissolved the PLA Strategic Support Force, responsible for China's space, cyber and electronic warfare capabilities. These are signs Xi is concerned about the military's ideological discipline and its slow progress towards improved readiness and combat capabilities. These issues have become more urgent as geopolitical tensions have increased.

MERICS analysis: "What the Third Plenum communicates about the PLA will signal the extent to which Xi is dissatisfied with the current state of the military," says **Helena Legarda**, MERICS Lead Analyst.

Media coverage and sources:

- People's Daily (CN): [贯彻落实新时代政治建军方略 为强军事业提供坚强政治保证](#)
- CCP News (CN): [中央军委原委员、原国务委员兼国防部长李尚福受到开除党籍处分](#)
- Xinhua: [Xi presents flag to PLA's information support force](#)

MERICS CHINA DIGEST

[US, allies issue rare warning on Chinese Hacking Group \(Wall Street Journal\)](#)

In a rare co-ordinated move, the US and seven other countries warned that a Chinese state-sponsored hacking group known as APT40 poses a threat to IT-networks. (24/07/09)

[Germany blocks MAN sale of gas turbine unit to Chinese firm \(Bloomberg\)](#)

Citing national security concerns, Berlin stopped the sale of a MAN gas-turbine manufacturing division to the state-owned Chinese shipbuilding company CSIC Longjiang. (24/07/02)

[China's BYD inks deal for USD 1 billion Turkey plant, eyeing Europe \(Bloomberg\)](#)

BYD's intention to build a factory with the capacity to make 150,000 vehicles per year could bolster the Chinese automaker's foothold in Europe. (24/07/08)

[Viktor Orban, Hungary's leader, surprises Europe again with visit to China \(New York Times\)](#)

The Hungarian Prime Minister said his meeting with President Xi Jinping was part of a “peace mission” for Ukraine. (24/07)

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