

# Third plenum gives a glimpse into China's opaque politics

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The Third Plenum of the 20th Party Congress of the Communist Party of China (CPC) finally happened between July 15-18. This plenum was delayed and should have been concluded in the fall of 2023. The delay led to a number of speculations regarding the direction of the Chinese economy under Xi Jinping.

Between the party congresses which occur every five years, the CPC has seven plenums. Out of these for the last 46 years, the third plenum has been the one which has indicated the direction of the Chinese economy. It was at the third plenum of the 11th party congress in 1978 that Deng Xiaoping announced the process of reform and opening up, which proved pivotal in making China the second-largest economy. It was at the third plenum of the 18th party congress under Xi that the CPC officially announced the end of the One-Child Policy.

However, the recently concluded plenum had a lot on its plate. The world was keenly waiting to see what will be the direction provided by Xi, given that the economy is struggling on multiple fronts. The real estate sector has been underperforming, the earnings of the provincial governments have reduced, there is a rise in unemployment, major debt issues, the financial sector and private sector require reforms, and domestic consumption continues to remain low. Chinese domestic consumption is just 56% of the GDP which is around 20%

lower than the international average. Even after a push for dual circulation, no major improvement has occurred. The impact of the stringent zero-Covid policies continues to haunt the Chinese economy.

Geopolitically, too, China is facing a major backlash. The talks of restrictions on Chinese EVs and solar panels by the European Union and the United States will impact Beijing adversely. On the other hand, Donald Trump's victory can push China and the US into another major trade war. China is also facing challenges to enter chip manufacturing and technological advances.

Given these challenges, this third plenum is crucial to push the Chinese economy in the right direction. Further, this is an important platform which will help the CPC and Xi gain the trust of the people in the stability and strength of the Chinese economy. The low consumption is a result of weaker trust in the system. The figures released on July 15, indicated that during the second quarter of 2024 the Chinese economy grew at just 4.7% (the expected rate was around 5.1 per cent), further adding to the woes.

Thus, the third plenum began with the backdrop of immense economic challenges. Most of the predictions were that China needed major economic reforms. However, the key phrase for the plenum was 'reform and improve'. The communique underscores the commitment of the CPC towards unwavering support for development with Chinese characteristics. Xi had even urged the CPC to have confidence in the Chinese development path as there was no "ready-made solution" or "foreign instruction manual".

While discussing the direction of the Chinese economy, Xi asserted that "We must develop our country and our nation with our own strength, and maintain a firm grasp on the future of China's development and progress". He indicated that the CPC will continue to keep a firm control of the agenda and direction of the Chinese economy. This has been the central feature of the Chinese economy under Xi, and command and control will be the driving force.

Xi also highlighted that there was the need to "further deepening reform comprehensively" and that "by 2035, we will have finished building a high-standard socialist market economy in all respects, further improved the system of socialism with Chinese characteristics, generally modernized our system and capacity for governance, and basically realized socialist modernization". It further added, "High-quality development is the primary task of building a modern socialist country in an all-round way". The major goal is to achieve most of these achievements by the time CPC celebrates its 80th anniversary in 2029.

Interesting, the communique stated that "Restrictions on the market will be lifted while effective regulation will be ensured to better maintain order in the market and remedy market failures". Thus, highlighting that the CPC will continue to manage the markets.

On expected lines, former Chinese foreign minister Qin Gang was removed from the Central Committee of the CPC at the third plenum.

The third plenum has a very central place in opaque Chinese politics as it is the only available glimpse of what the CPC is thinking vis-à-vis the future of the Chinese economy. Given the ongoing domestic and geopolitical challenges faced by the CPC, this year's plenum was crucial. On expected lines, the CPC has shown its commitment towards improving the current system with special emphasis on strengthening the technological sector, upholding Xi's vision.

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