



Institute for Contemporary
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The Third plenum Resolution: Deepening Reforms for Chinese-style Modernization by 2049



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Chinese President Xi Jinping, centre, and other top officials lead the third plenary session of the 20th Communist Party of China Central Committee, held from July 15 to 18 in Beijing. (Xie Huanchi/Xinhua via AP)

1.0 Introduction

Following an unprecedented nine months delay, the third plenary session of the 20th Communist Party of China (CPC) Central Committee was held in Beijing, capital of China from July 15 to 18, 2024. Attending the plenary session were 199 members of the Central Committee and 165 alternate members of the Central Committee. This plenum is projected as the third milestone in the ongoing reform era apart from the third plenum of the 11th central Committee in 1978 and third plenum of the 18th Central Committee in 2012. The primary goal of this plenum continues to carry forward the

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Chinese-style Modernization (*zhong guo xian dai hua*) as opposed to the Western-style Modernization based on Capital.

2.0 What is Chinese-Style Modernization?

In his important speech at the opening ceremony of the seminar on studying and implementing the spirit of the 20th National Congress of the Communist Party of China, General Secretary Xi Jinping specifically discussed the issue of Chinese-style modernization, profoundly elaborated on a series of major theoretical and practical issues of Chinese-style modernization. This entire theoretical construct can be summarized as:

Five Characteristics + Nine Requirements + Five Principles

Five characteristics include, (1) Modernization with a huge population (2) Modernization with common prosperity for all people (3) Modernization with coordinated material and spiritual civilizations (4) Modernization with harmonious coexistence between man and nature (5) Modernization with a path of peaceful development.

Nine requirements are: (I) Adhere to the leadership of the Communist Party of China (II) Adhere to socialism with Chinese characteristics (III) Achieve high-quality development (IV) Develop people's democracy throughout the process (V) Enrich the spiritual world of the people (VI) Achieve common prosperity for all people (VII) Promote harmonious coexistence between man and nature (VIII) Promote the building of a community with a shared future for mankind (IX) Create a new form of human civilization

Where Five Principles are, (I) Adhere to and strengthen the party's overall leadership (II) Adhere to the path of socialism with Chinese characteristics (III) Adhere to the people-centred development thinking (IV) Adhere to deepening reform and opening up (V) Adhere to the spirit of struggle

This strategic goal of achieving 'rejuvenation of Chinese nation' also repackaged as 'China Dream' or the Second Centenary Goal is planned to be accomplished in two steps,



- From 2020 to 2035: basically, realize socialist modernization;

- From 2035 to 2049: to build China into a prosperous, democratic, civilized, harmonious and beautiful modern socialist country.

3.0 Third Plenum: Historical Context

The Third Plenums have their significant contributions in shaping China's economic destiny for the future. It was the Third Plenum of the 11th Central Committee of the Chinese Communist Party (CPC), held in December 1978, that marked a turning point in China's history. The CPC embraced then-leader Deng Xiaoping's insight that "initiative cannot be aroused without economic means," which led to reforms that set the stage for decades of economic growth. Chinese historians identify three pivotal turning points in modern Chinese history: the 1911 Xinhai Revolution, the 1949 founding of the People's Republic of China, and the 1978 launch of the Reform and Opening-Up era.

Figure 1: Household consumption in China (% of GDP), 2012–22



Note: Includes expenditures by non-profit institutions serving households.
Source: World Bank.

4.0 Third Plenum Document: Key Highlights



The 22000-word document outlines China's ongoing efforts to enhance and develop its system of socialism with Chinese characteristics, as well as to modernize its governance capabilities. It

states that by 2035, China aims to have fully established a high-standard socialist market economy in all respects, further refining its unique socialist system. Its salient features are listed below,

-Seven Overall Objectives: They include,

1. Building a high-standard socialist market economy
2. Advancing whole-process people's democracy
3. Developing a strong socialist culture in China
4. Raising the people's quality of life
5. Building a beautiful China:
6. Advancing the Peaceful China Initiative to a higher level
7. Improving the party's capacity for leadership and long-term governance point

-There are six Guiding Principles, namely

1. Upholding the Party's overall leadership
2. Adhering to a people-centred approach
3. Upholding fundamental principles and breaking new ground
4. Strengthening institutional building as our main task
5. Staying committed to law-based governance on all fronts
6. Applying systems thinking.

-The removal of the *Hukou* (or Household Registration System) in order to facilitate the migration of rural population into the cities for work and also enjoy all the civic amenities.

-Building a High-Standard Socialist Market Economy through 1. Upholding and fulfilling the commitments to the public and non-public sectors 2. Building a unified national market 3. Refining the systems underpinning the market economy

-High-quality Development as the primary task in building China into a modern socialist country in all respects through new productive forces, improving the systems for promoting full integration between the real economy and the digital



economy along with boosting industrial and supply chains.

-Supporting All-Around Innovation: under this section Education, science and technology, and talent were described as basic and strategic underpinnings for Chinese modernization. According to the resolution, “We must fully implement the strategy of invigorating China through science and education, the strategy of developing a quality workforce.”

-Safeguarding national security: According to the document, “National provides a pivotal foundation for ensuring steady and sustained progress in Chinese modernization,” The document was published by state news agency Xinhua in full, and it mentions the word "security" 41 times.

A strong message has been given to the business world in the document with establishment of a reform timeline, a departure from previous plenums where no such timelines were set. This time, Beijing has notably set a 2029 deadline, coinciding with the 80th anniversary of the People’s Republic of China.

MSCI China Index Down More Than 4% This Week

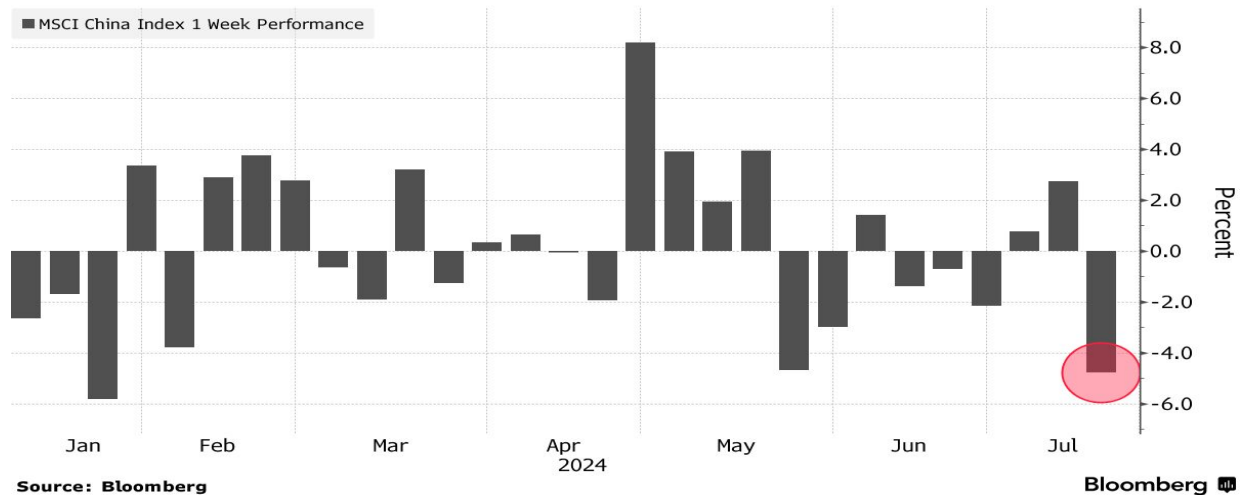


Figure 2.

5.0 Third Plenum Resolution Document: A Dissection



The Third Plenum expectedly has invited scholarly attention of many analysts both inside and outside. However, firstly let us see how the document has been read by the Chinese stock market. These reform measures have not brought about any significant shift in the bearish sentiment in the business world in China. The MSCI China Index fell in the week after the Third Plenum. **(See Figure. 2)**

According to Senior economic official Han Wenxiu economic growth is no longer Beijing's singular priority, but Xi may recognize that national security and tech self-reliance must co-exist with a baseline level of growth that sustains consumption, investment, social stability, and his own political security. In a [plenum preview article](#) he emphasized Xi's pledge for China to become a "moderately developed country" by 2035, a benchmark usually associated with a per capita GDP of at least US\$20,000. This target, he added, would require Beijing to achieve an average annual economic growth rate of almost 5% until 2035, which is wildly ambitious but shows that leaders still want to raise living standards.

However, Bert Hofman, the former World Bank country director for China and a professor at the National University of Singapore sees a lot of unclarity of policy direction in China at a time when the country is weighing on consumer and investor confidence. He added, "This is a point in time where China needs to show its cards." Notably Chinese Economic growth slowed to 4.7% on an annual basis in the April to June quarter.

According to Atlantic Council analyst Wen-Ti Sung the document shows that Xi has aligned more with Deng than Mao. However, he construed this alignment as an attempt by Xi to reassure business and consumers worried over the direction of China's faltering economy.

Free-market advocates are concerned about government-led approach highlighted in the document. They fear that it will discourage the entrepreneurial spirit. They cite the cases of Tech giants like Alibaba and Tencent, which have been reined in by the stringent government regulations. In contrast there has been a bolstering of the SOEs in the document.

There are also some analysts who worry that the doubling down on Chinese military power and national security by 2049 will take a toll on economic growth. For example, the government has investigated companies that transferred economic data overseas in what appears to be a widening



definition of what constitutes a breach of the law. Notably the science and technology which is projected as the core feature of the document, Xi is going to use it heavily in safeguarding national defence. Xi says in the document that his government will use science and technology to safeguard national security, as well as strengthening the country's "integrated" law enforcement system, an apparent reference to law enforcement at neighbourhood level by local officials, militias and "grid workers."

Xi like his illustrious predecessors Mao and Deng is a Social Darwinist who sees competition and conflicts as integral part of human society. Therefore, in the document Xi has outlined military modernization as key to the Chinese-style Modernization by 2049. As the document says, "we must maintain Party's absolute leadership over the People's Armed Forces and fully implement the strategy of strengthening the military through reform, in order to provide strong guarantee for realizing the centenary goal of the PLA in 2027 and basically modernizing national defence and the armed forces. "

Furthermore, it is reported that China largely avoided disruption caused by a faulty security update to Microsoft's Windows operating system, having largely transitioned away from reliance on U.S. operating systems since 2008. In a directive coming soon after this incident "Our innovation capacity falls short of the requirements for high-quality development," Xi wrote, adding: "The over-reliance on key and core technologies controlled by others has not been fundamentally changed."

There are some China watchers who are arguing that President Xi like PM Modi is taking Chinese economy towards autarky. (or *Atmanirbhar China*). Their argument is rooted in the Xi's fear of Western sanctions in the wake of Taiwan contingency and ongoing trade war. For instance, Xi pushed Chinese companies and universities to try to develop high-end semiconductors and other technology that is being blocked by U.S. restrictions on exports to China. Notably in the frantic weeks that followed Russia's invasion of Ukraine, China's most senior officials scrambled to understand the implications that the conflict posed for the Chinese economy.

6.0 Conclusion



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It is said that Chinese Party-state does not change its long-term goals though they might change the tactics. A thorough study of this document proves that Xi continues to persist with the CPC's long-term goal of Socialist Modernization or Chinese-style Modernization by 2049 through a policy of State Capitalism. Of course, there are a few Laizzes-Faire surprises in the form of a

business environment, market access and institutional reforms in the document this time for the next 5 years.
