

The Chinese Governance System and Development Model: Lesson for Pakistan

Shakeel Ahmad Ramay, Muhammad Awais Bhatti and Dr. Abid Qaiyum Suleri



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The Chinese Governance System and Development Model: Lessons for Pakistan

Shakeel Ahmad Ramay¹, Muhammad Awais Bhatti² Dr. Abid Qaiyum Suleri³

1. Introduction:

Rise of China as a major political, economic and security player at global landscape keeps on inviting the interest of international community in governance system of China. The state once accused of having extractive political and economic institutions made a place in international arena due to unique governance system. governance system is entrenched in guidelines set under the overarching ideology: ‘Socialism with Chinese Characteristics’. The ideology entails leading and guiding role of Communist Party in running the government with the commitment to raise and sustain good living standards of people (Jinping, 2014). Reforms were introduced by Communist Party to turn the idea into reality. Prominent feature of reforms was that it was a mix of communist and liberal ideas, practices and values.

The apex role of Communist Party is backed by Constitution of China, thus reducing the role of other parties in governance. This enables the Party to legislate, introduce major reforms along with electing major officials of the state. It also gives the Party highest level of decision making authority; therefore China is also referred as a “Party- State”.

2. A System of Hierarchies

For a unitary state like China, uniform implementation of policies becomes complicated task. However, It can be countered by having better communication and implementation of policies through a well-defined system of hierarchies. China has adopted this model by defining role and responsibilities of each tier. China implemented the hybrid model where party and government have their offices running parallel to one another at every administrative level. Five administrative levels characterize the governance system of China: province, prefectural, county, township, and village. The hierarchical system is based on traditional value giving greater authority and status to higher echelons, as it is always case in unitary system.

Standing Committee of Politburo of Communist Party of China, is highest unit of power in all terms, decision, execution and evaluation. It is comprised of seven members elected from the Politburo. It is the most powerful organ within party and State. It is vested with power take all types of decisions. It includes the General Secretary of Communist Party, which is most senior member of Party and enjoys maximum power. The General Secretary of Communist Party is also assume the crown of Presidentship, Commander in Chief of Military and head of state . Similarly, members of SC of Politburo are also elected as Prime Minister, Vice Prime Minister,

¹ Chief Operating Officer, Zalmi Foundation, shakeelramay@gmail.com

² Research Associate, Zalmi Foundation

³ Executive Director, Sustainable Development Policy Institute

and General Secretary of Standing Committee of National People’s Congress (NPC). Politburo falls second in command which also elect Standing Committee of Politburo. Below the Politburo is Central Committee of Communist Party of China (CPC). Central Committee of CPC elects General Secretary of Party, members of politburo, standing committee of politburo and the Central Military Commission. National Party Congress is the last tier of communist party at center level, which is composed of all members of CPC. The One-Party system in China assure the representation of CPC members in national legislature NPC therefore eliminating mismatch between the party policies and governments (Acharya et al. 2013).

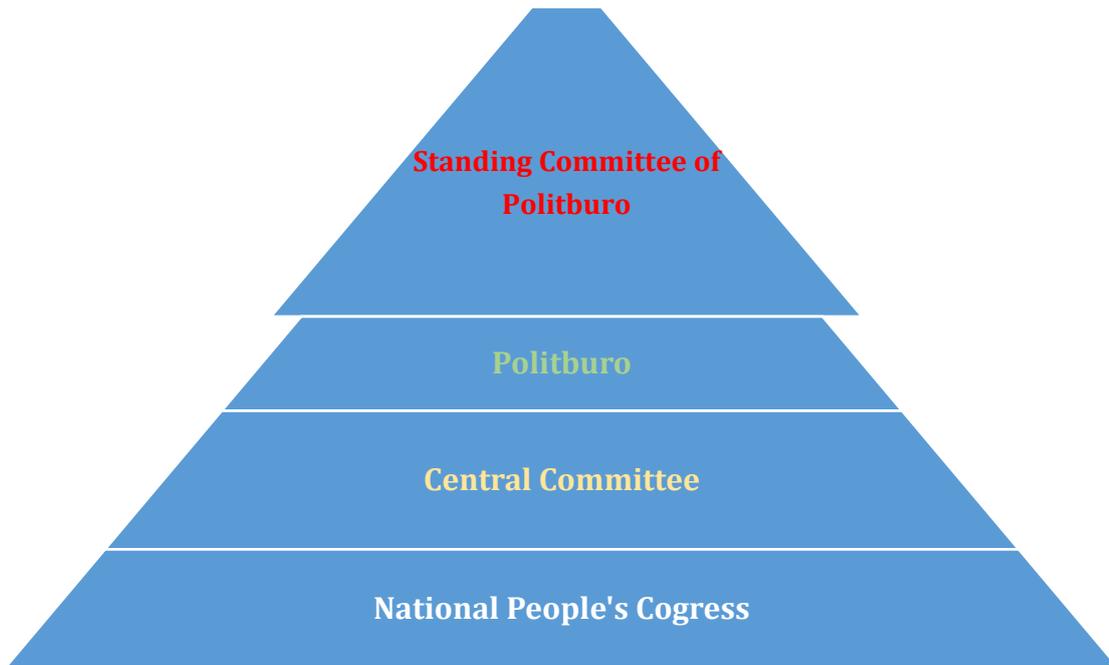


Figure 1 Party hierarchy of Communist Party of China

National People’s Congress (NPC) being the only Legislature in center makes China a unitary state. It is the government equivalent to Party Congress of CPC and is responsible for legislation, electing the President of State, Prime Minister, Vice Prime Minister and the General Secretary of Standing Committee of NPC. It has 2,980 members. and meets for two weeks annually. To address the issues when NPC is not in session, Standing Committee of National People’s Congress is formed which meets more frequently. SC of NPC has authority to make major decisions including legislation hence Standing Committee has superiority over NPC and make Standing Committee an important and strong organ within government.

Executive organ State Council, is also elected from the members of NPC and by the members of NPC , which is led by the Prime Minister. State Council is comprised of ministries, and different departments led by ministers and affiliated administrations. State Council ensure implementation of all policies in accordance with the vision of SC of Politburo. The affiliated administration is responsible for implementation of policies at administrative units and at levels. (Wang, 2017)

3. Decentralized System

Similar to national level, hierarchies system is also replicated at province, prefectural, town and county levels. It is considered fundamental for standardized policy development and implementation of the policies. The leading party authority below Center are called Committees. Like Politburo at Centre; Provincial Party Committee at Province, at Prefecture- Prefecture Party Committee and so on enjoy supreme power in decision making and implementation. Party committees and Local People’s Congress are present at every unit is synonymous of Center. The head at Province is Party Committee Secretary; at Prefecture: Prefecture Party Secretary; at county: County Committee Secretary and at Township: township Committee Secretary.

Besides the fact that China is a unitary state but it also has Local People’s Congresses (local legislatures) at every administrative unit. That’s why it is also termed as “federation in unitary state”. Local People’s Congress also constitute different committees like Chairman’s Committee, Standing Committee etc. These committees are elected by the deputies of People Congress. The Chairman’s Committee oversees most of the matters at designated level. Owing to extensive work and responsibilities it meets frequently same as of the Standing Committee of Central Legislature.

The governmental Head at Province is Governor. The system of Local People’s Congress moves down to other units same as Centre and Province. The government head at Prefecture is known as mayor, at county: county governor, and at townships: magistrate. The governments are elected through indirect and direct elections. Presently China has 34 provincial level governments, over 300 prefecture level governments, 3000 county level governments, and over 40,000 township level governments (Lawrence and Martin, 2009).

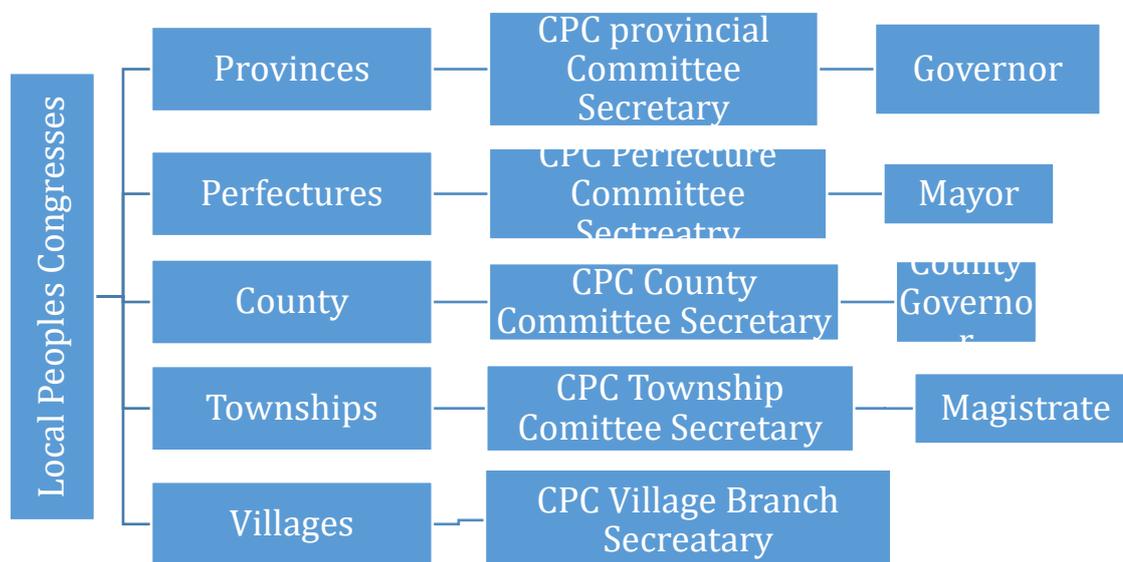


Figure 2 Parallel hierarchies of CPC and government heads at different administrative units.

Since the Party organization and Government hierarchy exist parallel to each other; they form a connection. Party and government heads are equivalent to each other however, party heads have more authority over government. It is because the Party in China make policies and government works on the implementation. Therefore, Party Committee Secretary and

government heads are equal, but decision-making authority lies with Party Committee Secretary. At prefecture level party head is known as Municipal Committee Secretary while governmental head is known as Mayor, similarly at county level Party head is County Committee Secretary while governmental head is County Governor, at township level party head is Township Committee Secretary and governmental head is Magistrate).

The role of Local People's Congress increased after the reforms in 1979 to decide on the matters related to economic issues of their localities. This led to the emergence of a phenomenon known as "federation within unitary state". The reforms proved to be successful as they improved the economic and social conditions at local levels raising the prestige and credibility of the communist party.

4. Economic Reforms:

Economic wellbeing of the Chinese state owes a lot to reforms initiated in 1978. It became a stepping stone for citizens' wellbeing. It also hugely contribute for improving status and economic significance in the international power structure. Socialist system that was not fulfilling the needs of people at grassroot level led to the different peasantry movements which made decision makers to bring changes in the socialist system. Hence term "Socialism with Chinese characteristics" emerged.

The economic reforms initiated in the 1970s were combination of socialist and the market economy characteristics. State maintained its control on most of matters; at the same time provided liberty to market forces. Initial reforms started from the agricultural sector later included modernizing industry, opening Chinese economy, inclusion of advanced technologies, and promoting scientific education to meet the requirements of modernization. Reform were introduced in a sequential manner and still the process if going on (Graph-)

Sequence of Reforms

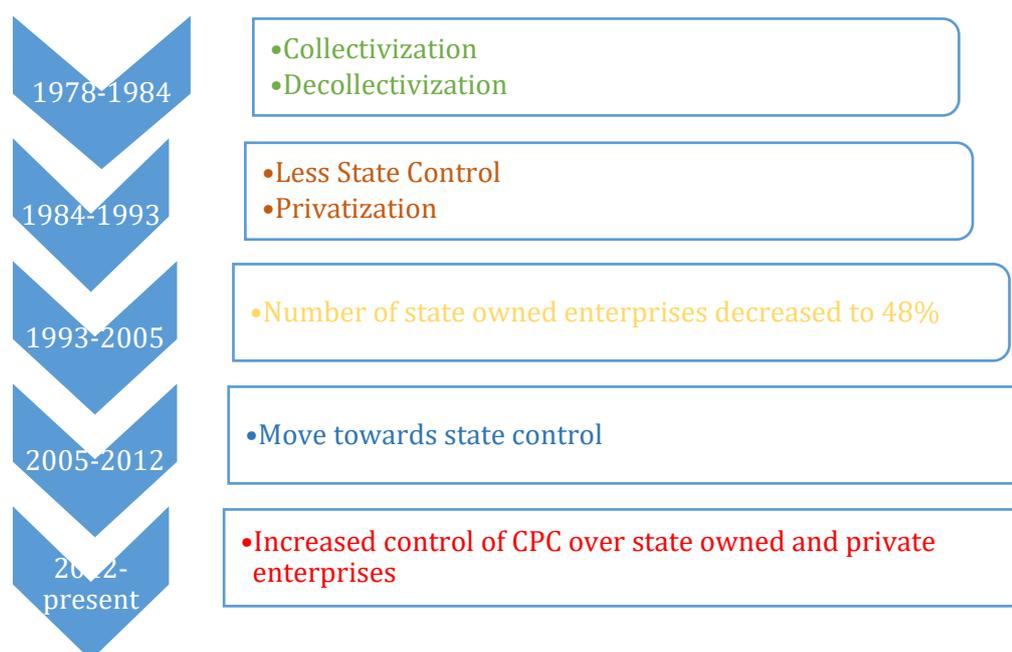


Figure 3 Phases of Economic Reforms in China

In agricultural sector Household farming replaced the collectivized farming. Policy of collectivization was based on accumulating gains equally among farmers therefore; farmers which worked hard did not get desired shares for their extra effort. The reform enabled the farmers to get fruits for extra labor (Brandt and Rawski, 2008). However, the state-maintained control over the pricing of major crops. Similarly, the dual pricing system was initiated. It is very interesting and unique system. First government make sure that national basic requirements are met by strict control over prices determined by government. After meeting the national requirements farmers were free to sell the commodities at market prices without any restriction or control of government. It gave incentives to farmers to increase productivity through better management and efforts. It is classical example of market and planned economy merger.

On industrial side, State owned Enterprises (SoE), were given autonomy to produce commodity in surplus and keep the generated revenue within the enterprise. Revenue could be utilized for buying advanced machinery for enhancing productivity and giving bonuses to its employees. Rather depending on the finances from state; State owned Enterprises started to invest retained earnings. SoEs also looked for loans from banks and independent sources (Parker and Pan, 1996). Similarly, the intervention of the party personnel in the State-Owned Enterprises was decreased and management was given freedom to run the enterprise.

Government also encouraged international diaspora to invest back in country through these enterprises and other sectors. Chinese diaspora was given preferential treatment for encouraging investment in country. This led to substantial investment form Chinese across the world and it also paved way for foreign direct investment (FDI) in country. Furthermore, Special Economic Zones were created to attract the FDI by providing them basic facilities and preferential treatments. Especially government made the process of registration and provision

of basic facilities and services investment friendly and brought all institutions under one roof in these special economic zones.

Reforms introduced in 1993 encouraged further economic liberalization, competition between the state owned and private enterprises and possible asset sale. The reforms also allowed different firms to use state assets with full authority but retaining state ownership of assets by State.

Chinese industrial sector turn into a combination of state-owned enterprises and the private sector during the course of time. Now the industry is classified as, State owned Enterprises, hybrid state-private medium and small firms and foreign invested firms and industry. The Chinese policy makers came up with the idea of bringing market competition even in the areas involving state enterprises. For example, there are three companies in telecom sector – China Mobile, Unicom and China Telecom. These are all state owned enterprises but compete with each other for better performance and revenue. Similar model was also applied in other sectors and it fetched good results. State owned enterprises became more competitive and independent in terms of financing.

Lastly, successful economic reforms were not possible without taking in considerations the world economy and integration at global level. Government adopted export-oriented policies to enhance economic relevance at global level. It helped to improved trade, increase revenue and economic integration. It provided a base for economic growth, and the inclusion of the modern scientific technologies to boost efficiency in export sector. In late 1990s China decided to “Go Global” by opening up its policies.

To encourage foreign competition in market, open-door policy was adopted. Meanwhile China also joined World Trade Organization (WTO) in 2001 for further enhancing it’s openness. The open-door policy and joining WTO led to the influx of Foreign Direct Investment in country which employed lot of Chinese labor thus raising standards of its people. The private industry setup a competition for the state-owned enterprises which forced them to enhance the productivity thus setting up a good platform for the promotions of the exports. The state allocated key areas for investment which played a major role in boosting the Chinese economy. National Development and Reform Commission was established for more comprehensive planning and execution.

Now China is entering into a new phase. President Xi has given the third principal of “Inadequate and Unbalanced Growth”. He is now focusing to shifting economy towards concepts of “Eco-Civilization” and making it more environment friendly. Furthermore, he is also trying make it more people oriented and uplift the living standards of people. Process of reforms on this front had been started in from 2013 and now it is acceleration phase. China is also shifting its focus to consumer economy to sustain its growth. First China International Import Expo from 5-10 November is concrete step in this direcetion. Investment in technology and service is another avenue which is China is working on to sustain growth. After these reforms, now China is dreaming to become moderately developed country in 2021 and developed country in 2049.

5. The Chinese Planning Process

Perception regarding the Centralized political system and decision-making in the hands of politburo and standing committee of NPC does not present complete picture. Although policies are initiated or formulated from top of the party and government circles but it does not mean that there is no consultation process. Process of decision making is very lengthy and inclusive and give due consideration to the requirements of administrative units. Every five year plan is being developed after a lengthy exercise of consultation. Process for plan started two years before the drafting of plan. First Stage is consultation and inputs are seek and it is known as pre draft phase. Second stage is drafting and submission for comments. Third stage is approval of plan. Final stage is execution and evaluation of plan. Therefore, five year plan considers very important document for day to day business at all levels.

The economic success of China is greatly attributed to continuous implementation of the Five-Year Plans which, contains the vision for next five years. The Five-year Plan is set of Economic and Social Policies that are implemented at every administrative unit (“NDRC”, 2018). There are different plans within Five Year Plan i.e. general plan, specific plan and regional plans. A general plan includes: issues to be addressed in future, external environment faced by future development, targets and policies to be implemented in areas such as economy, science and technology. Governments at the national, provincial, and local levels are responsible for organizing the formulation of general plans at the corresponding level.

The regional plans are formulated for the economic zones that may cross the administrative boundaries. The regional plans are divided further into three plans: cross province plan, cross prefecture plans, and cross county plans. The administrative governments are responsible for implementing the plans in their administrative units.

The National Development and Reform Commission (NDRC) is responsible to conduct and draft studies to be included in the Five Years Plan. Formulation of policies within NDRC involves deep analysis considering the performance of previous plans to meet the requirement of every administrative unit.

The plan is implemented by State Council, headed by the prime minister under whom all the ministries operate along with NDRC. The Chinese Premier is the second senior member of the standing committee of politburo while Chief of NDRC is member of Central Committee of Communist Party. Therefore, it is thought that NDRC follows the policies set by top hierarchy of Party. However, this is not necessary since contradiction between the decision making of top hierarchy and needs of administrative units can make it difficult for implementation of policies. Inclusiveness is key element for the development of plan.

For the smooth implementation of the policies at administrative levels; the administrative units have their own Development and Reform Commissions (DRCs) which work with the local governments to draft policies. Local DRCs must follow the policies and orders of NDRC, similarly NDRC assures inclusion of requirements of unit. There are 32 departments within NDRC that widens its scope of implementation and all the policies are formulated on recommendations of these departments.

Formulation of the five-year plan goes through various phases i.e. pre-analysis phase, plan drafting, review approval and revision, publication and implementation and, monitoring

supervision evaluation and examination. Two years prior to the publication of a Five-Year plan, the NDRC starts to identify major issues relevant to future development, set growth targets of key areas, estimate related ratios and rates, and undertakes feasibility appraisal of major state-funded capital investment projects. As a result, a series of basic principles are put forward for the economic and social development during the plan period. Under the guidance of the State Council, NDRC works on a plan draft with assistance of other ministries and departments. The draft is then reported to the National Congress for approval. Finally, the approved plan is published by the State Council for implementation. The plan implementation is subject to monitoring and supervision of relevant authorities.

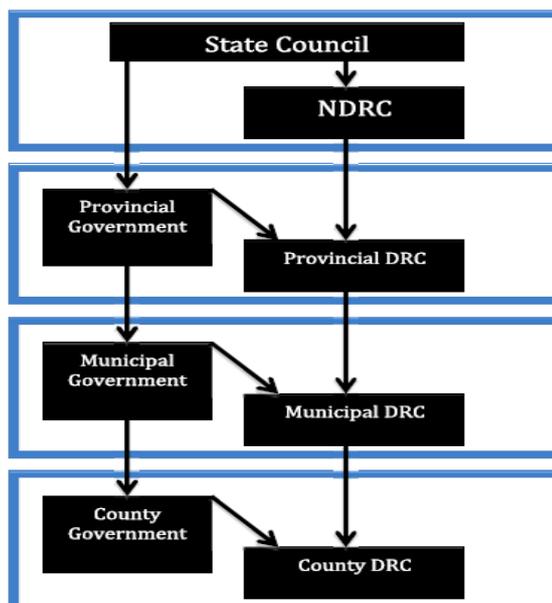


Figure 4 NDRC and the connection of Provincial Governments and Local DRCs.

6. Conclusion:

The path “Socialism with Chinese Characteristics” adopted from 1978 onward brought the prosperity for Chinese citizens. Story of China exhibit that a blind of system both in economy and governance, brought prosperity and development in country. It demonstrates that neither pure characteristics of free market nor socialism are the reason behind Chinese prosperity. Guided state policies by the Chinese Communist Party and the inclusion of free market attributes within the economic system has kept things going on for China. Moreover, the stable political system (One-Party system) and its roots spreading to local administrative levels has seen the continuation of policies without any opposition. Moreover, inclusive decision making was key for successful results.

7. Relevance for Pakistan

There are certain variables which set Pakistan apart from China. The multi-party system, a different ideology and the presence of federating units differentiates the political and societal realities of the two states. Economic structure is also different, as Pakistan is a pure liberal

economy as opposed to China’s mixed economy. However, there are lessons that can be learnt from Chinese Development and can be proved beneficial for Pakistan’s economy and society at large.

- **Consensuses Based Socio-Economic Agenda:** The socio-economic policies should be developed by consensus without considering political preferences and ideologies. There should “Consensuses Economic Agenda of Pakistan” and it must be followed by all governments irrespective of their political identification. This will encourage result-oriented policies in future.
- **Ministry of Planning Development and Reforms, Pakistan:** It must be empowered and strengthened. It must assume status of “brain” of country and provide economic and social development guidance to state. Pakistan already has a very good institutional arrangements of planning department and has planning wing at all levels of governance. We suggest following arrangement with slight changes in existing structure;



- **Local Government:** Local government participation should also be enhanced and made it compulsory for the development of any policy or plan. Pakistan can achieve this by strengthening local government system by giving them more authority on planning, execution and financing.
- **Monitoring and Evaluation:** Monitoring and evaluation of all interventions must be made sure on the basis of pre-identified goals and objectives. Monitoring and Evaluation Agency must be autonomous and has authority to make decision and implantation of these decisions. It will ensure accountability and strengthen the accountability mechanisms to fight and curb corruption.

- ***One Roof Policy:*** Pakistan should development economic and investment policies with the objective to facilitate the business community and ensure competitiveness. It must be done in a sequential manners and step by step. Special Economic Zones should be provided with facility of “One Roof” policy for all types of registration, facilities and service delivery. Moreover, policies should also include environment compliance as much as possible. Policies should also encourage innovation by adopting new technologies and processes.

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