



A Critical Analysis of the Twentieth Third Plenary Session Resolutions: Reforms in Economy, Real Estate, Capital Markets, Science and Education

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Abstract

This article provides a critical analysis of the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization adopted by the Twentieth Third Plenary Session. It examines the policies and reforms in the fields of economy, real estate, capital markets, and science and education. The paper discusses the historical context and evolution of core issues, identifies current economic challenges, and evaluates the strategies for real estate and capital market reforms. It also addresses the deepening reforms in science and education. By analysing these areas from multiple perspectives, the paper critically assesses the potential impacts and challenges of these reforms.

Keywords: *Economic Reform; Real Estate Policy; Capital Market Reform; Science and Education Reform*

1. Introduction

This article is based on the detailed analysis and evaluation of *the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization* adopted by the 20th Central Committee of the Communist Party of China (CPC)¹. Through the perspective of an independent observer, we explore the specific policies in the fields of economy, real estate, capital markets, and science and education, and analyse their potential impacts in the current international and domestic context.

2. Evolution and Interpretation of Core Issues

After the conclusion of China's Central Committee Plenary Sessions, it is customary to hold press conferences to introduce the session's spirit. For example, the Sixth Plenary Session of the Nineteenth Central Committee, the Fifth Plenary Session, and the Fourth Plenary Session all held similar press conferences, sometimes dispatching central lecture groups to provincial units and national core departments for further dissemination. This Third Plenary Session follows this convention.

Each Central Committee Plenary Session not only elevates certain content to central intent but also typically revolves around one or more core issues. The spokespersons invited to these press conferences often reflect the session's core issues and the focus of work for the coming year. For instance, the Sixth Plenary Session of the Eighteenth Central Committee reviewed and approved the "Several Guidelines on Political Life within the Party under the New Situation" and the "Regulations on Internal Supervision of the Communist Party of China". The next day's press conference specifically invited Wu Yuliang, Deputy Secretary of the Central Commission for Discipline Inspection, to introduce the content. The Fifth Plenary Session of the Nineteenth Central Committee reviewed and approved the "Recommendations of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-Range Goals for 2035". The press conference invited Ning Jizhe, Party Member and Deputy Director of the National Development and Reform Commission, Secretary and Director of the National Bureau of Statistics, and Wang Zhigang, Secretary of the Party Leadership Group and Minister of Science and Technology, to explain the details. The Sixth Plenary Session of the Nineteenth Central Committee reviewed and approved the "Resolution of the Central Committee of the Communist Party of China on the Major Achievements and Historical Experience of the Party's Centenary Struggle", primarily addressing ideological aspects, hence inviting Qu Qingshan, President of the Central Institute of Party History and Literature, to speak.

This Third Plenary Session focused on further comprehensively deepening reforms and promoting Chinese modernisation, and reviewed the "Resolution of the Central Committee of the Communist Party of China on Further Comprehensive Deepening of Reforms and Promoting Chinese Modernisation". Although the Resolution has not yet been released, the communiqué indicates a primary focus on theoretical construction, enriching the goal of Chinese modernisation, signifying comprehensive theoretical construction, making it difficult to grasp the document's focal points. As stated in today's press conference, the Resolution resembles a "broad-brush" painting in traditional Chinese art, emphasising theory and spirit, while the true execution focuses on the detailed "meticulous painting" and "construction blueprint". Today's press conference provided some guidance on the direction of the session.

The press conference invited officials from the Central Reform Office, Central Financial and Economic Affairs Commission, and Research Office, as well as special guests such as Shen Chunyao, Director of the Legislative Affairs Commission of the National People's Congress Standing Committee, and Huai Jinpeng, Secretary of the Party Leadership Group and Minister of Education. Notably, Han Wenxiu, though a familiar face at these conferences, was newly appointed as Director of the Central Agricultural Office following the fall of the former Minister of Agriculture.

Therefore, this session particularly focuses on three areas: agriculture, education, and legislation. It is noteworthy that these departments have undergone significant organisational changes in the past year. Since the institutional reform in 2018 clarified that the Office of the Central Leading Group for Rural Work is located in the Ministry of Agriculture and Rural Affairs, the Ministers of Agriculture and Rural Affairs Han Changfu and Tang Renjian successively served as Directors of the Central Agricultural Office. At the end of last year, the Central Agricultural Office was returned to the Central Financial and Economic Affairs Commission. Two months ago, Tang Renjian fell from power, and Han Jun was recently transferred from Anhui Province to serve as Secretary of the Ministry of Agriculture and Rural Affairs.

In the field of education, the former National Science and Technology Education Leading Group under the State Council was adjusted to the National Science and Technology Leading Group. Last year's Two Sessions abolished it, and the Central Committee newly established the Central Science and Technology Commission, chaired by the First Vice Premier. This year, the Chinese Academy of Sciences and the Chinese Academy of Engineering held their Academician Conferences, reviewed and approved the revised "Constitution of the Chinese Academy of Sciences" and "Constitution of the Chinese Academy of Engineering", further clarifying the selection and exit mechanisms for academicians. This marks the end of the controversial "lifetime tenure" of academicians and indicates that this round of education reform will be led by scientific system reform, redistributing the top-tier benefits in the scientific field to guide education reform and deepen the talent development system and mechanism.

In the legal field, former Minister of Justice Tang Yijun fell from power in April this year, and many senior officials in the political and legal fields have retired. The obstacles to reform in these fields have been largely cleared, creating significant room for reform and potential value creation.

3. Economic Development and Investment Strategies

Public attention to the Third Plenary Session is largely due to the current sluggish economic environment. There is hope that the economic reforms initiated by the Third Plenary Session will stimulate the economy and improve overall economic conditions. Historically, the Central Committee's focus on economic issues during these sessions is a persistent trend. Currently, China is pursuing a path of economic system reform to drive comprehensive deepening of reforms and guide economic development. The core goal is to revitalise existing resources.

The current economic disparity, compared to past periods of rapid growth, is mainly due to insufficient investment. As noted in last year's Central Economic Work Conference, effective demand must be released: consumption is fundamental, investment is crucial, and exports are supportive. Investment is no longer about broad-based stimulus but precise infusion into new productive capacities, such as photovoltaics, wind energy, new energy vehicles, autonomous driving, power batteries, and internet services. This year's GDP growth target is set at around 5%, serving as the baseline for domestic economic conditions, assuming no significant changes in the international political and economic environment.

In fiscal policy, the second day of the Third Plenary Session saw the Ministry of Finance and the State Administration of Taxation issuing a notice allowing enterprises to offset 10% of their annual corporate income tax payable for digital and intelligent transformation investments in energy conservation, water conservation, environmental protection, and safety production. The following day, Premier Li Qiang chaired a State Council executive meeting to study and implement the spirit of the Twentieth Third Plenary Session and to discuss measures to strengthen support for large-scale equipment renewal and the policy of trading in old consumer goods for new ones. These measures reflect the government's efforts to enhance economic conditions through various means. For individuals, this provides direction: those engaged in new productive capacities will benefit from fiscal support, while those unable to secure fiscal support should focus more on consumption market development, paying less attention to cyclical changes and more to long-term development.

4. Urban-Rural Integration and Rural Revitalisation

The core issues in agriculture include rural revitalisation and urban-rural integration. Emphasising urban-rural integration as a crucial part of rural revitalisation signifies a structural optimisation of investments in the rural revitalisation field, moving away from simple large-scale funding. Achieving rural revitalisation through fiscal investment faces challenges of substantial expenditure and potential arbitrage due to inadequate supervision. Additionally, local governments might leverage rural revitalisation as a pretext for illegal borrowing.

The Central Committee proposes "improving the rural revitalisation investment mechanism and fostering new rural industries and business models", indicating a shift from central fiscal investments to diversified funding sources. Market regulation will replace government oversight, enhancing investment supervision and curbing local government borrowing under the guise of rural revitalisation. Utilising market funds to develop rural industries will transition from "giving fish" to "teaching to fish".

Urban-rural infrastructure integration and equalisation of basic public services are key to promoting urban-rural integration. Fiscal investment should favour agriculture and rural areas, extending public services to rural regions, and facilitating the bidirectional flow and balanced allocation of resources between urban and rural areas. Urban-rural integration will leverage the lower marginal cost of urban public services to subsidise rural public services.

The initiative to "provide basic public services based on permanent residence registration, accelerate the urbanisation of migrant agricultural population" and "improve the regular mechanism for preventing poverty and re-poverty covering rural populations, and establish a layered and classified assistance system for low-income populations and underdeveloped areas" suggests avoiding a one-size-fits-all approach, assessing poverty conditions, and formulating appropriate assistance policies to prevent dependency on policies.

Additionally, "Coordinating the establishment of inter-provincial horizontal interest compensation mechanisms for grain production and sales areas" is a growth point worth noting. China has 13 major grain-producing areas, accounting for 77.89% of national grain output, while seven major grain-consuming areas only account for 4.3% of total grain production. Currently, compensation for grain-producing areas is primarily achieved through project preferences and central fiscal transfers. The horizontal compensation mechanism could be a fiscal compensation mechanism, but more importantly, it involves "interest linkage" methods. Encouraging grain enterprises in production and sales areas to form large-scale cross-regional joint-stock grain enterprises using assets as a link will build new, stable, long-term cooperative mechanisms between production and sales areas, balancing interests between producers and consumers, and creating a reasonable interest structure. Encouraging grain-consuming areas to participate in the construction of grain production bases and storage facilities in producing areas will establish a stable production-sales cooperation mechanism.

Fujian Province has explored this approach. In recent years, Fujian has deepened grain production and sales cooperation, guiding leading enterprises to invest in major grain-producing areas such as Heilongjiang to jointly build grain production bases, storage facilities, processing parks, and marketing networks. This supports the development of grain processing industries and new business models such as agricultural tourism in grain-producing areas, helping them transition from "selling raw grain" to "selling products" and "selling services". Additionally, research institutions in Fujian have collaborated with those in grain-producing provinces to advance technological cooperation, enhancing high-quality development in the grain industry through technology. For example, a new rice variety "Minlong No. 1" jointly developed by the agricultural academies of Fujian and Heilongjiang addresses the absence of high-quality varieties and weak comprehensive resistance in Heilongjiang's first temperature zone. This variety is planned for large-scale promotion, covering a million mu this year ².

This agricultural reform trend is noteworthy. The performance of Heilongjiang, Jilin, Anhui, Zhejiang, and Henan in this context will be particularly significant.

5. Real Estate Policy Reforms

The central document on real estate policies focuses on absorbing existing stock and optimising new supply to create a sustainable development model. The general approach adopted by various regions includes developing high-quality housing, renovating old neighbourhoods, and ensuring affordable housing as a safety net. New housing construction primarily targets urban improvement demands, balancing location and area, and replacing the second-hand housing market, while also competing globally to absorb the incremental funds generated from second-hand housing transactions, thus ensuring local fiscal revenue.

Additionally, some regions are moderately developing specialised, tourism, and retirement real estate. For existing housing stock, high-value properties undergo renovation projects for old neighbourhoods to maintain property circulation value at a low cost. Lower-value properties are incorporated into affordable housing reserves to guide regional housing prices.

From a supply-demand relationship perspective, current housing prices should be at a low point. Population structure and local industrial evolution determine that overall demand will not suddenly surge, maintaining real estate transactions at a moderate level. For individual buyers, new housing should be chosen for quality improvement, while old housing should be selected based on premium location and layout.

Industrial park supporting properties also deserve attention. For first-time homebuyers, selecting properties related to emerging and future industries, such as new energy vehicles, photovoltaics, new materials, low-altitude economy, and energy storage, ensures property value stability over the next decade. From a regional perspective, Beijing and Shanghai should focus on quality improvements and premium properties, while other cities should consider local industrial development. Even if the international financial environment improves suddenly, the benefits will mainly accrue to core regions, and the era of widespread price increases is over. Price increases will be structural, not affecting overall choice direction.

6. Restructuring and Optimising Capital Markets

In the construction of a socialist market economy, the relationships among state-owned enterprises (SOEs), local governments, private enterprises, and commercial entities are crucial. Although these issues are closely related to daily life, their direct impact on ordinary people is not significant, mainly manifesting in capital market operations.

For SOEs, the focus is on enhancing and expanding those with core functions and competitive advantages. These enterprises are relatively easy to select in the capital market, with attention to price-to-book ratios and other indicators. Regarding SOE reform, the document mentions "independent operation of natural monopoly sectors and market-oriented reform of competitive sectors," aiming to reduce the monopoly income space of relevant SOEs.

In recent years, there has been a divergence between M2 (broad money) and M1 (narrow money) in China, with a large amount of funds that should have been invested in the market remaining in related enterprises through various arbitrage methods. Grey areas primarily exist in natural monopoly sectors and competitive sectors. If a sector is naturally monopolised by an SOE, its associated companies can easily obtain additional income; similarly, if competitive sectors cannot be marketised, collusion among parties can lead to excess profits. The recent crackdown on grain and oil transportation involving state-owned China Grain Reserves Corporation (Sinograin) may signal future challenges for companies with similar profit spaces. Investors should cautiously adjust their strategies accordingly.

Administrative monopolies, linked to natural monopolies, refer to grey areas created by administrative approvals. The construction of a nationwide unified market aims to eliminate local protectionism, unblock policy obstacles, and promote fair competition. This is a warning for individuals and institutions with interests tied to related enterprises. Compressing the income space of SOEs and local governments will naturally provide more survival space for private enterprises. The document's proposal to "ensure various types of ownership economies can equally use production factors according to law, participate fairly in market competition, and receive equal legal protection, promoting mutual complementarity and common development of various types of ownership economies" needs to be viewed dialectically. Financially supported private enterprises may compete with SOEs. Despite SOEs' strong capital and abundant resources, their heavy administrative burdens hinder rapid market response, giving private enterprises a competitive edge under market-oriented conditions. However, private enterprises relying solely on the market may succumb to pressures from taxes, environmental protection, and social insurance, yielding to SOEs.

From a macro perspective, constructing a socialist market economy system requires a core field as a focal point, currently identified as the energy sector. The National Development and Reform Commission and the State-owned Assets Supervision and Administration Commission (SASAC) have respectively welcomed new senior officials in energy, coal, and oil sectors, with an official from the electricity sector also elevated to the vice-national level. Therefore, although the energy sector has seen a six-month rise, reforms in this area will remain a main theme for the coming years, warranting attention to structural trends.

7. Reforming Central-Local Fiscal Relations

The reform of central-local fiscal relations has garnered significant public attention. Many hope that through this reform, the prosperity of the real estate sector can be revived. However, the core issue of the

current economic downturn lies in the lack of investment, with insufficient funds being the main obstacle. Therefore, relying solely on tax reform policies is unlikely to achieve significant economic stimulation within a reasonable scope.

Improving the quality of domestic industries takes time. With the international political environment remaining stable, GDP growth is expected to be around 5%. To enhance economic conditions, it is necessary to compress the profit space of vested interests. Solely relying on a single tax reform policy is inadequate. Moreover, the central government intends to maintain a high proportion of transfer payments, as reflected in the Resolution. The document states, "While increasing local governments' independent financial resources and expanding local tax sources, it is essential to enhance the alignment between financial resources and responsibilities at the city and county levels, and appropriately increase central government responsibilities and fiscal expenditure proportions."

This means that while increasing the central government's fiscal expenditure proportion, it will gain more responsibilities. Cities and counties, when assigned substantial responsibilities, will need more financial support. This adjustment of power and interests requires in-depth analysis. It can be inferred that provinces with fiscal surpluses will gain more responsibilities under the premise of tax reform, including both central and other local responsibilities. This will affect investment, employment, and entrepreneurship environments in Beijing, Tianjin, Shanghai, and the provinces of Guangdong, Zhejiang, Jiangsu, Shandong, and Fujian. Those within the system should closely monitor the resource adjustments in these regions.

8. Deepening Reforms in Science and Education

Two key concepts in the fields of science and education are "coordination" and "fairness". Coordination involves top-level design. Recently, the Academician Conferences of the Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE) respectively reviewed and approved the revised "Constitution of the Chinese Academy of Sciences" and the "Constitution of the Chinese Academy of Engineering", further clarifying the mechanisms for the selection and exit of academicians. This marks the end of the controversial "lifetime tenure" for academicians and indicates that this round of education reform will be led by scientific system reform, redistributing the top-tier benefits in the scientific field to guide education reform and deepen the talent development system and mechanism.

According to the website of the Henan Provincial Commission for Discipline Inspection and Supervision, Song Xiewei, the former dean of the School of Design at the Central Academy of Fine Arts (CAFA), is under investigation for serious violations of discipline. This indicates that anti-corruption efforts in academia are pushing forward institutional reforms in higher education. The new college entrance examination (gaokao) model "3+1+2" implemented in 2022, although well-intentioned, has seen universities and the professional selection process reverting to the old division of liberal arts and sciences.

The document clarifies: "Various types of universities should clarify their development positioning, establish classification management and evaluation mechanisms, guide different types of universities to cultivate and leverage their advantages in different fields and tracks, strive for excellence, and establish unique characteristics." Universities will identify their specialised disciplines and research lines, eliminating non-specialised disciplines. Many universities may gradually phase out popular but non-core programs like foreign languages, law, and business management, as well as revenue-generating postgraduate programs. New university constructions will align with societal needs, focusing on major national strategies such as coordinated development in the Beijing-Tianjin-Hebei region, integrated development in the Yangtze River Delta, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the large-scale development of the western region, the revitalisation of the northeast, and the rise of the central region.

The document also mentions: "Exceptional deployment of urgently needed disciplines and majors." For key fields, essential industries, and leading sectors like healthcare, education, transportation, energy, aerospace, and artificial intelligence, higher education spatial planning will be optimised to systematically cultivate a group of strategically significant universities with critical support roles.

Fairness mainly targets primary education. Concerns in the education sector include resource allocation post-population peak. The fairness of primary education offers an opportunity to address this issue. The document states: "Anticipatory planning based on fluctuations in school-age population." Through cross-regional group schooling and urban-rural paired assistance, education will flow between urban and rural areas. Additionally, the digitalisation of education will favour primary education, attracting attention from those in related industries.

For teachers, cultivating a sense of national responsibility is crucial. Early-career researchers and related professionals should focus on basic disciplines and foundational research, emphasising long-term development. Experienced professionals should pay attention to cross-industry exchanges and interdisciplinary exploration. Related industry enterprises should strengthen collaboration with universities, and those with university resources should closely follow market demands to seek relevant industry conversions.

The above interpretations reflect only part of the spirit of the Resolution. Concrete implementation should be observed following the release of a new round of the "Education Power Construction Plan Outline".

9. Summary and Conclusion

China's policy reforms in the fields of economy, real estate, capital markets, and science and education demonstrate significant efforts and challenges. In the economic sector, various fiscal and investment policies aim to improve economic conditions. In real estate, strategies to optimise stock and incremental supplies seek market stability. In capital markets, compressing SOE monopolies and promoting fair competition are key issues. In science and education, coordinated planning and fairness reforms foster innovation and talent development. These measures have profound implications in the current international and domestic context and warrant continuous attention and research. The long-term effects of these policies will need to be evaluated through sustained observation and practical implementation. However, it is foreseeable that these measures will significantly impact China's socio-economic development.

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