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The Emerging Model of Economic Policy Making under Xi Jinping: Literature Review, Theoretical Frameworks and Methodologies

Alex He



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CIGI Masthead

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Table of Contents

| | |
|-----|---|
| vi | About the Author |
| vii | About the Global Economy Program |
| vii | Acronyms and Abbreviations |
| 1 | Executive Summary |
| 3 | Introduction |
| 4 | Literature Review of Studies of China's Decision Making: China's Economic Decision-making Process in Western Literature |
| 9 | China's Decision-making Process in Chinese Literature |
| 13 | A Theoretical Literature Review on the Studies of China's Decision Making |
| 18 | The Theoretical Frameworks |
| 20 | Methodologies |
| 21 | Conclusion |
| 22 | Works Cited |
| 29 | About CIGI |
| 29 | À propos du CIGI |

About the Author

Xingqiang (Alex) He is a CIGI research fellow. His work focuses on China and global economic governance, the G20, domestic politics in China and their role in China's foreign economic policy making, and Canada-China economic relations.

Prior to joining CIGI in 2014, Alex was a senior fellow and associate professor at the Institute of American Studies at the Chinese Academy of Social Sciences (CASS) and a visiting scholar at the Paul. H. Nitze School of Advanced International Studies, Johns Hopkins University in Washington DC (2009-2010). Alex was also a guest research fellow at the Research Center for Development Strategies of Macau (2008-2009) and a visiting Ph.D. student at the Centre of American Studies at the University of Hong Kong (2004).

Alex is the author of *The Dragon's Footprints: China in the Global Economic Governance System under the G20 Framework* (2016) (in both English and Chinese) and co-author of *A History of China-U.S. Relations* (2009). He has published dozens of academic papers, book chapters, and newspaper and magazine articles. Alex's upcoming book will examine China's monetary policy-making process under President Xi Jinping.

He has a Ph.D. in international politics from the Graduate School of CASS and previously taught at Yuxi Normal University in Yunnan Province, China. Alex is fluent in Chinese and English.

About the Global Economy Program

Addressing limitations in the ways nations tackle shared economic challenges, the Global Economy Program at CIGI strives to inform and guide policy debates through world-leading research and sustained stakeholder engagement.

With experts from academia, national agencies, international institutions and the private sector, the Global Economy Program supports research in the following areas: management of severe sovereign debt crises; central banking and international financial regulation; China's role in the global economy; governance and policies of the Bretton Woods institutions; the Group of Twenty; global, plurilateral and regional trade agreements; and financing sustainable development. Each year, the Global Economy Program hosts, co-hosts and participates in many events worldwide, working with trusted international partners, which allows the program to disseminate policy recommendations to an international audience of policy makers.

Through its research, collaboration and publications, the Global Economy Program informs decision makers, fosters dialogue and debate on policy-relevant ideas and strengthens multilateral responses to the most pressing international governance issues.

Acronyms and Abbreviations

| | |
|---------------|--|
| CEWC | Central Economic Work Conference |
| CLGCDR | Central Leading Group for Comprehensively Deepening Reform |
| CLGFEA | Central Leading Group for Financial and Economic Affairs |
| COD | Central Organization Department |
| CPPCC | Chinese People's Political Consultative Conference |
| CPC | Communist Party of China |
| MOFCOM | Ministry of Commerce |
| MOF | Ministry of Finance |
| NDRC | National Development and Reform Commission |
| NPC | National People's Congress |
| NGOs | non-governmental organizations |
| PBoC | People's Bank of China |
| PRC | People's Republic of China |
| PBSC | Politburo Standing Committee |
| SPC | State Planning Commission |
| SOEs | state-owned enterprises |

Executive Summary

China's policy-making process has undergone tremendous transformation since the reform and opening-up policy was implemented under Deng Xiaoping's leadership at the end of the 1970s. A general pluralization characterized this transformation, specifically professionalization, decentralization and formalization of procedures. A similar transition has subsequently occurred in the process of decision making in the areas of economic policy and foreign policy. The economic policy-making process demonstrates these new trends in China's increasingly pluralized political economy. With China's economy beginning to integrate into the global market since the reform and opening-up policy was initiated, a new dimension of globalization had been added to its economic policy-making process.

Professionalization, decentralization or, in Chinese political parlance, the scientific and democratic decision-making process in the Deng Xiaoping era, gradually evolved into an even more pluralized stage in the Jiang Zemin and Hu-Wen (Hu Jintao and Wen Jiabao) eras (roughly from 1990 to 2012) that followed, incorporating the participation of experts from think tanks, academic institutions, the media, the public, business and other elites from non-governmental organizations (NGOs) into the process. Scientific and democratic decision making means encouraging increased participation of experts and the public via a variety of institutionalized consultation mechanisms and information collection channels. It also means improving and perfecting the procedures and rules in the decision-making process and making it more accountable and rectifiable. The economic decision-making process in the Jiang and Hu-Wen periods lacked the absolute authority enjoyed by Mao Zedong and Deng Xiaoping, and mainly featured a collective decision-making process grounded on a consensus-building mechanism among top leaders in the nine-member¹ Politburo Standing Committee (PBSC) of the Communist Party of China (CPC), the highest decision-making body in China. The economic policy-making process

has progressively become more institutionalized,² with a series of decision-making meetings with fixed dates, for instance, the Central Economic Work Conference (CEWC), the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) (known as "Two Sessions") are convened annually.

Beginning with President Xi Jinping's ascent to power in 2013, there have been emerging characteristics that, to some extent, go against the trend toward decentralization over the past two decades and are beginning to define the new peculiarities in China's economic decision-making process. President Xi has shown more willingness and determination to recover the absolute authority once held by Mao and Deng. He has grasped more power in China's political economy via the surprisingly relentless and harsh anticorruption campaign and continuous reshuffling of senior party cadres in key positions. One of the striking attributes in the economic policy-making process under President Xi is the formation of new "leading groups" and the strengthened roles of both newly emerged and previously existing leading groups in China's economic policy-making and reform agenda. President Xi has assumed leadership of seven leading groups and made them the most important agencies in China's decision-making process. Among them, the Central Leading Group for Comprehensively Deepening Reform (CLGCDR), formed by President Xi in 2013, stands as the most powerful economic and reform policy-making body and "top-level design" for reform in China's political arena. Authority for significant economic decision making, which was traditionally held by the State Council, has been transferred to Party-led leading groups such as the CLGCDR and the Central Leading Group for Financial and Economic Affairs (CLGFEA).

¹ The number of members in the Politburo Standing Committee was changed to seven after the Party's 18th Congress in 2012.

² In the Chinese official context, the "scientific and democratic decision making" is the proper wording that has been stipulated repeatedly in the Party's authoritative documents. It generally means a wide range of policy contributions via extensive consultation mechanisms to seek opinions from the experts and the public. Professionalization, decentralization, pluralization and formalization are the terms used in academic literature to explain the scientific and democratic decision making. Institutionalization is a widely accepted concept in both the official and academic context that acts as formal and informal rules and principles to ensure policy making is "scientific and democratic." These include – but are not limited to – extensive consultation and field investigation before decisions are finalized, collective leadership and consensus decision making, applying a majority vote facing significant issues, decision evaluation, accountability and errors correcting mechanisms, better information collection and analysis system, and transparency in decision making within a proper scope. Here institutionalization means a number of decision-making meetings convened annually with fixed dates.

In June 2014, it was announced in an adeptly managed way that President Xi had assumed the role of director of the CLGFEA, a position that was traditionally held by the premier in the Hu-Wen era,³ demonstrating Xi's control of economic affairs.

Whether President Xi and his senior economic aides have taken full control of China's economic decision-making process remains an open question.⁴ Nevertheless, one thing observers can safely conclude is that the Party's authority over economic policy making has expanded, and the Party has increasingly tight control over economic governance by fortifying the roles of the Party's central leading groups in the key sectors of China's political economy. The Party's control over economic affairs highlighted the principle upheld and underlined by Xi that "substantive efforts" must be taken to "strengthen the leadership of the Party in the economic work" (Xi 2012), and "certainly, the Party's leading role must be fully realized in the central task, i.e., the economic work" (Xi 2013). Although "strengthening the Party's leadership in economic work" is a cliché that is used in the annual report of the CEWC, President Xi did stress the belief in a new expression of "uphold and strengthen the centralized, unified leadership of the Party over the economic work" (Xinhuanet 2017), and incorporated it into the new idea of "Xi Jinping's socialist economic thought with Chinese characteristics for a new era" at the CEWC in December 2017 (ibid.). More importantly,

3 There are no reliable materials available showing who, the premier or the president in the Hu-Wen era, held the director of the CLGFEA as the Chinese authorities scarcely reported in public the activities of the CLGFEA before June 2014. However, the practice of the premier taking charge of economic affairs can be traced back to the 1980s, when Zhao Ziyang was the premier who controlled economic policy making (Hamrin 1992; Li 2018). See the next footnote for more explanation on this.

4 This is one of the key questions that will be discussed in a forthcoming paper, the third on the topic of China's economic policy-making process. Some institutionalized arrangements over economic decision making were made in the eras of Jiang and Hu (the 1990s–2000s) after Deng. Among the then-nine members of the PBSC, the Party's highest decision-making body, an unwritten rule, which was formed and has since evolved, that the premier, as the head of the State Council, takes charge of steering economic policy while the president, as the paramount leader of the party-state, is in charge of everything, including economic work, but with the priorities in the Party, political and military affairs. Typically, the executive vice premier of the State Council is one of the members of the PBSC and is responsible for helping the premier manage the economy. The other six members of the PBSC are responsible for affairs concerning the People's Congress, the CPPCC, propaganda, political and legal issues (including public safety and state security), party's disciplines and personnel. Xi's new moves to take greater charge of economic work are distinct and are deemed to be intended to break the routines practised previously in the eras of Jiang and Hu. See Christopher K. Johnson and Scott Kennedy (2015), Chris Buckley (2015) and Barry Naughton (2018) for more information and analysis on this.

Xi introduced the Party's powerful new leading group, the CLGCDR, to establish this central leadership of the Party's control over the economy.

Top-level design has been another major hallmark of the economic policy-making process under President Xi's new model of governance. Used for the first time in the proposal of the 12th Five-Year Plan in 2010 to comprehensively promote reforms in all sectors (Zhang and Sun et al. 2017), the phrase, which means to make decisions while keeping the overall situation in mind — has been adopted and raised as the guiding principle by President Xi and his senior economic aides to deepen the economic reform and create a new model of an economic-governing system. The CLGCDR and CLGFEA, the two paramount leading groups, were endowed with the authority to make top-level design for deepening economic reform and significant economic policy making, respectively.

The unspoken message of the rhetoric of "strengthening the Party's leadership in economic work" and "top-level design" is President Xi's reinforced authority and control of the economic decision-making process over the state bureaucracy and the premier of the State Council, Li Keqiang. It appears that the CLGCDR and CLGFEA, which are both headed by President Xi, are effectively circumventing the state bureaucracy when making crucial economic decisions.

However, top-level design alone cannot solve the formidable problems facing China's economic reform and growth. This is because the interpretation and implementation of economic policy decisions rely on the state bureaucracy itself. Premier Li and the chiefs of the State Council's key government agencies, such as the still-powerful National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and the Ministry of Finance (MOF), are members of the CLGCDR and the CLGFEA and have influential voices in these two decision-making bodies. Most importantly, they control the bureaucratic resources for implementing all economic reform and its policies. However, two front-page articles in the *People's Daily*, published in May 2016 by an unidentified so-called "authoritative figure," are the latest evidence that the state bureaucracy is still running the economy and that President Xi's top-level design has yet to be successfully implemented. China's economy was not heading in the direction designed and announced by Xi and his economic policy advisers, and so it was widely assumed that

these two articles were authorized by the president and the authoritative figure is a group of experts headed by Xi's senior economic adviser, Liu He.

Rather than a partisan attack or split within the Party leadership over economy policy, the articles by the authoritative figure reflect the central leadership's assessment on, and disappointment with, the progress on economic development. The restructuring of the supply side in China's economy, which was emphasized repeatedly in the two articles by the authoritative figure, stands as the linchpin of President Xi and his senior economic advisers' blueprint for advancing economic reform. China's economic growth is still heavily reliant on investment from sectors with overcapacity, which are substantively supported by the highly leveraged financial sector. The core elements of the supply side structural reform, which includes slashing excessive capacity in sectors such as coal and steel, destocking or cutting down of excess unsold housing, de-leveraging (cutting debt) to avoid financial risk, lowering costs of enterprises and shoring up weak areas in the economy, were not being well implemented. The goal of transforming China's economic development into high-quality growth with a focus on upgraded industries such as high-end manufacturing, modern services and agriculture, and an innovation-driven and environmentally friendly economy is not taking place.

President Xi's first term ended in 2017, and the power reshuffle for his second and, presumably, last five-year term of office has begun.⁵ Achieving economic reform and growth will define the president's legacy. The new model for the process of economic decision making with a focus on the supply-side structural reform and top-level design, which President Xi and his senior economic aides will push through the reform process, is a critical element in China's economic reform and growth.

Introduction

This is the first of three papers on China's economic policy-making process. The three papers explore the components and key features of the economic policy-making process under President Xi. They also examine the problems and the implementation of President Xi's decisions and agenda to push China's economic reform and growth, and the prospect of economic reform and growth under Xi and the implication for China's economic future.

This first paper undertakes a literature review on China's economic policy-making process and also a discussion of the theoretical frameworks and methodologies that will be used in the second and third papers to analyze China's policy-making process.

Following this paper, the next paper will examine the basic party-state dual governing structure in China and the general economic decision-making process under this institutional arrangement. Key features in China's (economic) decision-making process will be examined and summarized. Based on these key elements outlined in the second paper, the emerging features of the economic policy-making process since President Xi came to power in 2013, as well as its implications for China's economic growth and reform in the future, will be explained in detail in the third paper.

5 One of the achievements of institutionalization of power succession at the top of the CPC was to limit the top Chinese leader's term of office to 10 years, divided into two five-year terms since 2002. This practice, however, seemed in the danger of being broken when China amended its constitution to remove the presidential term limits in March 2018, which paved the way for President Xi remaining in power after his two five-year terms of office end.

Literature Review of Studies of China's Decision Making: China's Economic Decision-making Process in Western Literature

Some Insights from Western Scholars

Studies on China's economic policy making arose almost simultaneously from the inception of China's reform and opening-up policy at the end of the 1970s. The pivotal third plenum session of the 11th Central Committee of the CPC in 1978 made the far-reaching decision of shifting the Party's central task toward economic development and away from the previous task of "class struggle." The rise of the pragmatic Deng as the paramount leader of China in the post-Mao era made this historic pivot happen. Michel Oksenberg, the veteran China expert, made a breakthrough contribution on economic policy making in China by publishing a paper on the topic in 1982. Based on interviews with Chinese officials,⁶ and supplemented with reports from the Chinese media, this article revealed some insights into the policy-making process in the burgeoning reform of the Chinese economic system at the beginning of the 1980s (Oksenberg 1982). The top leaders in the Politburo were the highest authority in economic policy making and made the significant decisions in terms of economic strategy. At the same time, some of the Party Secretariat members, the premier and several vice premiers in the State Council (they are the same group of officials, not coincidentally), were responsible for the daily management of the economy (ibid.). This basic framework of the economic policy-decision model has persisted to this day, with some ministries and department reshuffles occurring at the State Council over the past three decades. By 1980, the "central economic and finance leadership small group" was re-established⁷ under the State

Council to strengthen the Party Central's control of economic work (Halpern 1985, 381). Headed by Premier Zhao Ziyang and consisting of vice premiers who were all key members of the Party Secretariat, the small group was affiliated with both the State Council and the Party's central apparatus and have a dual-role in both the Party's system and state bureaucracy. Since the beginning of the 1980s, the finance and economic small group has been the major player in economic policy decisions by serving as the advising body to the Politburo, and it has retained this crucial role in China's economic policy making to this day.

At the beginning of the 1980s, this emerging economic policy-making model marked the end of the chaos and near-anarchy of China's economy during the Cultural Revolution of 1966-1976, when economic policies were determined by Chairman Mao's ideological pronouncements, which became increasingly divorced from reality. The key lesson that the post-Mao party leadership drew from this period was the impracticality of a governance model based on "deciding everything by one man's say (*yi yan tan*)," the policy-making model under Mao. Deng was appointed by Mao in 1975 to direct the drafting of the 1976-1985 Ten-Year Plan for National Economic Development to save the economy from collapse. The plan did not produce any result and was defined as "revisionist documents" as Deng was ousted in a new round of political movements in an attack on "rightist tendencies" in the same year. During the transition period, from Mao's death in 1976 until 1980, Chen Yun, a top-ranking vice premier and general economic overseer, pushed through his idea of an economic development blueprint, which prevailed among central leaders, including the actual paramount leader Deng. Chen's plan specified the restoration of collective leadership and the decision-making process based on consensus in the Politburo.

Some Chinese scholars observed that from the founding of the People's Republic of China (PRC) until the Great Leap Forward launched by Mao in 1958, China's economic policy-making model was a collective leadership, and the decision-making process was based on consensus at the highest level of the leadership. Mao did not possess absolute power in the economic policy-making process, and he needed to negotiate with other senior leaders, such as Premier Zhou Enlai and Vice President Liu Shaoqi, before making final decisions. The

6 These interviews became possible at the beginning of the 1980s, when China launched its reform and opening-up policy (Lieberthal and Oksenberg 1988).

7 The leading group had been established and once existed in the Maoist period (Halpern 1985, 381).

emerging economic policy-making model at the end of the 1970s and the beginning of the 1980s was recycled from the one in the early 1950s. Works from Western scholars supported this opinion, but from a different perspective. David Bachman (1991, 42-43) observed that although Mao held an unshakable authority within the leadership with an unchallengeable position and prestige that was “above the rules of democratic centralism” between 1949 and 1956, his power over economic affairs was “constrained, narrowed or channeled by the workings of the bureaucracy.” Chen Yun and Chairman of the State Planning Commission Li Fuchun, the two top economic officials, together with Premier Zhou, had more influence over the economy between 1949 and 1956 than did Mao. For example, while dissatisfied with their policy of economic retrenchment in 1956, Mao did not show his opposition vigorously (Bachman 1991).

Research by Western scholars on China’s decision-making process, including the more extensive relevant studies on political process and foreign policy making, followed from the commencement of economic reform in the 1980s. *Policy Making in China: Leaders, Structures and Processes* by Kenneth G. Lieberthal and Michel Oksenberg (1988) revealed the most important feature of Chinese decision making by demonstrating the approach of China’s policy making in the energy sector: the protracted and diffuse process of consensus building and decision making due to China’s fragmented bureaucratic structure of authority. The book provided some observations about the different roles played by the top leaders within the central level and the high-ranking officials at the bureaucratic level who hold power over specific decisions, as well as how the two levels interacted in the decision-making process, but it did not provide further empirical research.

David M. Lampton (1992) pointed out with great perceptiveness that China’s decision-making process featured extensive bargaining among and between levels of the hierarchy, which led to protracted consensus building and negotiation. Consequently, decisions were made just “in principle” in most cases, with details needing to be worked out in the policy implementation process, which was full of bargaining and negotiation. These seemingly endless negotiations were rooted deeply in a tug-of-war among a variety of interests represented by different ministries, provinces and other lower-level local governments, all of

which had their interests to protect during the policy-making and implementation process.

Carol Lee Hamrin (1992) explored the power structure in the party leadership system and the key decision-making body in China from another perspective: the small leading groups that play a crucial role in making major policies and guidelines. Specifically, the leading groups and commissions and their subordinate bodies hold comprehensive mandates in policy making, coordination, innovation, supervision and personnel. Hamrin likened them to an “inner cabinet,” similar to the White House staff organizations in the United States, such as the National Security Council and the Office of Management and Budgets and the US domestic affairs councils such as the Council of Economic Advisors. The leading groups serve the executive and coordination body to fulfill the ultimate right of decision making reserved by the Politburo. For example, the CLGFEA is responsible for policy making, coordination, investigation and supervision of policy implementation in terms of economic growth and reform.

Susan Shirk (1992) likened the relationship between the CPC and the government as that of principal and agent. She identified a “parallel rule” model that exists in practice, in which the whole state bureaucracy is embedded by a parallel hierarchy of Party committees that ensures the Party’s leadership in all levels of government and guides the directions for the government work. Concerning the relations between the Party Central and the State Council, in terms of economic policy making, the Politburo restricted its responsibility to making guidelines and major decisions on the economic reform and left the authority over specific economic policy making to the government bureaucracy. Although the CLGFEA still provides guidance and recommendations to the State Council, the latter, with its Standing Committee, under the leadership of the premier, is in charge of economic policy making on a daily basis. This model of economic policy-making power was formed in the 1980s and continued until 2013 when President Xi made substantive changes.

Shirk (1993) explored the political logic of economic reform in China in the 1980s. She argued that Deng chose not to seek any radical political reform for the bureaucratic system in order to promote economic reform, but relied more on its relatively decentralized bureaucracy — in particular, the provincial leaders — to counterbalance the

conservatives in the Party Central and the state (ibid.). Under this strategy, economic incentives and interests were created for the bureaucrats and managers of the state-owned enterprises (SOEs) to advance the reform. With respect to the economic policy-making process, the traditional consensus decision-making process was recovered and maintained through the 1980s. This prompted conservatives, who opposed the market-oriented reform, to come forward and made this decision-making process protracted and difficult. The problems caused by the Chinese-style economic reform, i.e., the dual-track system, such as corruption and inflation, generated the environment for the 1989 Tiananmen event.

“Delegation by consensus” was the term applied by Shirk to describe the decision-making rule in the Chinese government. It means the top leaders in the Party Central delegate authority to the State Council to make specific economic decisions (ibid.). In this approach, the importance of the ministry is demonstrated, as the top authorities generally lack enough information to know what exact policies they prefer and so need the relevant ministry or ministries to provide policy details on how to achieve the policy goals they set. On the other hand, the top leaders seldom provide clear and integrated information about their exact policy preference, and the lower-level officials, such as those at ministerial and provincial levels, usually need to determine the preferences of the higher-level officials and construct policies accordingly. The decision-making process of delegation by consensus did not work well and continuously encountered bureaucratic conflicts during the 1980s due to different departmental or local interests and required constant higher-level (the State Council) coordination. The divided leadership between Deng and Chen was behind the poor performance of the delegation-by-consensus decision-making process. This approach was the most difficult and prolonged decision-making process that consequently produced incremental policies. This decision-making process can also be generally described as “conflict, coordination, and balancing of interests between different trades and industries, between urban and rural areas, between localities, and between localities and the central authorities” (ibid., 129).

Perspectives from Insiders Resident in the West

A few insiders from Chinese politics who moved to the United States after the 1989 Tiananmen event, provided valuable observations into China’s political process and policy making in the Deng Xiaoping era, which supplemented the narratives by Western scholars on China’s decision-making process.

The members of the PBSC hold the ultimate authority and the Party’s Central Committee exists as a body that “provided symbolic legitimization for decisions made” (Hamrin and Zhao 1995, xxix) by the supreme leader. Ninety-five percent of elected delegates for Central Committee membership come from the candidates prearranged by the members of the PBSC, in particular, the paramount leader (then Deng).⁸ The NPC served a similar function and 99 percent of elected members of the congress were from the prearranged name lists (Yan 1995).

In China at the time, there existed “cyclical swings between small group oligarchy and one-man dictatorship” (Hamrin and Zhao 1995, xxix). Deng rose as the supreme leader in the middle 1980s from a collective leadership comprised of Deng, Chen and Li Xiannian in the early years of that decade. Deng’s absolute power was weakened greatly after the 1989 Tiananmen event, and an oligarchy of political elders re-emerged. Since the death of Deng in 1997 and beginning from the Jiang Zemin era until the end of the Hu-Wen age in 2012, the power structure in China’s central leadership has evolved gradually into a typical collective leadership, with no one individual in the PBSC possessing absolute authority over others. Since coming to power, President Xi’s efforts to concentrate power seems to be moving the cyclical swing back toward a one-leader dictatorship.

Political power struggles among the highest-ranking bureaucrats changed the power distribution within the central leadership and shifted decision-making authority. Following the model of the Secretariat during the Seventh National Party Congress (1945–1956), the Central Secretariat was re-established in 1980 as part of an effort to promote internal-democracy by separating power

⁸ Because of his enormous prestige and influence among China’s central leadership, it was not necessary for Deng to be a member of the PBSC for him to be the actual supreme leader in China. Namely, he was just a vice-premier for most of the time he held the paramount authority in China.

within the Party. The Central Secretariat reached its heyday of power from 1982 to 1987 and enjoyed full decision-making and executive power under the PBSC, including key leaders from both the Politburo and the State Council. Hu Yaobang served as the chairman of the Central Committee and the Secretariat of the Central Secretariat, and thus he was the supreme leader in name during that period. Hu even intervened in economic affairs using the Secretariat to bypass the Politburo, the CLGFEA and the State Council, which was supposed to lead the country's economic work. With Hu Yaobang's removal in 1987 and the convention of the 13th National Party Congress in 1987, the Secretariat was downgraded to an executive agency under the Politburo and its Standing Committee. This status of the Central Secretariat has lasted since then.

A typical decision-making process in China involves the leading groups, which play crucial roles in coordinating and delivering the final policy decisions in China's extremely fragmented state bureaucracy. Leading groups were usually formed as task forces for certain policy or reform goals initiated by top leaders, with the intention to push policy making and implementation and to break the formidable obstruction caused by the strict compartmentalization. Its members often included the high-level leaders who focused on the same or similar fields as the policy under discussion, as well as the heads of the key relevant state departments. The process usually starts with a new idea initiated by the top leaders, followed by the formation of some temporary institutions and personnel that parallel the formal bureaucratic procedure (Chen 1995). Once a minimum consensus was built through discussion among the members of the leading group, a policy directive was drafted. After discussion and approval by the Politburo, the policy directive gained ideological legitimacy through being formulated, circulated and further developed among the whole bureaucracy and the Party's hierarchy (Hamrin and Zhao 1995).

The leading group also needs to supervise and ensure the policy is pushed through among the complicated bureaucratic politics until the policy's goal is achieved. Some of these high-level temporary leading groups have evolved into permanent institutions to coordinate and supervise policy making. The CLGFEA, for example, has been the key economic policy-making body in China's party and state system since its re-establishment in 1980 and has maintained this role.

Policy implementation stands at the core of bureaucratic politics. Whether the policy goal can be achieved depends on whether the policy makers have been able to get enough executive power buy-in to push through the policy among the state bureaucracy. In the 1980s, control of the two key comprehensive institutions, the State Planning Commission (SPC) and the Central Organization Department (COD) decided, to a large extent, a policy's fate (ibid.). The top leader from the Politburo who oversees the SPC has substantial influence over economic policy implementation. Chen, one of the revolutionary elders, controlled the SPC in the 1980s. The heads of the SPC were loyal to Chen and, in practice, blocked orders from Zhao Ziyang, the premier and Hu Yaoban, the general secretary at the time (Wang and Fewsmith 1995). The top leader from the Politburo who leads the COD, which possesses extraordinary power over investigation and approval of all cadre nationwide, also has great leverage over key policy implementation.

Zhao Suisheng (1995) examined and compared the two types of authority that dominated China's decision-making process in the 1980s and 1990s. Retired and semi-retired revolutionary elders possessed and used their personal authority to exercise control over the policy-making process while the younger leaders relied on institutional authority to influence policy. The revolutionary elders preserved the power to select Politburo members, allocate duty to them and approve important Politburo decisions themselves (ibid.). During the 1980s and most of the 1990s, the most influential revolutionary elder, Deng, remained as the actual highest leader, while in principle the PBSC was the top decision-making body and its members were the top policy makers. On the other hand, the elders delegated administrative responsibility to the top institutional authorities because of the elders' poor health, lack of time, lack of interest, paucity of expertise, limited information, and also their desire to avoid responsibility and the intense strain caused by the job. This trend was particularly obvious in some so-called "low politics" areas such as economic policy issues and foreign trade. However, in the policy areas of ideology, national security, military issues, most foreign policy and other politically sensitive issues, the power of decision making remained highly centralized and in the hands of a few top leaders. The increasing individual

pluralism⁹ and institutional pluralism¹⁰ in China's governmental process during the 1980s–1990s underlined the shift of power from revolutionary elders at the top level to the state bureaucracy.

Latest Developments and Research

After Deng's death in 1997, the influence of the revolutionary elders faded. The new generation of leaders had to increasingly rely on the institutional authority in the policy-making process. Persuasion and compromises were needed to bargain over bureaucratic interests to overcome the fragmented officialdom. The decision-making process thus became more difficult and protracted. However, gerontocracy has never ceased to exist in China, and the decision-making process is invariably encumbered by the political struggles among the old and the new top leaders. The new generation of leaders who have already reached retirement tried to retain power over the selection of the Politburo members, even for the next top leader. One of the priorities for the new top leader was invariably how to consolidate his power and reclaim authority from the retired elders over the policy-making process within a variety of fields. This was the case for President Hu Jintao and President Xi when they came to power in 2003 and 2013, respectively.

A Center for Strategic and International Studies report on China's economic decision making (Goodman and Parker 2015) marks a recent work by American scholars on this subject. It concludes that President Xi had reorganized China's economic decision-making mechanism by establishing and leading the CLGCDR and strengthening his control over the existing CLGFEEA. This restructuring placed President Xi at the top of China's economic policy-making mechanism and ensured that the Party reclaimed absolute authority from the government over economic decision making. The concentration of power granted President Xi the political and economic resources needed to promote economic reform while it also helped Xi reinforce China's

control over the flow of information, thoughts and ideologies. The nature of economic policy making under President Xi can be characterized as rapid, opaque, top-level and a personalized style.

Chen Ling and Barry Naughton (2016) explored some emerging features of institutionalization in China's policy making by examining the changes in China's techno-industrial policy making and introduced a general four-phase model decision-making process: policy fermentation, formulation, specification and implementation. The policy specification is described as a distinct phase in China's decision-making process between policy making and implementation. Compared to their counterparts in other countries, China's bureaucratic agencies stepped in earlier and played more influential roles in both policy making and policy implementation.

Summary of the Western Literature Review

Observations in the Western literature identified some of the key features and trends that defines China's current economic policy-making process and lays a foundation for further research on China's economic decision-making process.

The Party Central (the Politburo and the PBSC) holds the highest authority in economic policy making concerning guidelines and major decisions on economic growth and reform, while the state bureaucrats, including the premier and several vice premiers in the State Council, manage the economy on a daily basis. This structure constitutes the basic framework of the economic policy decision model in China.

The CLGFEEA has been the key group in economic policy decision making. It plays a crucial role in making major policies and guidelines, and it coordinates and delivers the final policies among China's seriously fragmented state bureaucracy.

The decision-making process within economic policy during the 1980s and 1990s underlined the shift of power from top-level revolutionary elders to the state bureaucracy. Whether the policy goal can be finally achieved depends on whether the policy makers have grasped enough executive power to push through the policy among the state bureaucracy.

9 Individual pluralism is defined as a situation wherein individual leaders, whose power is not primarily institutional but personal, compete for their policy preferences and in which no single leader dominates. This was the case in Deng's China. See Zhao (1995).

10 Institutional pluralism is characterized by conflict among political leaders and bureaucrats who must be reckoned with mainly according to the institutional resources provided by their offices. In China, institutional pluralism is structurally based on the functional division of authority among office holders. See Zhao (1995).

China's decision-making process, including the economic policy-making process, is based on consensus-building. This leads to the two other distinct characteristics: each ministry and province defines their own sphere of interest, which results in a highly contentious struggle to see them succeed; conflicts are frequent and are difficult to coordinate and resolve; decision-making is always protracted and inefficient.

These characteristics of the decision-making process were maintained into the twenty-first century and became more prominent in the Hu-Wen era. President Xi's new decision-making model attempts to overcome the disadvantages in the policy-making process by introducing new party-led leading groups and concentrating power in the hands of President Xi and his senior aides instead of the state bureaucracy led by the State Council and Premier Li Keqiang.

China's Decision-making Process in Chinese Literature

Research on China's policy-making process started with foreign scholars (American researchers, in particular) instead of scholars in China, where the academic research was just beginning in the 1980s. Chinese scholars' studies on this topic began to emerge in the 1990s, with the blossoming of China's academic research, which includes studies on decision making and foreign policy in the same period. A number of works on China's policy decisions were published in the last two decades. One key issue concerning China's policy-making process, which is emphasized by Chinese scholars, is the Party Central's absolute authority over significant national policy decisions that was clearly written into the CPC's party constitution in 1982. From the perspective of public policy making, Chinese scholars conclude the ruling party's dominance in China's decision-making process (Luo and Luo 2016). Some scholars (Zeng Yi 2013) argue that understanding China's decision-making process must go with understanding not just China's constitution but also the CPC's party constitution, given the CPC's leading position at all

levels of the Chinese government. It is a common opinion among Chinese scholars that the Party Central's absolute leadership is the fundamental characteristic impacting China's decision-making process (Zhou 2011). With this attribute in mind, Chinese scholars analyzed and summarized a few major facts concerning the structure, evolution and mechanism of China's decision-making process.

The decision-making mechanism in China since 1949 has evolved from internal collective decision making (1949–1956), to decision making by one person (*yi yan tan*) (1956–1976), to rebuilding of collective decision making (1976–1985), to decision making by consultation (1986–2003), to public decision making (since 2003)¹¹ (Yan, Wang and Hu 2013; Zhou 2011). Scholars agree that the decision-making process in China since the 1980s has become more pluralized, open and developed into an increasingly institutionalized collective process with more democratic and scientific characteristics (Hu 2014; Yan, Wang and Hu 2013; Zhou 2011). They point out that under the basic feature of top-level design, there are more public consultations and increased participation of institutions and experts from both China and overseas in this decision-making process.

An important observation made by Chinese scholars to understand the party-state's governance and policy-making process lies in understanding the so-called *gui kou* or the coordination system based on an adaptable designation of "coordination points." The CPC has another administrative agency system in parallel to the formal bureaucracy under the State Council. It began in 1958 when Chairman Mao established a few Party Central leading groups¹² to ensure the party's participation and leading role in "designing of economic works." Top-level leaders, the leading groups and central committees, as well as Party Central's staff offices and affiliated agencies, serve as coordination points. For instance, the CLGFEA is responsible for leading and coordinating economic affairs, and its *gui kou* agencies, or departments under its

11 Yilong Yan, Shaoguang Wang and Angang Hu (2013) called it a public decision-making model because more public participation had been introduced into the process since 2003.

12 The leading groups before the 1980s were ad hoc groups and did not have permanent support personnel nor did they play a consistent role in decision making. Since the 1980s, some leading groups, such as the CLGFEA and the Central Leading Group in Foreign Affairs, have been rebuilt and become important decision-making consultative bodies with permanent staff and offices. More leading groups have been established since Xi Jinping came to power in 2013.

authority, include relevant economic departments in the State Council such as the MOF, the People's Bank of China (PBoC), the MOFCOM and the NDRC. These government departments need to report to the CLGFEA when it comes to significant policy decisions. In politics and law, the Central Political and Legal Affairs Commission is the coordination point at which the Party both leads and coordinates. A member of the Politburo or the PBSC heads the Central Political and Legal Affairs Commission, and its members include the president of the Supreme People's Court, the procurator-general of the Supreme People's Procuratorate, the minister of public safety and the minister of justice.

In short, one key point to understanding China's decision-making mechanism is to be aware of the nationalization of the Party's organization, which means the Party has a national organization that parallels and penetrates the whole state bureaucratic system. At the central leadership level, the top leaders in the State Council (the central government), including the premier, vice premier and state councillor, first and foremost are the Party's top leaders, and they are all members of the Politburo, the PBSC or the Central Secretariat. Meanwhile, they are also members of the Party's different central leading groups. The same group of people are both the top leaders of the central government and the Party Central. This is the reason for documents circulated in the Chinese government to be routinely titled as "the Party Central and the State Council," and why China's official media use the term "the leaders of the party and the state" when referring to China's top leaders in their news reports.

In practice, the role of the large state bureaucracy under the State Council has become more important. The State Council fulfills daily administrative duties on every aspect in China's political economy. The limited numbers and capacity of the party's senior leaders also account for the increasing importance of the state bureaucracy in the policy-making process. The State Council enjoys absolute authority over specific policy issues and the right to take initiatives on significant national policies. The premier and one of the vice premiers are assigned to take care of economic affairs. They propose significant policies and supervise implementation, although the Party Central still holds the authority over final policy making. As a huge state bureaucracy with dozens of departments and agencies, a

comprehensive coordination mechanism is necessary to facilitate the decision-making process. The comprehensive offices and leading groups or other coordination agencies inside the State Council are responsible for policy-making coordination.

The most difficult part of China's decision-making process lies in implementation. A large number of important policies in China's governmental system failed to be realized because of obstruction by departments in the State Council, local governments or SOEs, all of which tend to protect their own interests. Premier Zhu Rongji described the awkward situation his government faced when it tried to implement decisions made by the State Council: "One thing I learned during my eight-year experience in the State Council is that one policy could not be carried out without convening eight or ten meetings. If twenty percent of a document issued by the Party and the State Council was fulfilled, we call it a success. We cannot just get things done without supervision and check for implementation" (Zhu 2011, 28-29). Only consistent inspection and supervision by superior governments can ensure a smooth policy implementation. In this case, Chinese politics could be called "a politics by supervision" as no major policies could be carried out without inspection and supervision (Zeng Yi 2013).

The aforementioned analysis by Chinese scholars on the relations between the Party and the government echoed the explanations by American scholars, in which they concluded that the hierarchy of government organs is overlaid by a parallel hierarchy of party committees (Shirk 1993). The party group (*dang zu*) is established in ministries and commissions to lead and make decisions on affairs in each government agency and comprises the top leaders in certain ministries who oversee decision making. Different from the party committee, the party group serves as the outpost organization of the party, and it has jurisdiction over the non-party members of the same ministry. The party committee supervises and makes decisions in the whole system (*kou*) that the ministry belongs to, including the subordinate agencies in the same field. Carol Lee Hamrin (1992) describes China's *gui kou* as the coordination system according to fixed or specified coordination points. She also points out that the *kou* system is duplicated further down at the provincial and municipal levels.

The basic analytical framework Chinese scholars used to describe China's decision making is based on Western political economy theory. The definition of decision making given by the *Blackwell Encyclopedia of Political Science* (Zhou 2011), and the one outlined in *New Institutional Economics* (Wang and Hu 2010), were borrowed by Chinese scholars to examine the decision-making process in China. Structure, capacity and mechanism are the three-dimensional analytical models they used to explore the decision-making process in the PRC since it was founded in 1949.

Chinese scholars argue that the structure of China's decision-making process has evolved from the individual arbitrary to pluralist participation in which the government, People's Congress, the military, the democratic parties, knowledge elites (experts), media, public opinion and social organizations (associations and NGOs) have their own voices, while the Party Central still dominates the process. This decision-making process can be simplified as "the pluralist participation under the Party's domination" (ibid.; Zhou 2011). The capacity of decision makers was greatly improved due to the establishment of a few institutionalized arrangements that assist in decision making. This process was characterized by scientific decision making instead of decision making based on experiences. These mechanisms include the party's learning system, the collective study sessions of the Politburo in particular, strengthened field investigations by the top decision makers before significant policy making and the process of assessment and judgement by experts on this system of decision making (Wang and Hu 2010).

Scientific approaches, such as data analysis, were also applied to the decision-making process (Zhou 2011). The decision-making process has been increasingly institutionalized, characterized by collective decision making in the PBSC and division of labour among the top leaders. The economic decision-making process begins with the CEWC convention, which is held annually in December with almost all members of the Party's Central Committee. The State Council then begins to draft the Report on the Work of the Government immediately after the CEWC, based on the essence of the economic decisions passed at the CEWC. The drafting process generally lasts more than two months, with several rounds of discussion on the draft in the Politburo meetings and the State Council plenary sessions. The

decision-making process ends eventually, when the draft is revised and approved at the annual session of the NPC in early March (Hu 2014).

Chinese scholars generally agree that China's decision-making model is a consensus-based one, particularly when it comes to making significant national economic blueprints, such as the five-year plans or formation of guidelines at the annual CEWC (Wang and Fan 2012; Zeng Yi 2013; Hu 2014; Wang and Hu 2010). Wang Shaoguang (2016) described China's decision-making process as a consensus-based model with two outstanding features: open door and adjustment (*mo he*). In his analysis on the formation of China's 12th Five-Year Plan proposal, Wang explained the so-called "open door" practice in China's policy-making process, which consists of outsourcing research and extensive field investigation by the drafting group, members of the Politburo and policy makers from relevant governments, as well as public consultation. The communication and coordination between the State Council (or the NDRC) and local governments or trade associations on the proposal and coordination between proposals by each government department, demonstrates the process of adjustment in China's economic decision making (ibid.). Under the model of consensus decision making, the cornerstone remains the capacity of core policy makers in communication, coordination and consensus reaching and policy implementation (Zeng Yi 2013).

Several Chinese scholars have studied China's decision-making process from the perspective of public policy making, with a focus on decision-making consultation or policy advising (S. Wang 2006; Cao 2001; Yan 2001; Bao 2004). They point out that Chinese policy makers at different levels began to conduct public consultations in the 1980s and incorporated ideas from experts and the public into the decision-making process, which greatly helped the process evolve into a more scientific, democratic and institutionalized one. Other scholars have drawn attention to the problems that exist in China's decision-making consultation. One argued that the quality of the consultation needs to be improved as the policy makers still lacked sufficient willingness, and they did not fully realize the significance of a decision-making consultation. Therefore, they do not take seriously the consultation and advisory elements in the decision-making process (Cao 2001).

Some researchers compared China's public policy making with deliberative democracy¹³ and explored the problems that exist in China's public policy decision-making system (Ji and Zhang 2004). They advocated that government needs to disclose more information for decision-making consultation. Inadequate information impedes experts and the public from executing a good decision-making consultation (ibid.). Some scholars suggest promoting the independence of the advisory institutions that are affiliated with government and encouraging the development of private think tanks and the involvement of universities and other institutions in policy-making consultations (Bao 2004). As one of the predominant modes of public consultation in China, public hearings have also come under criticism as the experts and the public are not given the necessary right to participate. The policy makers still monopolize the relevant knowledge, which results in weak public participation in policy making (Wang Xixin 2006). Other means for public participation, such as submitting petition letters and dialogues, faced the same problem (Li 2009).

The lack of accountability is another major problem in China's decision-making process. The accountability in the Chinese government focuses on policy achievement and implementation, not decision making. Gu Zhijun did quantitative research, which is not commonly undertaken, and verified this finding using 318 cases looking at accountability during the period 2003–2012 (Gu 2015). Collective decision making among the party committee at all levels of government is to blame for the lack of accountability, given that identifying who should hold the responsibility of the decision making in the party committee is an arduous job.

In recent years, several Chinese scholars conducted comparison studies between the political system and decision-making process in China and the United States. Based on these comparative politics studies, they attributed more virtue to China's decision-making process, arguing that the checks-and-balances system in the United States has developed into a so-called "vetocracy" (Friedman 2012; Fukuyama 2014) instead of democracy, while China's vertical integrated decision-

making process guaranteed a smooth delivery of policy making (Wang and Fan 2012; Hu 2014). One of the fundamental mechanisms in China's policy-making process is called the "minister responsibility system under the leadership of the premier," in which many decisions are made by a single government department and each minister is responsible for the decision from their department. Thus, policy coordination among different agencies becomes the weakest point in China's decision-making process when the Party Central or the State Council attempts to make decisions. In spite of this weakness, these scholars argued that the State Council or the central leading groups play important roles of "super coordination" under the vertical system (Wang and Fan 2012), and consistent attention and pressure from the top level can finally push through tough policies and their implementation.

There are also many studies on the development of foreign policy, an important sector of China's decision-making process in the last two decades. Scholars have focused on the pluralist trend in China's foreign policy-making process and studied the social factors that leave their "footprints" on this process, such as public opinion, media, think tanks, the academic community, local governments, business, NGOs and some key figures (Zhang 2006; 2016; Hao and Lin 2007). A considerable number of scholars use the bureaucratic politics model to analyze China's foreign policy-making process. They contend that bureaucratic politics in China are an in-party political structure rather than the one among governmental agencies, given the fact that the CPC, instead of the state bureaucracy, makes decisions at different levels of government (Zhang 2006; 2016). Other scholars explored the key policy makers in China's foreign policy-making process, identifying three forces: the core, the semi-periphery and the periphery. The core forces include the Party Central, MOF and other relevant departments in the State Council, as well as the military, while the semi-periphery forces comprise provincial governments and large SOEs. The periphery forces refer to think tanks, the media and the public (Wang 2012). Some scholars conclude that China's foreign policy follows the trend of scientific, democratic and institutionalized decision-making processes (Gong, Men and Sun 2009).

13 The notion of deliberative democracy has been elaborated on by dozens of Western scholars. The phrase refers to a form of government in which deliberation by citizens and their representatives is needed and justified to improve collective decision making (Gutmann and Thompson 2004; Dryzek and Niemeyer 2012).

Summary of Chinese Literature Review

In conclusion, Chinese scholars agree that China's decision-making process has evolved from the model of authoritarian decision making into a so-called scientific, democratic and institutionalized one, incorporating pluralistic forces from both internal and external groups, including the People's Congress, the military, the democratic parties, think tanks, business, media, the public, trade associations, NGOs and individuals. Through public participation by experts, the public and social groups, the forces beyond the core decision-making circle can nevertheless contribute to the agenda-setting process. Certainly, the Party Central still dominates the decision-making process at the central level, with the Politburo and the PBSC, the central leading groups, the party committees and the party groups at all levels of government, from the State Council to the township, control all the central and local government decision-making processes. The increasing public consultation conducted by the governments before decision making, in most cases, is done as a mere formality.

With respect to the specific decision-making process in China, most Chinese scholars agree that it is a model of consensus decision making, in particular when it comes to the making of significant national economic blueprints such as the five-year plans. Decisions are usually made collectively among the members of the party committees at different levels of government, and the most important decisions concerning national strategy are made collectively among the members of the PBSC. Prior to drafting a five-year plan and other important strategic documents, extensive field investigations and public consultations are organized. This is regarded as evidence of the democratic, scientific and institutionalized decision-making process by some scholars, but, notwithstanding this, the role of the Party Central in the policy-making process is completely dominant. The biggest drawback in China's decision-making process is how to ensure these decisions can be implemented without being compromised too much, given that the highly centralized system lacks enough capacity to overcome the impediments it faces in the extremely complex hierarchy of the bureaucratic system.

In comparison with the research in Western literature, Chinese scholars focus more on the political structure and governmental process and

the impact they have on China's economic policy making. Their findings are that the nationalization of the Party's organization guarantees the party's domination in the policy-making process.

These scholars have provided more indigenous perspectives on the peculiarities of China's policy making, such as the *gui kou* management system and its influence on the economic policy-making process. They also pay more attention to improving the policy-making process by the party state, emphasizing the pluralist participation, the wide and extensive consultations and field investigations during consensus building in the policy-making process. Some scholars point out some of the weaknesses of China's policy-making process, including the poor quality of the consultation and lack of accountability. Both Chinese and Western researchers have noticed some common characteristics in China's policy-making process, including the party's overwhelmingly dominant role, the importance of the central leading groups, the problem of policy implementation and the increasingly important role of the state bureaucracy in the economic policy-making process.

A Theoretical Literature Review on the Studies of China's Decision Making

The literature review provides a helpful understanding of China's policy-making process. Based on research on China's decision-making process from both Chinese and foreign scholars, this section of the paper will review theories used in studies that examine China's economic policy-making process and explore those that will be used in this paper. This section will first give a brief introduction to the rationality model, power model (factional politics) and bureaucratic politics, the three approaches traditionally used to examine the decision-making process in China. Next, the section will review, in more detail, the theory of incrementalism, which is similar to the model used in the first three decades of China's economic reform, as well as the institutional theory, which has been used extensively in studies of China's decision-making process in the recent decade.

Bureaucratic Politics

Bureaucratic politics, or bureaucratic structure, is the approach widely used by scholars. American scholars, such as Lieberthal and Oksenberg (1988), Lampton (1992), Shirk (1992; 1993; 2016) and Nina Halpern (1985), as well as the Chinese scholar Zhang Qingmin (2006), chose this approach to analyze the decision-making process in China. This approach emphasizes the importance of the fragmented bureaucratic organization in China's political system, in which government departments, with their own representatives, bargain for their own interests via the official mechanisms inside the hierarchical government structures.

Rationality Model

The rationality model is derived from the rational actor model developed by Graham Allison in 1971. In this model, policy makers in the government are perceived as rational and unitary and follow a series of rational steps to identify the major problems in order to determine goals and objectives and to access all the available options based on gathered information and analysis of the situation. In addition, this theory determines what costs and benefits each choice would produce to make a value-maximizing, rational choice. In the decision-making process, the policy makers in the government are regarded as the rational actor to advance the public good and national interests in a way that the policy goals, values and objectives of the nation can be maximized. Scholars, such as A. Doak Barnett and Harry Harding, took advantage of this method to explore the main problems and the actions Chinese leaders took to solve these issues in the early 1980s (Lieberthal and Oksenberg 1988).

Power Model

Other American scholars focus on the power model (*factional politics model*) to seek answers to questions that have arisen from the black box of China's policy-making process in the 1980s. Under the power model, the power struggle among top leaders and the factions they represent dominate the policy-making process, and personal factors (i.e., personal relations among leaders) play a key role in Chinese politics (Lieberthal and Oksenberg 1988; Zhao 2014). Andrew Nathan (1973, 34–66) adopted the “factionalism model” to study politics among the CPC and pointed out that the “clientelist tie” was formed throughout the CPC and plays a crucial role in the power struggle in

China's elite politics. Tang Tsou employed the term “informal groups” rather than “faction” to explain Chinese politics and indicated that there was a “balance of power” type disposition among different informal groups within the CPC's political struggle (Tsou and Nathan 1976; Tsou 1995). Avery Goldstein (1991) used the notion of bandwagon politics to analyze the Chinese political situation and argued that an established hierarchy in the CPC restricts the rampant development of factionalism in the party. Lowell Dittmer (1995) used the term “informal politics” to describe the power politics in China, emphasizing the importance of personal relationships, i.e., value-rational and purpose-rational relationships, in the CPC's politics. Lucian Pye (1981) stated that factionalism was at the centre of Chinese politics, and informal loyalty networks were decisive in political struggle, with policy issues becoming unspoken grappling between the different factions.

The Theory of Incrementalism

Charles Lindblom (1959) developed the incrementalism theory as a “muddling through” policy-making process in which the policy makers acknowledge the limits of rationality and proceed with the approach of a succession of marginal or incremental changes to avoid serious mistakes and achieve policy goals. Defining “successive limited comparison” of incremental policy improvement as the core concept of the theory, David Braybrooke and Lindblom (1970) developed it as “disjointed incrementalism,” in which serial and remedial measures are heavily relied upon instead of a more rational and comprehensive approach for policy analysis due to the bounded rationality of human beings. This includes, for instance, cognitive limitations and finite problem-solving capacities, conflicting and multiple goals and values of the decision makers, information inadequacies, and structural distortions in a large, complex organization.

Lindblom (1979) clarified the core meaning of the theory of incrementalism as a political process defined by small-step changes and explained that disjointed incrementalism emphasizes a sequence of trials, errors and revised trials as the basic approach. Disjointed incrementalism can be described as an intertwined selection of policy goals and empirical analyses of the needed action. It is used for realizing limited policy goals with an ills-to-be-remedied passive approach, and fragmentation of the analytical work is brought

about by multiple (partisan) participants in policy making. “Logical incrementalism” improved disjointed incrementalism by defining the theory as “muddling through with a purpose.” It described a more conscious and proactive process of policy making in which decision makers keep in mind the ultimate goals of the organization while making incremental readjustments in the process of policy making (Rajagopalan and Rasheed 1995).

Although pointed criticisms, such as “pro-inertia and anti-innovation” have accompanied incrementalism since it was first presented in policy making and organizational development (Dror 1964), some basic characteristics of the incrementalism theory, such as reactive response to a multiplicity of pressures, incremental readjustments and a focus on short-term gains, prevailed. Both disjointed and logical incrementalism received empirical support in the areas of governmental processes, public policy formulation, management of large business enterprises and technological innovation and change (Rajagopalan and Rasheed 1995).

Fifty years since Lindblom proposed the theory of incrementalism as a method for policy making, new developments in the areas of complexity science and network studies, data collection and analysis, including ideographic or nomothetic ones, have overcome problems, such as the lack of intellectual capacity and computing power, to conduct a rational-comprehensive analysis or, to use Lindblom’s initial term, root analysis, in the policy-making process (Scott 2010). Some key elements in “successive limited comparisons,” the core concept of the theory of incrementalism, such as limited means-end analysis, may be invalid today.

Political decision making, however, does not completely follow scientific logic, but more so the normative views, values and preferences of the policy makers and political leaders. The muddling-through process in political and economic decision making is still prevalent. The US government was still muddling through some of its most important decision-making processes, for example, the process of introducing the American Recovery and Reinvestment Tax Act of 2009 (Scott 2010). More recent Chinese leaders, such as President Hu Jintao and President Xi, were still using the trial-and-error approach to explore paths for economic reform and growth by encouraging local governments to move first, experiment first (*xianxing xinshi*).

Chinese scholar Hu Wei (1998) cited Lindblom’s theory of incrementalism to explain the disorder or randomness in China’s elite policy-making process, pointing out that the significance of personalized elite decision making in China was the primary reason for the disorder and discontinuity in China. Xueguang Zhou et al. (2013) used an alternative model based on Lindblom’s muddling-through approach to explain behavioural patterns among Chinese officials at the sub-national level that was characterized by collusion and deviance in local policy implementation.

As a political analysis characterized by small-step, incremental changes, the theory of incrementalism, especially Lindblom’s depiction of the muddling-through process in government seems to have been a good fit for China’s reform process in the first three decades since 1978. The resemblances between the theory of the muddling-through and China’s reform process can be observed in China’s reform practices since the 1980s. “Crossing the river by feeling the stones” was raised by Deng in China in the 1980s and has become the guiding principle for China’s reform since. Methodologically, it is an incremental reform path, muddling through the choppy waters of China’s complicated economic reform. As Chinese leaders always say, China’s reform is an endeavour never undertaken in the history of mankind,¹⁴ and China must pursue its own course of development. Chinese elites and leaders did not have clear thoughts on the direction, the goals or objectives of the reform when it was first announced. The goals, objectives and direction have been revised and adjusted throughout the process of reform.

One of the virtues of the incremental reform in China lies in the trial-and-error method it took. Unlike the radical overhauls in market-oriented reforms in Russia and eastern Europe in the 1980s, China’s strategy of “crossing the river by feeling the stones” provided policy makers with the time and space to manoeuvre and respond to problems and mistakes that emerged within the process of reform and correct them before irreversible policy outcomes could occur. In this way, the risks of the reform were reduced and the cost of the reform minimized. The reform of ownership

14 This is a cliché used frequently by theorists of the CPC. Chinese leaders, from Deng, Jiang Zemin and Hu Jintao to Xi Jinping, also used this platitude often to boast about the creativity, difficulty and significance of China’s reform and opening-up under the name of a socialist market economy with Chinese characteristics.

in the 1980s, the formation of a so-called socialist market economy and the exchange rate formation mechanism reform since the 1990s all demonstrate the characteristics of incremental reform in China.

Institutional Theory

Since James J. March and Johan P. Olsen (1984) argued that institutions matter and so treated institutions as dependent variables as well as autonomous political actors with their own endogenous drives for institutional changes (i.e., rules and norms), various forms of institutionalism or institutional theory have proliferated in economics, political science, history and sociology (Hall and Taylor 1996; Thelen 1999; Tang 2011; Peters 2012; James 2016). This trend inevitably extended into the area of China studies, and institutional analysis has been used in research on China's decision-making process in recent years.

The intellectual discussion on the institutionalization in China's political and economic systems in recent decades has focused on institutional development in China's elite politics, in particular power succession in the top-level leadership, the Politburo and the PBSC. A peaceful and orderly transfer of power at the top since 2002 (Li 2012; Miller 2013) has demonstrated the achievement of institutionalization at the highest level. These political achievements of institutionalization in the CPC's governance, through establishing and maintaining a growing institutionalized top-level political leadership transition arrangement since 2002, has helped to facilitate political stability and reduce the risks of a chaotic political struggle (Lee 2010; J. Zeng 2013). Alice Miller (2013) and Jinghan Zeng (2013) found that the rule of seniority, i.e., the retirement age of 68, has been sustained and presents itself as the most efficient solution in terms of distributing positions to as many candidates as possible without breaking any of the existing institutional rules.

Except for institutional development at the top, Nathan (2003), Miller (2013) and Cheng Li (2012) noticed other important institutional changes had emerged in Chinese elite politics, changing the political behaviour of leaders in a variety of areas and at different levels. These changes include meritocratic promotions, bureaucratic differentiation, channels of mass participation and appeal (Nathan 2003), multi-candidate elections in the Central Committee and other high-ranking leaders, the balance of

representation among institutional constituencies in the Politburo and Central Committee (Miller 2013; C. Li 2012) and the law of avoidance in the selection of local top leaders (ibid.).

More specific research on China's reform and policy process through the approach of institutionalism has emerged as well in recent years. Chenggang Xu (2011) defined China's decision-making and policy-implementation process as "a local experiment-based collective central decision-making process," which explains the basic approach of China's reform since Deng, "crossing the river by feeling the stones" through the lens of institutions. This process contributes largely to the advancement of the reform of an endogenous movement driven by the internal institutional structure. Sebastian Heilmann (2008) examined the experimentation-based policy process in China's economic reform and found a model of combining decentralized experimentation from the local and interference from the central, which leads to a final institutional adaption and policy learning in national policy making. Kean Fan Lim (2017) further raised the issue of policy experimentation and path dependency in China's policy-making process. Analyzing the "move first, experiment first (*xianxing xinshi*)" approach, Lim indicates that the central government seized the initiative to allow "potentially path-changing experimental policies to be launched on a "move first, experiment first" basis, but remained in control of the scope of the experimentation and the extent to which the previous institutions could be reformed.

Regarding the latest research on this subject, Wang and Peng Fan (2013), Hu (2014) and Yan, Wang and Hu (2013) proposed increasing the institutionalized consultative decision-making process when making five-year plans or drafting guidelines for the party's plenary sessions. Chen and Naughton (2016) adopted an institutionalist perspective and noted the increasingly institutionalized rules and procedures that occurred in almost every policy field in China. Using case studies in China's techno-industrial policy-making process, the authors illustrated a four-phase model of policy making that displays the institutional structure in China's decision-making process. Jean-Pierre Cabestan (2017) and Shirk (2016) argued that in China's policy-making process under Xi Jinping, especially in the foreign and security policy areas, Xi's strengthening and consolidation of power probably partly reduced fragmentation but failed

to contribute to the institutionalization of policy-making processes within the top authorities, including the Party and the State Council.

Summary of the Theoretical Literature Reviews

The rationality model was criticized as too idealistic, and its usefulness in describing the decision-making process has been seriously doubted by scholars since it was established between 1960 and 1970. In China studies, Western scholars who applied the principle of the rationality model to explore the decision-making process in China, failed to consider the constraints faced by the Chinese leaders, such as limited available information, different leaders' value preferences and time pressures (Lieberthal and Oksenberg 1988). One of the major challenges for the power model, or the factional politics model, encountered in China's policy-making process has been the questionable evidence that has underpinned this model for a long time (J. Zeng 2013; Breslin 2008; Li and White 2003). Another problem facing the factional politics model lies in its disregard of the basic bureaucratic structure of the Chinese government that plays a key role in terms of policy formulation and implementation. The bureaucracy, in particular the ministries and agencies that are responsible for economic policy making, not only profoundly affect the content and focus point of information provided to top leaders (Lieberthal and Oksenberg 1988), but can, with their exclusive expertise, substantively influence the policy being considered in the top-level leadership. Chen and Naughton (2016) found that high-level Chinese leaders relinquish their hold of policy making to bureaucrats at an earlier stage than politicians do in other countries. In this way, Chinese bureaucrats seized more control of the policy-making process or acquired more freedom to "explain" the top leaders' intentions due to the often vaguely worded instructions and directions from the top leaders' decisions.

However, bureaucratic politics do not tell the whole story of China's decision-making process. China's unique party-state dual-governing system complicates the process, and the approach bureaucratic politics typically provides is only half

of the story.¹⁵ With President Xi's repeated focus on strengthening the party's role in economic policy making, and the emergence of the trend that the party takes care of everything, bureaucratic politics, or a narrative of bureaucratic structure, provides a basic explanation of China's policy-making process, but still is not sufficient to explain the complex decision-making process. Exploration, in a broad sense, of bureaucratic politics in China is needed. The exploration should be an extensive bureaucratic structure that includes both the state and the party hierarchies, or an institutional approach that can describe both the roles of the state bureaucracy and party hierarchy, as well as the interaction between these two players in the policy-making process.

With regard to incrementalism, it is more like a philosophical guideline for practices in the decision-making process. Incrementalism is better at explaining how decision making has been and should be made, but less effective as a research analytical framework to explore and demonstrate the driving forces behind the decision-making process. At best, it is a passive approach when facing the complicated decision-making process, focusing only on limited goals with small-step, incremental measures to bring it to fruition. Although this method provided an explanation of the trial-and-error approach under Deng's principle of "crossing the river by feeling the stones" in the first 30 years of China's economic reform, it failed to credibly explain why this approach did not work well when the reform continued to proceed in the most recent decade.

At the beginning of the reform and opening-up policy in the 1980s, China's policy makers had to cross the river by feeling the stones to promote economic reform as they did not have much experience they could rely on to make decisions. This explains why the gradualist approach prevailed. With the reform proceeding further, deep-rooted vested interests in government departments and the SOEs have formed and developed. These have become political and organizational forces wherein restrictions from the previous incremental reform continue to play a role in the approach taken to promote economic development. Bureaucratic politics, powerful interest groups and an absence

¹⁵ Lieberthal and Oksenberg (1988) admitted one of the limitations of their study was the failure to describe the role the Party performed in China's policy formulation and implementation.

of leaders' determination to overcome the stumbling blocks in the fragmented bureaucratic politics, have all contributed to the stalled situation in China's economic reform. A passive incremental method that had pushed China's economic reform was no longer effective.

Equally important, the gradualist and experimentalist approach that Chinese leaders employed caused a series of severe problems during the reform process. The dual-track system in the gradual price reform in the early days of reform in the 1980s triggered the first wave of extensive corruption among party and government officials. The guideline of "allowing some Chinese people to get rich first before others is to enable all of them to prosper eventually" (Deng 1993, 23), was clearly based on the philosophy of incrementalism, and has opened a Pandora's box of inequity between the rich and the poor over the past three decades. The combination of crony capitalism and socialist development goals produced a unique "halfway house" that is neither capitalism nor socialism. The long-term, trial-and-error reform measures have caused the accumulation of many desynchronized and uncoordinated problems that, conversely, had obstructed the process of reform. For example, the financial sector was supposed to provide key support for sustainable development in China, but for years the highly protected financial sector has evolved into a stronghold to resist further liberal reform and opening-up due to the lack of market-oriented reform. The rebalancing of the Chinese economy largely depends on the departure of the key element of investment on which the old growth model relies heavily. Rebalancing has only made limited progress because the financial sector, controlled by state-owned commercial banks, failed to provide financial support to the real economy, and in particular to the growth of the private sector.

Since 2013, a more proactive and institutional approach characterized with "top-level design" and "strengthening the party's role in economic work" has been utilized to resolve the problems associated with the approach of incrementalism. In China's case, the incrementalism approach, as a philosophical guideline, has only explained half the story of China's economic development and was not effective as a decision-making process approach in reform.

The Theoretical Frameworks

After 40 years of economic reform and opening-up, the policy-making process in China has experienced profound changes. In Chinese official parlance, the government is advancing toward a decision-making process that is increasingly more democratic, scientific and institutionalized. To explain how these great changes have happened in China's decision-making process over the past three decades, and further describe the latest changes in President Xi's era since 2012, a more comprehensive analytical framework is needed. The approaches of the rationality model, factional politics, bureaucratic politics and incrementalism all have their own limitations when used to explain the decision-making process in China. The current research results that are based on an institutionalist perspective, focus on the development of institutionalization inside the party, the power succession at the top, in particular, or certain specific institutional changes inside the state bureaucracy. These results failed to explore the institutional changes in China's economic policy-making process under the basic party-state institutional structure, i.e., how formal and informal rules, accepted routines, norms in the party-state dual governance (for example, the division of labour on economic decision making between the State Council and the party central and how it developed) evolved and how they have influenced the economic policy outcome. Considering the prominent new development characterized by President Xi's efforts to strengthen the Party's role in China's economic policy making since he came to power, the study of institutional changes to the party-state dual-governance structure is a better option to explain the complex and increasingly diversified and institutionalized decision-making process.

A basic premise and logical start for understanding the decision-making process in China should be the party-state dual-governance structure, which plays the dominant role in policy making in all fields and sectors in Chinese society. The development of institutionalization in China's elite politics has established standard procedures, practices and institutional rules and norms in the CPC's governance and the government's policy-making process in recent decades. But these institutional changes did not, and will not, change the fundamental institutional structure of China's governmental

process. In other words, the institutionalization will never be allowed to evolve to the degree in which the CPC's decision-making authorities and their control of society could be threatened or hurt. The CPC keeps a vigilant watch on this. The resurgence of the party-controls-everything trend under President Xi constitutes the latest repetition of the CPC's effort to better govern and tightly control Chinese society.

Questions of note, therefore, include how far the institutionalization in China's elite politics can go, how it has and will affect the decision-making process in China and whether changes that have happened under Xi's reign are more or less institutionalized. Before answering these questions, a quick review of the institutional theory will help to understand the issues.

About three decades after the article by March and Olsen (1984), the assertion that "institutions matter" has been widely accepted, and so have the ubiquitous and prominent roles institutions play in political and social decision making. B. Guy Peters (2012) even concluded institutions "matter more than anything else that could be used to explain political decisions." In general, the (new) institutionalism focuses on answering the fundamental question of how institutions affect the behaviour or style of decision makers. Two related key questions are how to define "institution" and how to explain the way and process whereby institutions originate or change (Hall and Taylor 1996). In recent decades, historical institutionalism has become a leading institutional approach for elucidating politics and decision making (Peters, Pierre and King 2005). It sees the institutional organization of a polity as the principal factor that affects the polity's behaviour and policy making in a discrete process that emphasized path dependence. Featured with relatively persistent and slow changes that rely heavily on a set of "paths," the institutions are stable. Drastic institutional changes or punctuated path dependencies only happened when critical junctures or notable diffusion of new ideas occur in political economy are encountered (Hall and Taylor 1996; Peters, Pierre and King 2005).

Drawing on useful analytical tools from new institutional economics, rational choice institutionalism explains the development of an organization, institution and polity as efforts to lower the transaction costs of deal making or decision making to solve a series of collective action dilemmas in politics. Rational choice institutionalism explains that gains from cooperation provide a distinctive explanation of how institutions originate (Hall and

Taylor 1996). Sociological institutionalism tends to define institutions in a much broader way, not only through formal rules, norms and procedures but also via cognitive concepts within culture, such as symbols, models, shared attitudes or values. Sociological institutionalism emphasizes the role of ideas instead of material benefits in the development of an institution, in which the individuals seek to define and express their identity in socially appropriate ways. Institutions develop because of the social legitimacy of the organization or its participants, not because of the material well-being and the means-ends efficiency of the organization.

Many limitations exist within the theory of institutionalism as well. For example, sociological institutionalism was criticized as missing the importance of the clash of power among actors in the process of organization creation and changes. Rational choice institutionalism was criticized by peer scholars as focusing narrowly on the dimensions of function, benefit and material interests. It was also deemed to have failed to explain plenty of "inefficiencies," unintended consequences in the origins and changes of an institution. Historical institutionalism was weak in developing a sophisticated understanding of how institutions affect behaviour, the centrepiece of an institutional approach in terms of explaining the policy-making process. It was also criticized as placing too much attention on structural variables in an institution, but not on identifying the political conflict and changes in the institution. In addition, historical intuitionism was found to be focused only on the continuity of the successful policy option but failed to explain the complexity and uncertainty in the formative moments in the creation of policies (Peters, Pierre and King 2005).

However, under the broad scope of the theory of institutionalism, the three schools of institutionalism "share a great deal of common analytical ground on which the insights of one approach might be used to supplement or strengthen those of another" (Hall and Taylor 1996, 955). A central variable to explain political life that exists in all institutional approaches is the institution itself. Each theory of institutionalism considers institutions the most important component of politics (Peters 2012). Based on the three key questions the theory of institutionalism tries to answer, many analytical tools under the umbrella of institutionalism can be employed to explore the formation and evolution of an institution and how

it affects the political outcomes, i.e., to explain the decision-making process in a given institution.

Following the three basic questions of the theory of institutionalism, the next paper will examine the institutional changes in China's decision-making process since the reform and opening-up under China's basic party-state dual-governing structure. Based on an analysis of the development of the institutionalization of China's decision making, how institutional adaptations or innovations influenced and changed the style and preference of Chinese policy makers and their capacity in agenda and priority setting in the process of decision making in the first 30 years since the reform began, will be explored. The third paper will evaluate the major policies and measures made in China's economic policy-making process in the period of Xi's governance, such as top-level design and the party's role in economic management. It will also discuss whether these moves constitute institutional changes, whether these changes are more or less institutionalized and how they affect the decision making in China's economic reform.

Institutions in the form of rules, routines, practices, narratives or shared values will be used to explore the internal driving forces that pushed the changes within both the bureaucratic politics and the leadership level. The changes in the distribution of power between the bureaucratic system and the Party Central in economic policy making in China will be examined. The institutional analytical framework provides a convenient perspective, or more precisely, a measuring instrument, from which the endogenous driving forces in both the state bureaucracy and the party central leadership hierarchy can be better observed. This framework can offer a perspective to examine how the power of institutions affects the factional politics in the name of promoting the scientific, democratic and institutional decision-making process. More importantly, scrutiny of the institutional changes between the bureaucratic system and the Party Central is expected to uncover some key factors in China's decision-making process and, in particular, economic policy. For instance, the contention over the distribution of power to make significant economic decisions between the State Council and the Party Central, and how it has evolved, demonstrated a conflict of institutional power between the top leaders and showed how it affects the agenda setting, policy preference and priority, information flow and personnel changes in China's economic policy making.

Methodologies

The purpose of the three papers is to explore the economic policy-making process in China under President Xi using an institutional theoretical analytical framework. How the path dependency and institutional innovation affect the decision-making process in the era of Xi will be discussed. Analyses on the policy-making process in general and in some key sectors, such as monetary policy and the SOE reform, form the main substance of the three papers.

Case studies and interviews with officials and scholars in China are the two basic methodologies applied in the second and third papers. Findings of case studies and interviews will be incorporated into the process of policy analysis. A great number of case studies concerning some key sectors in China's economy have been chosen to help understand the policy-making process. A considerable number of interviews with officials and scholars who are familiar with China's decision-making process will be carried out, to help clarify some complicated issues in China's economic policy-making process.

A comparative approach to review the differences in policy making between Xi and his two predecessors will also be applied to better understand the institutional changes under Xi and how they influenced the political and economic outcome in Xi's era. Compared to the decision-making process in the periods of President Jiang Zemin and Hu Jintao, significant changes in policy making have occurred and continue to take place in the era of President Xi. The incremental approach may provide a plausible explanation of China's decision-making process before Xi came to power. Chinese policy makers working under Deng's philosophy of crossing the river by feeling the stones employed the fundamental approach of trial and error to explore ways for reform without knowing what exact direction the decision or the strategy would lead to.

By contrast, the great attention to and in-full-force advocacy of top-level design under Xi explicitly signals the departure from Deng's main approach. Methodologically, Xi's emphasis and practices of the top-level design under his grand plan to "comprehensively deepen reform" is overhauling the path of reform that

has been employed for decades, since the 1980s, when the economic reform began.

As sophisticated officials who were immersed in the CPC's bureaucratic echelons for decades, Xi and his senior aides should have anticipated the great controversies and challenges caused when seeking to change the approach for the reform. Certainly, Xi's top-level design is not, and would not ever be, explained as a completely different approach from the previous one under Deng, which was to push economic reform of China's unique political economy. While top-level design was claimed as the guiding principle, Xi stressed the integration of both approaches — the top-level design and crossing the river by feeling the stones — in the process of reform, although in practice the top-level design prevailed.

Theoretically, the approach of incrementalism shares some similarities with historical institutionalism, which underscores path-dependence and unintended consequences (Hall and Taylor 1996). Consequently, a comparative study on the two approaches will provide a helpful perspective to observe how institutional changes have occurred and how institutional rules and norms were formed and maintained during China's three-decade economic reform under the guideline of Deng's pragmatic and incremental style of philosophy for governance. Studies by Heilmann (2008), Xu (2011) and Lim (2017) demonstrate how these institutional changes occurred via the local trial-and-error experiments or the central-authorized trial-and-error reform, the "move first, experiment first" approach to explore new rules, norms and practices in the Chinese government's economic and social governance.

Conclusion

The changes in the system of China's political economy, in particular the perpetuation of vested interests that have evolved since the acceleration of economic development after China joined the World Trade Organization in 2001, has compromised the decision-making system and the government's capacity for implementing major decisions. A variety of problems unfolded in the process of reform and economic development, such as an imbalanced economic structure, growing inequality

among the rich and the poor and among different regions, as well as stalled SOE reform and market-oriented reform in the financial sector. Seen from the perspective of interest group politics, the government departments, the SOEs and different factions within the Party all constitute, in a way, vested interests that are trying to maximize their benefits and welfare in both the practices of decision making and policy implementation.

Under this context, China's decision-making process has become extremely complex, a turf war for power and interests, which constitutes one of the important reasons why China's economic reform is crippled. Taking an incremental approach was the Chinese top leaders' proactive choice in the beginning stages of reform, but this passive approach has been found to be increasingly unworkable to deliver key policy reforms in the policy-making process in the last decade. The reform stalled because of the substantial impediments by bureaucratic politics and power struggles among party factions and powerful interest groups.

It seems the elites and leaders in China have consciously realized the seriousness of the obstruction in decision making of the reform, and they have been considering the avenues and means to break down the obstacles. Apparently, they had attributed the prime reason for failed reform promotion to the lack of a top-level design. These problems are expected to be solved through the approach of the top-level design that emphasizes an elaborate plan for the sequence, measures and road map for the reform. The key lies in how to break up the obstruction of the interest groups and how to execute the decisions effectively. The idea of the top-level design, with its systemic conceptualization and overall viewpoint, embodies the top leaders' methodical thoughts on reform and related decision making.

The comprehensive reform is an overhaul of the model of wealth and power distribution among the different parties within the Chinese government and society, as well as a radical change of thinking among Chinese people. It requires a systematic approach to finish the rebuilding of the benefit structure and ideology in China to deliver a smooth reform. Chinese officials, including the top leaders, generally grew up under materialism and Marxist philosophy, and they are, for the most part, believers of rationalism. They have faith in the force of reason and are confident that by pooling the wisdom of all officials, leaders and experts, they can map out

some grand strategy to guide the stalled economic reform out of its current dilemma. That is the methodology and philosophy behind the so-called top-level design, the new decision-making model under President Xi to direct and promote economic and social overhauls. It requires the top policy makers to employ the power of the system to break the obstruction from sub-systems and individuals, paying even more attention to “the systemic nature, overall nature and coordinated nature of reform.”¹⁶

The top-level design aims to provide an overall plan that is practical and well-coordinated among its components, to comprehensively deepen the reform. The belief of “no top-level design, no reform,” represents a big shift in approach and a proactive initiative to seek institutional changes to promote the reform. Establishment of the CLGCDR is the crucial first step in a structural reformation to seek institutional changes in effectively leading and pushing the reform. Under the banner of “strengthening the party’s leadership in economic work,” President Xi quietly proclaimed his head position at the CLGFEA and sought extensive control of significant economic decision making. For the purpose of comprehensively promoting reform in all sectors, Xi established and headed more leading groups within the party and grasped more power in significant policy-making areas.

Reform is an extremely tough mission. The CPC’s spirit of learning and reforming, and its acceptance for new ideas and practices, may provide some endogenous and exogenous forces to explain the institutional changes in its policy-making process. However, it is not enough. Xi’s efforts to begin a new approach with new rules, practices and narratives in China’s decision-making process in promoting reform were accompanied by his increased concentration of power through the long, drawn-out anti-corruption program and a reshuffle of senior party and state officials in specific positions. That is why some scholars (Shirk 2016; Cabestan 2017) think that Xi has weakened the political institutionalization in China. Whether the top-level design model of decision making can be a game changer to push forward the stalled reform remains to be seen in President Xi’s next five-year term starting in 2018.

¹⁶ CPC Central Committee Resolution concerning Some Major Issues in Comprehensively Deepening Reform (Passed at the third plenum of the eighteenth CPPCC on November 12, 2013), available at: www.gov.cn/jrzq/2013-11/15/content_2528179.htm

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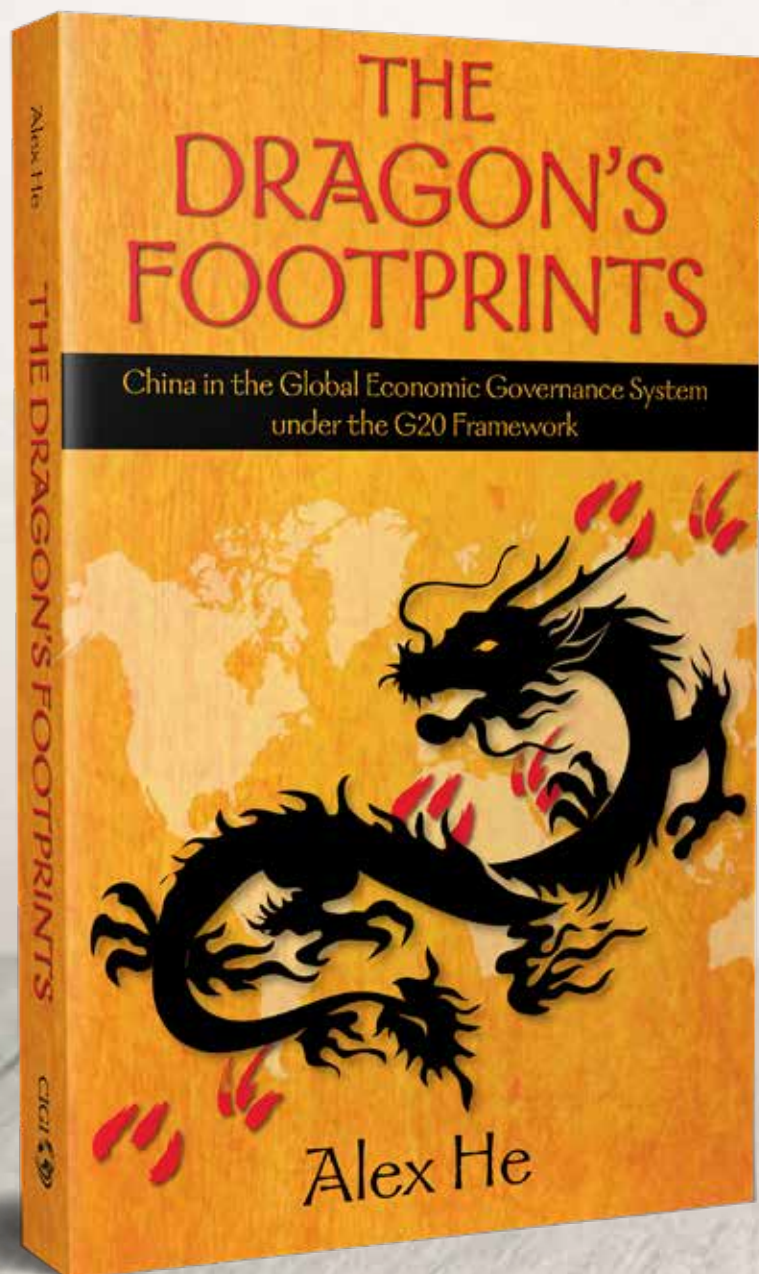
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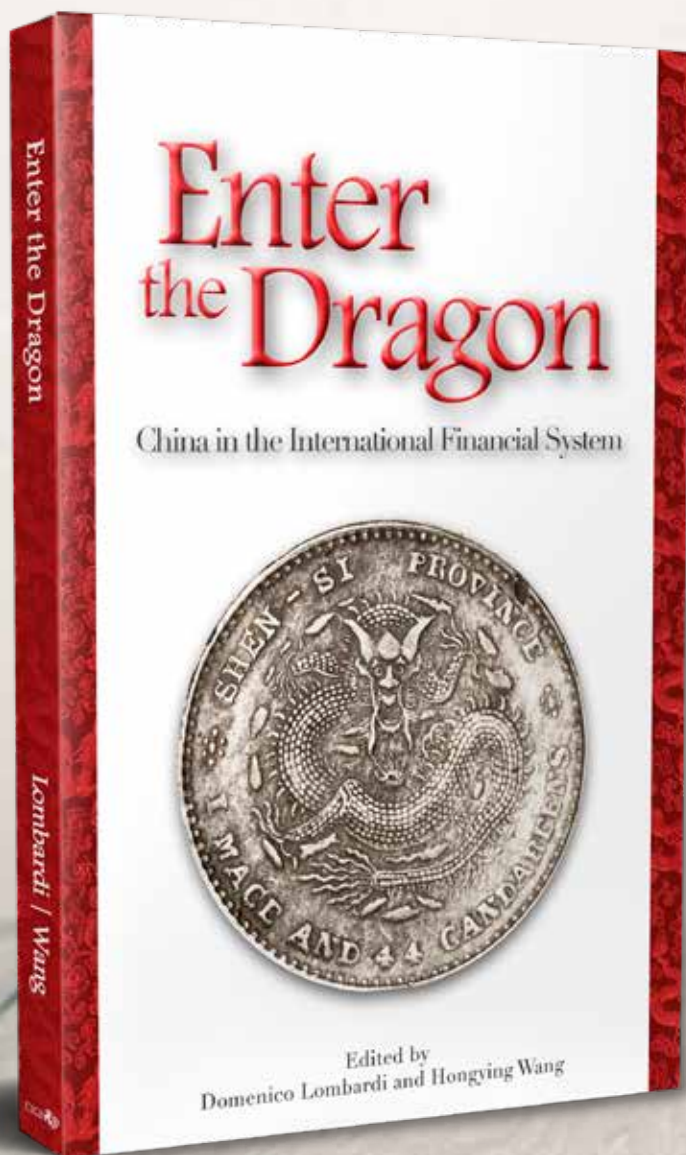
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