

**HU-WEN'S EFFORTS TO STRENGTHEN
GOVERNANCE: REGULATING
CENTRAL-LOCAL RELATIONS**

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Executive Summary

1. Under the leadership of Hu Jintao and Wen Jiabao, new initiatives to institutionalize China's century-old central-local relations are taking place in the areas of Party supervision, government administration, and market safeguarding.
2. Efforts have been made to ensure better monitoring of local Party and government officials, prevention of abuse of power, effective downward reach of state regulatory institutions and local administrative reform.
3. These changes reflect not only the dynamic and fluid nature of the relationship, but also the leadership's attempt to develop a modern state and to answer to the call of globalization with greater regularity and transparency.
4. The State Council issued "Implementation Guidelines for Comprehensively Promoting Administration Based on Law." The Guidelines require the institutionalization of central-local relations by 2014, a goal set by the 2004 revised constitution.
5. The government administration reform is a recent effort to transform the all powerful government into a "limited" government capable of "economic regulation, market supervision, social management and public services."
6. The central government has allowed local authorities to experiment with restructuring local governments in order to streamline and optimize local administrations. In particular, provincial governments are encouraged to exercise direct administrative control over counties (省管县).
7. Another major reform is to further reduce the total number of 3,900 township governments through mergers and elimination of smaller townships. Chongqing was recently authorized to gradually phase out township government altogether.

8. The Party has deprived provincial Party secretaries of the power of selecting provincial PCDI heads; instead, the center now directly appoints provincial Party Commission of Discipline Inspection (PCDI) czars to make PCDIs answerable to Beijing rather than to provincial Party secretaries and to hold top provincial officials more accountable.
9. To break up local protectionism and ensure greater government regulatory power over market, the central government has centralized and empowered state regulatory institutions to exercise macro and regulatory control over local governments.
10. The introduction of the 1994 tax-sharing scheme was the first step to institutionalize central-local financial relations that aimed to regulate complicated fiscal measures and end incessant bargaining between central and local governments.
11. However, institutionalization is still incomplete: no institutional arrangement has been made to define the geographical division of power or areas where concurrent power is shared between the center and local governments. The lack of clearly defined jurisdiction and responsibility has led to the great negligence of local governments in protecting the environment, and in dealing with other social issues
12. Without constitutionally-defined rules for the establishment of a unitary system, the central government still finds itself constantly adjusting its relation with local governments in order to come up with an effective way to contain local abuse of power, impose macro control and reduce social tensions.