CHINA’S ADMINISTRATIVE REFORM: PROGRESS, ISSUES AND POLITICAL IMPLICATIONS

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Executive Summary

1. Since 2013, the new Beijing leadership has elevated the modernization of state governance as the fifth modernization of the country. Good governance is considered a prerequisite for higher-level political reforms such as the electoral reform.

2. The acceleration of the administrative reform since 2002 has been linked to China’s entry to the World Trade Organization in 2001 and the downward pressure of China’s economic growth due to the 2007/2008 global financial crisis and the subsequent 2008-2012 global recession.

3. The over-centralization of power and the lack of the rule of law are the major obstacles to China’s political development. The separation of the functions of the party and the state (党政分开) and the decentralization of power and delegation of rights (简政放权) are the dominant themes in China’s administrative reform.

4. Since 2002, 10 rounds of elimination and delegations of administrative review and approval powers have been conducted, with five since 2013. Thousands of items have been appealed or delegated at the national, provincial and city levels. A new system of retroactive supervision will soon substitute most part of the existing system. The result would be a leaner and more effective government.

5. The reform has altered state-local relations drastically. Fiscal federalism now characterizes central-local relations. Local governments have acquired many legislative, investment, and fiscal powers, but the many new unfunded mandates from the top have seriously restrained their budget.

6. Some progress has been made in establishing a public administration ruled by law. The National People’s Congress and the State Council have promulgated many statutory and administrative laws to regulate market, enterprise, market exchange, economic contracts, intellectual property rights, taxation, etc.
7. The enactment of the *Administrative Litigation Law* is a milestone in China’s legal history. People could for the first time sue the government for decisions that have a direct impact on their lives.

8. Social governance is the latest addition to the governance reform. Steps are being taken to allow many non-governmental organizations to have a more active role in social governance.

9. China’s administrative reforms are similar to reforms carried out in other countries. Its goals are to use scientific management to improve efficiency, wage war on the government’s wasteful spending, standardize the administrative procedure, and limit administrative power to prevent corruption and reduce bureaucratic red tape.

10. With the significant reduction of governmental review and approval powers, it reduces the cost of doing business and improves bureaucratic efficiency. More importantly, it minimizes official corruption and facilitates the functional transformation toward a service-oriented government.