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What Is the State of the Chinese State?

Pronouncements of its demise amid a strengthening of CCP control may be premature.

By **Jamie Horsley**
September 20, 2023



CCP General Secretary Xi Jinping, left, chats with Chinese Premier Li Qiang during a session of China's National People's Congress (NPC) at the Great Hall of the People in Beijing, Mar. 12, 2023.

Despite successive rounds of restructuring by the Chinese Communist Party (CCP) in 2018 and 2023 that led [some analysts](#) to proclaim the CCP's absorption of the Chinese state, China's government apparatus under the State Council survives and continues to strengthen important institutions.

Since becoming CCP General Secretary in November 2012, Xi Jinping has redefined the [tenuous "separation of powers"](#) between the CCP and the Chinese state by asserting CCP leadership [more directly](#) over [everything](#). Nonetheless, while the latest reorganization does further strengthen party oversight of important, traditionally state functions through new CCP organizations, only one state institution was actually absorbed into a party entity. A nominally distinct state apparatus subject to [generally enforceable](#) legal requirements for transparency, public consultation, due process, and accountability continues (under CCP oversight) to provide a measure of responsiveness and innovation, as well as build good governance expectations and practices.

As predicted, the 20th Party Congress in October 2022 saw Xi Jinping unanimously voted into a third term as general secretary, after which he staffed the Politburo and its seven-person Standing Committee with loyalists. Some also predicted that Xi minions taking various reins of government meant a further [decline in the State Council's](#)

powers, following a 2018 reorganization that appeared to [strengthen the CCP at the expense of the state](#).

After a February 2023 plenum of the CCP's Central Committee announced the adoption of another, then undisclosed [plan](#) to further restructure party and state institutions, rumors swirled that the party would institutionally assume [more direct command](#) over sectors deemed particularly critical, while “further [diluting the government's role in policy-making](#).”

The restructuring plan was [released](#) in March. As it turned out, the only state agency moved directly under party control was the State Council's Hong Kong and Macao Affairs Office, which maintains that state “nameplate” but was restructured, and [politically upgraded](#), as a new Hong Kong and Macao Work Office under the CCP Central Committee. Nonetheless, the plan did introduce other forms of enhanced CCP leadership.

It streamlined the functions of the Ministry of Science and Technology (MOST) to focus on policy and rule making and designated it to serve, in its entirety, as the administrative office of a [new party Central Science and Technology Commission](#) (CSTC). However, MOST retained its status as one of 26 [State Council constituent institutions](#). Three other state agencies were upgraded and gained more administrative authority by becoming “institutions directly under the State Council”: the securities regulator, the national intellectual property administration, and the state petitions bureau.

In addition, the plan created two new state agencies. The National Administration of Financial Regulation (NAFR) took over the former China Banking and Insurance Regulatory Commission and expanded its functions to include protecting financial consumers and investors. Reforming the financial sector was a major target of the institutional restructuring, prompting overseas concerns that it would subject that sector to increased, direct CCP control. Instead, the plan established the NAFR as an institution directly under the State Council, with a higher administrative status than its predecessor, and a [seasoned banker](#) was named to be its initial party secretary and director.

To be sure, the NAFR and the financial sector generally will be overseen by a newly created party [Central Finance Commission](#) (CFC), one of five new CCP organizations, with a related new [Central Financial Work Committee](#) (CFWC) tasked with strengthening the CCP's unified leadership of financial sector party work. Notably, the plan did not stipulate the relationship between the NAFR and the party's CFC and CFWC. This silence contrasts with the subordination of the MOST to the

new CSTC and the [plan's explicit direction](#) that a new party Central Social Work Department (CSWD) will exercise “unified leadership” over the state petitions bureau.

Nonetheless, concerns regarding the maintenance of the professional and technical expertise of China's financial regulators, and the degree of autonomy the CCP will allow them, remain. The plan's instructions to cut financial sector salaries, an ongoing party-led [anti-corruption probe](#) that has ensnared top-level bankers and insurance and securities officials, the replacement in July of the well-respected [former central bank governor](#), and its announcement of plans to [revise much banking legislation](#) all contribute to such concerns.

The second new state agency is the [National Data Bureau](#) (NDB), established as a relatively autonomous regulator under the State Council economic coordinator, the National Development and Reform Commission. Given the importance to the CCP leadership of data as a valuable national resource, situating the NDB as a state institution is notable. In contrast, the [2018 restructuring plan](#) placed the Cyberspace Administration of China (CAC), which oversees online data security, personal information protection, and cross-border data flows, directly under the CCP Central Committee.

The NDB's [first director](#), with extensive industry and regulatory experience including two years as a CAC vice director, has been announced, but not its structure and official opening. Thus, the exact relationship between the NDB and the CAC – some functions of which the NDB will assume – or other CCP institutions is not yet clear. One [party publication](#) suggested exploring merged party-state data administration offices at the municipal level to optimize data security and law enforcement.

The plan also introduced some novel arrangements to enhance CCP leadership. Designating MOST to serve in its entirety as the administrative office of the CSTC, rather than the CSTC establishing a separate office within the ministry, seems to be a first, the implications of which are not clear. More typical was installing relevant new CCP commission offices within the Ministry of Justice and National Audit Office under the 2018 plan. The plan explicitly subjects the state petitions bureau to the new CSWD's unified leadership. Moreover, that bureau now implements a [party, rather than a State Council, regulation](#), which covers the CCP and other state organs in addition to the government departments the State Council traditionally oversees.

Party leadership does not always mean party control. Indeed, the [Party Charter](#) still stipulates that party organizations within state agencies should assist, but not direct,

their work. China's legislature and State Council continue to actively produce and update laws and regulations that are published for comment.

In emerging areas, from the [sharing economy](#) and [online bullying](#) to [data security](#), [AI](#), and [algorithmic regulation](#), the Chinese state is a regulatory first-mover, also evidencing [its potential receptivity](#) to public and industry concerns about the appropriate balance between innovation and security. Localities experiment with pilot programs like [carbon emission trading](#) and [providing maternity benefits](#) regardless of marital status. Scholars publish [proposed legislative drafts](#) to [influence decision-makers](#). Rather than an immobilized bureaucracy overburdened by party control, the Chinese regulatory state still seems capable of [fairly agile](#), if sometimes seemingly [chaotic](#), governance.

Despite evidence that [ideology is driving Chinese decision-making](#) to unprecedented degrees, Chinese state officials are still expected to deliver economic growth and social stability. Bureaucratic imperatives and competition, and local pressures, inevitably impact policy implementation, even under party leadership.

While state entities are subject to [direct oversight by party institutions](#) through internal and external party committees and [CCP reporting requirements](#), and typically led by party members that double as state officials, they are administrative institutions. China's [administrative law requires](#) disclosure of government-held information, public input to rule-making, and accountability through appeals and lawsuits against state entities. These "good governance" institutions, even when [imperfectly implemented](#), are promoting expectations and practices that bring present benefits, including a degree of responsiveness and innovation, and provide the Chinese people with tools to better handle whatever political changes the future may bring.

To be sure, the Chinese state continues to struggle with serious challenges, including some attributable to its own [clumsy management](#). But for now, the Chinese state endures.

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