

People's Republic of China

(中华人民共和国)

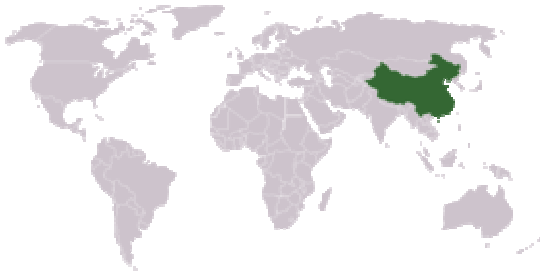


Capital: Beijing

Inhabitants: 1.321.851.888 (2007)

Area: 9.640.821 km²

1. Introduction



China is the most populous country in the world, with 1.32 billion people by the end of 2007, one fifth of the world's total. This figure does not include the Chinese living in the Hong Kong and Macao special administrative regions, and Taiwan Province. As the third largest country in the world, next only to Russia and Canada, China has a landmass of 9,600,000 sq km, making it roughly the same area as the continental United States.

The Communist Party of China (CPC) is the party in power in the country. The Central Military Commission of the People's Republic of China is the highest state military organ with the responsibility of commanding the entire armed forces in the country. The presidency of the People's Republic of China, as the head of the state, is an independent organ of the state. The National People's Congress (NPC) of the People's Republic of China is the highest organ of state power. The state

administrative organs include the central and local administrative organs. The Supreme People's Court is the highest trial organ in the country and exercises its right of trial independently. The people's prosecution offices are prosecution organs of the state. These include the Supreme People's prosecutor, local people's prosecutors and military prosecutors.

The Chinese People's Political Consultative Conference as the state's political consultative organ, is a united front organization under the leadership of the Communist Party of China and an organ for various other political parties, mass organizations and personages of various social circles to take part in the running of the state. Mass organizations are an important component of the political life in China.

The local administrative system of local government means the systems and practices of establishing administrative regional divisions and setting up local administrative organs in order to facilitate the implementation of local administration.

The system of the people's congress, the system of multi-party cooperation and political consultation under the leadership of the CPC, and the system of regional autonomy for ethnic minorities - all important components of China's



democratic system - have been continuously improved and developed. The democratic rights of people at the grassroots level in urban and rural areas have been constantly increased, and the citizens' basic rights are respected and guaranteed. Continual progress has been made in building a democratic system within the legal framework. Marked achievements have been recorded in the reform of the state leadership system, legislative system, administrative management system, judicial system, personnel system, and supervision and checking system. Guided by the objective of ruling the country by law and building a socialist country under the rule of law, more efforts are being made to build socialist democracy so that it is institutionalized, standardized and in line with prescribed procedures.

2. Territorial Organisation

2.1 Government tiers

China's administrative units are currently based on a three-tier system, dividing the nation into provinces, districts and townships. The country is divided into provinces, autonomous regions and municipalities directly under the Central Government. A province or an autonomous region is subdivided into autonomous prefectures (zi zhi zhou), districts (xian), autonomous districts (zi zhi xian) and cities; a district or an autonomous district is subdivided into townships (xiang), ethnic townships and towns. Municipalities directly under the Central Government and large cities are subdivided into wards and

districts; autonomous prefectures are subdivided into districts, autonomous districts and cities. Autonomous regions, autonomous prefectures and autonomous districts are all ethnic autonomous areas. China has 22 provinces (it considers Taiwan the 23rd), five autonomous regions, and four provinces-municipalities. (Table 1) Hong Kong and Macao are special administrative regions. The district level of administration may represent any of a variety of designations, from regions (di qu) and district level cities to city districts under provincial control. Then again, the town or village level may mean anything from an autonomous village to something also called a district to a district not under the control of a municipality.

2.2 Metropolitan areas with specific governance arrangements

The state may establish special administrative regions when necessary through a law enacted by the National People's Congress. A high degree of self-government is given to special administrative regions. They may exercise social, economic, political and cultural systems different from those in the mainland. The Central Government and its organs, provinces, autonomous regions and municipalities directly under the Central Government shall not interfere in the affairs of special administrative regions according to law. Special administrative regions enjoy the power of final adjudication.

The chief executive of a special administrative region is the leader of the

Table 1. Major Territorial Subdivisions in China

Provinces	Autonomous Regions	Province-Municipalities	Special admin. Region
Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Hainan, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Taiwan	Inner Mongolia, Guangxi Zhuang, Tibet, Ningxia, Xinjiang	Beijing, Tianin, Shanghai, Chongqing	Hongkong, Macao



region and represents the region. He is responsible to the Central Government and the special administrative regions. The chief executive must be 40 years old, a permanent citizen of the region, has resided therein for an accumulated period of 20 years and has no rights of abode in foreign countries. He is selected by election or consultation and appointed by the Central Government. He serves for a term of five years and may serve a second term.

As head of government, the chief executive is responsible for the implementation of the Basic Law and other statutes, signs acts adopted by the legislative council and promulgate the laws, signs the decision on financial budget adopted by the legislative council and sends the financial budget and final accounting to the Central Government for the record, etc.

The government of a special administrative region consists of departments, bureaus, offices and commissions. Major officials of the government shall be permanent Chinese citizens who have lived in the region for an accumulated period of 15 years.

The administrative organ of a special administrative region formulates and implements policies, administers various administrative affairs, and conducts foreign affairs delegated by the Central Government.

The legislative council is the law making body for the special administrative region. Apart from making laws, the council examines and evaluates the financial budget, approves taxation and public expenditure, and hears and debates the report by the chief executive on the work of the government.

The judicial organs that existed before the special administrative region was established can continue to exist. The only

change in the judicial organs is brought about by the creation of the court of final appeal.

3. Local Democracy

3.1 Local political system

The functions and powers of the local Party congresses at all levels are as follows:

- (1) To hear and examine the reports of the Party committees at the corresponding levels;
- (2) To hear and examine the reports of the commissions for discipline inspection at the corresponding levels;
- (3) To discuss and decide on major issues in the given areas; and
- (4) To elect the Party committees and commissions for discipline inspection at the corresponding levels.

When local Party congresses at various levels are convened before or after their normally scheduled dates, the terms of the committees elected by the previous congresses shall be correspondingly shortened or extended. The local Party committees at various levels meet in plenary session at least twice a year. Congresses at the corresponding levels direct work in their own areas and report on it to the next higher Party committees at regular intervals.

3.2 Grassroots Democracy in Urban and Rural Areas

China has now established a grassroots democratic self-government system, which mainly includes the rural villagers' committee, urban neighbourhood committee and the conference of workers and staff in enterprises. In these grassroots mass organizations of self-government in urban and rural areas, the Chinese people directly exercise their legal rights of democratic election, democratic



decision-making, democratic management and democratic supervision, so that they can manage the public affairs and welfare undertakings of their grassroots organizations and communities by themselves. This has become the most direct and broadest practice of democracy in China today.

3.3 Citizen participation

A constituency is often divided into several voters' groups. The size of constituencies is decided according to the principle that a constituency may have one to three deputies.

Urban constituencies may be divided according to residential quarters or according to production units, institutions or work units. In urban areas, voters of a production (or working) unit or an institution may vote in the constituencies where they work. During rural election of the county people's congress, normally several villages constitute a constituency. Villages of exceptionally large populations or townships of exceptionally small populations may stand as a constituency on their own.

4. Central-Local Relationships

4.1 The Constitutional Basis of Local Governments

China's constitution illuminates the legal basis of the existence of local governments and their organs. Article 95 establishes people's congresses and people's governments in provinces, municipalities directly under the Central Government, districts, cities, municipal districts, townships, nationality townships and towns. The organizations of local people's congresses and local people's governments at different levels are prescribed by law. Organs of self-government are established in autonomous regions, autonomous

prefectures and autonomous counties.

Article 96 stipulates local people's congresses at different levels as local organs of state power. Local people's congresses at and above the district level establish standing committees.

Article 105 provides for local people's governments at different levels. They function as executive bodies of local organs of state power as well as the local organs of state administration at the corresponding level. Local people's governments at different levels practise the system of overall responsibility by governors, mayors, county heads, district heads, township heads and town heads. Article 120 provides that the organs of self-government of the national autonomous areas may, in accordance with the military system of the state and concrete local needs and with the approval of the State Council, organize local public security forces for the maintenance of public order.

4.2 Chinese Policy on Decentralization and the Key Aspects of the Decentralization Policy

With the economic reform, the relationship between central government and local government, or the decentralization policy has followed a stop-and-go pattern, or a fang/shou cycle. In the first full decade of post-Mao reform, from the Third Plenum of the Eleventh Central Committee (December 1978) to the tightening up (1993-4), seven complete repetitions of the fang/shou cycle were observed. "fang" is a plural move, letting go, and granting autonomy and tolerance, which means local government getting more autonomous power from the central government. "shou" is a unifying move, instinctively tightening up, and claiming re-control, unity, discipline, order and stability, which means local government getting less autonomous power from the central government. Four short phases



express well the cyclical nature of Chinese reform. “Yi fang jiu luan” means that disorder follows openness, autonomy and liberalization; “Yi luan jiu shou” means that re-control and discipline follows this disorder; “Yi shou jiu si” means that unity and control leads to ineffectiveness and lack of dynamics; “Yi si jiu fang” means that ineffectiveness leads to another wave of openness, autonomy and liberalization.

But all in all, since the decentralization reform, compared with other countries, the power of Chinese local governments has been very large. The local government can regulate local economy, with big finance expending power; it can manage state-owned enterprises, 80% of which are managed by local government in China, while 80% state-owned enterprises of former Soviet Union were managed by Central Planning Committee; the scale of investment of local government is large; and local governments affect credit greatly.

4.3 Civil Society Participation in Local Governance

In China's Constitution, article 111 mentions the establishment of civil society and its participation in local governance. The residents' committees and villagers' committees established among urban and rural residents on the basis of their place of residence are mass organizations of self-management at the grass-roots level. The chairman, vice-chairmen and members of each residents' or villagers' committee are elected by the residents. The relationship between the residents' and villagers' committees and the grass-roots organs of state power is prescribed by law. The residents' and villagers' committees establish committees for people's mediation, public security, public health and other matters in order to manage public affairs and social services in their areas, mediate civil disputes, help maintain public order and convey residents' opinions

and demands and make suggestions to the people's government.

4.4 Conditions, authorities and practice of oversight upon local government

While accepting the supervision of the NPC, CPPCC, judicial organs, public opinion and the masses, the Chinese government has established and improved a set of systems of administrative supervision. The first is the system geared to tracking down the responsibility for erroneous administrative decisions. The second is the introduction of the system of affixing administrative responsibilities, under which government officials are held responsible if their administrative conduct violates the law. The third is the implementation of the administrative review system and the filing and examination system of regulations and regulatory documents so as to promptly and effectively ensure that subordinate departments and governments act in accordance with the law. The fourth is strengthening supervision by auditing and monitoring organs.

To supervise the enforcement of the Constitution and the law is a major content of the supervisory power exercised by the NPC and its Standing Committee. To supervise the work of the governments, the courts and the prosecutors are another important part of the supervisory power of the people's congresses and their standing committees at the corresponding level.

4.5 Conditions and practice of dismissal, revocation and dissolution

Civil servants who have violated discipline are to be penalized. Administrative penalty includes six types of punishments such as warning, recording a demerit, recording a serious demerit, demotion, stripping one of his position and sacking.



Promotion includes promotion based on annual evaluation, on achievements and merits after examination.

Demotions are meted out to civil servants who have been proved incompetent or who have been proved incompetent but are inappropriate to transfer to other positions; those who have to take up lower positions as a result of change in the organizational setup or reduction of the leading posts; those who ask for demotion with ample reasons. They shall be permitted to take up lower posts. Demotion is also meted out to those who have committed mistakes and are no longer suitable to remain in their original positions.

State organs carry out restrictive withdraw measure in order to avoid civil servants making use of their power for private gains.

4.6 Protection of local self-government rights and interest

Local self-government rights and interests are safeguarded in the Constitution:

Article 105. Local people's governments at different levels are the executive bodies of local organs of state power as well as the local organs of state administration at the corresponding level. Local people's governments at different levels practice the system of overall responsibility by governors, mayors, region heads, district heads, township heads and town heads.

Article 106. The term of office of local people's governments at different levels is the same as that of the people's congresses at the corresponding level.

Article 107. Local people's governments at and above the district level, within the limits of their authority as prescribed by law, conduct the administrative work concerning the economy, education,

science, culture, public health, physical culture, urban and rural development, finance, civil affairs, public security, nationalities affairs, judicial administration, supervision and family planning in their respective administrative areas; issue decisions and orders; appoint, remove and train administrative functionaries, appraise their work and reward or punish them.

Article 108. Local people's governments at and above the district level direct the work of their subordinate departments and of people's governments at lower levels, and have the power to alter or annul inappropriate decisions of their subordinate departments and people's governments at lower levels.

Article 109. Auditing bodies are established by local people's governments at and above the county level. Local auditing bodies at different levels independently exercise their power to supervise through auditing in accordance with the law and are responsible to the people's government at the corresponding level and to the auditing body at the next higher level.

Article 110. Local people's governments at different levels are responsible, and report on their work, to people's congresses at the corresponding level.

Article 111. The residents' committees and villagers' committees established among urban and rural residents on the basis of their place of residence are mass organizations of self-management at the grass-roots level.

5. Local Responsibilities

5.1 The extent of the power of local government

According to China's constitution and Organization Law of Local Governments of



All Levels, local governments have power in the aspects of organization, local economy, policy, culture, personnel, and so on. They have the power to alter or annul inappropriate decisions of their own standing committees. The people's congresses of nationality townships may, within the limits of their authority as prescribed by law, take specific measures suited to the peculiarities of the nationalities concerned.

5.2 Function of local government

The main function of provinces is managing the economy of the area under its jurisdiction. This includes: drawing up socio-economic development strategies of the regions as well as middle and long-term plans for economic development, year plans, measures of developing resources, transforming technologies, importing technologies and capital; solving important economic contradictions between branches and between branches and different districts and mediating economic relations; organizing and coordinating production and circulation; enforcing economic laws and regulations; appointing and dismissing cadres of; province level and leaders of district level and providing infrastructure basic conditions and services for economic development.

Other functions include culture and education of the whole province; culture and education; urban and rural development and construction; finance and taxation; civil administration; social security and public order; medical and health affairs; and other functions.

Function of districts and townships is the same as function of provinces, but in smaller jurisdiction, and what districts do are more in execution of decision from provinces, and what townships do are more in execution from provinces and counties.

6. Local Finance and Management

Since the third Plenum of the 11th Central Committee, the central government has put forward a series of policies that have expanded the power of local authorities in local finance. Therefore, provinces can have an independent plan as well as autonomy in economic management. Consequently, they have opened their doors to the outside world, fully utilizing local resources. By emphasising the continuous, coordinated and rapid economic development at the local financial administration has been strengthened. All these result in the expansion of local revenues and expenditure, which contributes to the swelling of central government revenue.

6.1 Local government incomes

The fiscal system in China is characterized by the sharing of tax revenues between the central government and local governments. According to their respective responsibilities, the central government is responsible mainly for expenditures for national defence, foreign affairs, and the operation of central government agencies, as well as expenditures for economic restructuring, development coordination among regions and macroeconomic adjustment, and the local governments are mainly responsible for expenses on the operation of government agencies under their respective jurisdictions, as well as expenditure for economic and social development in their regions.

In accordance with the principle of matching responsibilities with revenues and some other principles, taxes are divided into central government taxes, local government taxes and taxes shared between the central and local governments. Central taxes are those needed for protecting national interests



and undertaking macroeconomic regulation. Shared taxes are those directly related to economic development. Local taxes are those that are suitable for collection by local governments. (Table 2)

Table 2. 2006 National and Local Government Revenues

	%	Yuan (Billion)	%
National level			
1. Taxes	32.5	2,600	
2. Revenue from enterprises	54.1	4,328	
3. Debt taxes	3.2	256	
4. Other revenues	10.2	816	
Sub-total		8,000	72.7
Local level			
1. Own taxes	61.2	1,836	
2. Shared taxes	25.8	774	
3. Non-tax	13.0	390	27.2
Sub-total		3,000	
Total		11,000	100

Source: www.stats.gov.cn

6.2 Main local tax revenues and tax sharing mechanisms

Local tax revenues are mainly from their local industry and agriculture. Since 1984, the central government has undertaken different responsibility methods for revenue and expenditure in different places. In 1992, in order to meet micro-control needs, massive financial system reform was begun. By 1994, a financial structure meeting the needs of the socialist market economy, with tax distribution as the core, was formed. Its major contents are: (1) on the basis of the taxation system, to establish a multi-level financial system that rationally divides central taxes, local taxes and taxes shared by the central and local governments; (2) in the aspect of taxation policy, to set up a new

system of turnover tax with added value as the mainstay, and consumption and business taxes as supplements, and at the same time to establish and perfect the income tax system; (3) to practice a double-entry budget system (including current budget and capital budget); (4) to promote the balance of total economic output and the economic structure by means of comprehensively utilizing the budget, taxation, the state debt and allowances.

6.3 Local financial expenditure

Local financial expenditure includes three major areas: expenditure on exercising local political authority, expenditure on exercising local governance powers, and other necessary expenditures. (Table 3) Expenditure on exercising local political authority includes the expenditures of political parties and organizations to organize local political activities through activity funds of local party committees (including the expenditure of convening the Communist Party Congress, administrative expenses of the party committee and salaries of personnel), activity funds of People Congress at different levels and activity funds of democratic parties and mass organizations at county level or higher levels.

Expenditure on exercising local governance powers includes expenditure of local governments, local courts, local prosecutors, including the administrative expenses, business expenses and operating expenses of government organs, their development expenditure, the financial allowance of local courts and procuratorates to handle the cases.

Other necessary expenditure includes expenditures on social and economic development (infrastructure, education, social development and so on).



Table 3: National and Local Government Expenditures (2006)

	%	Yuan (Billion)	%
National level			
1. Capital construction	16.2	972	
2. Culture, education, health, science	47.3	2,838	
3. Defense		726	
	12.1		
4. Others	24.4	1,464	
Sub-total		6,000	60
Local level			
1. Local political authority	21.2	848,	
2. Local governance authority	53.1	2,124	
3. Other necessary expenditures	25.7	1,028	
Sub-total		4,000	40
Total		10,000	100

Source: www.stats.gov.cn

6.4 Local government personnel and management

Civil servants refer to all the staff, except employees doing what amounts to blue-collar jobs, working in state administrative organs who implement state administrative power and conduct public services according to law. They also include staff in other units which also have state administrative functions and conduct administrative activities.

The administrative organs of civil servant is composed of the Ministry of Personnel, and bureaus of personnel in various ministries, commissions and offices under the State Council, personnel departments in various organs of local governments at and above the county level and in organs under them.

China plans to raise the salaries of civil servants and employees of public institutions as the government begins to reform the country's income distribution system to narrow the gap between rich and poor. Government Act in each state or territory and has the power to intervene. A nationwide trend has been the effort to improve service delivery through the use of performance indicators and comparative data.

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