

Formation and functioning of internal reference in six cases: highway to the "heavenly court"

Wang Shaoguang, Professor at Tsinghua University and a significant figure in internal reference, traces the inception and evolution of this mechanism, unveiling details behind historical events.



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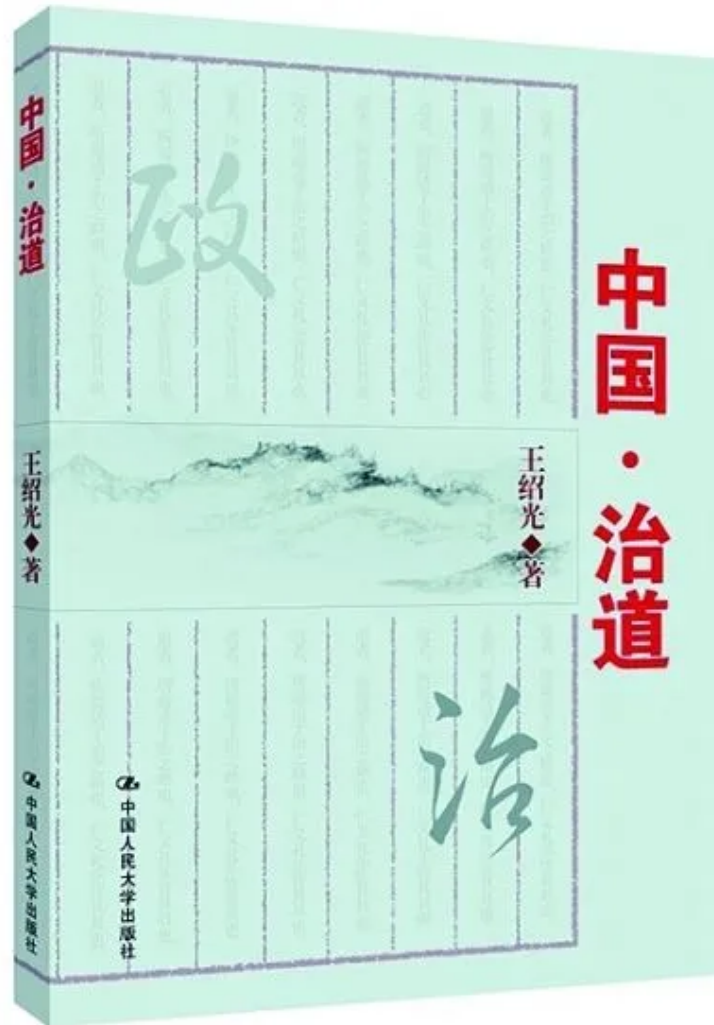
内参 Nei Can, namely, internal reference, refers to advisory documents crafted by government officials, senior journalists, and academics affiliated with government think tanks or universities. These documents have limited distribution and are intended exclusively for China's highest-ranking leaders. Rather than navigating the bureaucratic hierarchy, these reports reach top decision-makers through direct channels such as Party and government advisory bodies, academic institutions, or Party-affiliated media outlets like Xinhua News Agency. This has led to the figurative characterization of Nei Can as the "express route to the heavenly court."



The author of the following article, [Wang Shaoguang](#), is a professor of School of Public Policy and Management as well as Schwarzman College at Tsinghua University, an emeritus chair professor at the Chinese University of Hong Kong. He got his LLB degree at Peking University and PhD degree at Cornell University. He taught at Yale University from 1990 to 2000, and the Chinese University of Hong Kong from 1999 to 2017.

Prof. Wang identifies the key reason for the growing importance of Nei Can after reform and opening up: China's shift away from self-reliance to economic development. The process of modernization demands a wealth of knowledge that extends well beyond individual expertise. As demonstrated through six well-known cases where Nei Can played a substantial role in shaping China's policy agenda, these Nei Can reports span a wide array of disciplines and topics, including geology, economics, engineering, fiscal policy, foreign trade, and more.

The following article is an extract from Prof. Wang's book [中国·治道 China: the Tao of Rule](#), originally published in 2014. It can also be found on the [WeChat blog](#) of Long Way Foundation.



After reform and opening up, Nei Can became increasingly commonplace. The key to this trend can be attributed to the profound transformation in China's historical objectives. While the Mao era primarily focused on achieving self-reliance, the post-reform era aimed to fortify China's economic prowess. The complexity of developing a modern economy surpassed the capabilities of any single individual; enhancing the skills of decision-makers was barely sufficient for the job. This necessitated a fundamental overhaul of the decision-making framework.

For instance, the previous system depended on the insights of a few brilliant minds, but this approach no longer aligned with the demands of contemporary economic development. This imperative called for diverse advisory groups offering supplementary knowledge. In light of this, China

initiated the concept of "scientific" decision-making in the early stages of reform and opening up and gradually forged a robust think-tank system.

From the research group on rural development to later proliferations

The earliest incarnation of a think tank can be traced back to 1980 when the research group on the problems of Chinese rural development started to take shape. Comprising individuals from the offspring of mid-to-high-level cadres and influential intellectuals, this group held substantial sway and contact with the "heavenly court". Backed by the research office of the Central Secretariat and the Chinese Academy of Social Sciences, they conducted extensive field research across regions. Their reports found their way directly onto the desks of central leaders, providing systematic and comprehensive firsthand data for the 1981 central rural work conference.

Subsequently, this research group played a vital role in shaping several No. 1 central documents concerning rural affairs, solidifying their position as an influential force in decision-making research. [The No.1 central document is the first policy statement that the CPC Central Committee and China's State Council release each year, an important indicator of policy priorities. Starting from 2004, it has consistently focused on agriculture, rural areas, and rural residents.]

In November 1981, the China Rural Development Issues Research Group was officially established. As their influence expanded, its members embarked on new roles within various institutions. Starting in 1984, the group splintered into three distinct entities, with members joining the China Institute for Economic Structural Reform 中国经济体制改革研究所 (体改所) under the State System Reform Committee 国家经济体制改革委员会 (体改委), the Institute of Development Research 发展研究所 under the Rural Development Research Centre of the State Council 国务院农村发展研究中心, and the Rural Development Institute 农村发展研究所 (农发所) under the Chinese Academy of Social Sciences (CASS) 中国社会科学院.

Established in 1982, the State System Reform Committee was converted to a high-level decision-making body under the State Council in 1998, no longer a separate State Council department. The State Council Office for

State System Reform was established as its executive agency. Its former status was replaced by the State Development Planning Commission, later renamed as the famous National Development and Reform Commission (NDRC).

The Rural Development Research Centre of the State Council was [abolished](#) in 1989.

Established in 1978, the [Rural Development Institute](#) of CASS was known as Institute of Agricultural Development until 1985. It is still in existence.

As reforms began to focus on urban and industrial domains, the significance of China Institute for Economic Structural Reform was elevated to become China's foremost influential think tank throughout the 1980s until 1989. During this period, other advisory bodies came to the fore, including various research centers established within the State Council, which were later amalgamated into the [Development Research Centre of the State Council](#) (DRC) 国务院发展研究中心. Additionally, the [Institute of Scientific and Technical Information of China](#) (ISTIC) 中国科学技术信息研究所 (中信所) also made its debut during this time.

ISTIC was originally established in 1956 as the Institute of Scientific Intelligence under the Chinese Academy of Sciences (CAS) and was renamed in 1992.

Starting in the 1990s, as economic activities grew increasingly complex, so did research areas became more specialized. The CAS established the Center for China Studies 国情研究中心; the CASS established the Institute of Finance and Trade Economics 财贸经济研究所 and the Center of Finance & Banking 金融中心; various ministries and commissions, including the Ministry of Agriculture, Ministry of Finance, State Taxation Administration, National Bureau of Statistics, The People's Bank of China, and state-owned commercial banks, have all established their dedicated research units; a multitude of research establishments affiliated with prominent universities were also increasingly active in policy research and advisory services.

Center for China Studies was jointly initiated with Tsinghua University and had now developed into the [Institute for Contemporary China Studies, Tsinghua University](#) 清华大学国情研究院.

The Institute of Finance and Trade Economics was established in 1978. After several rounds of name-changing, it now calls itself [National Academy of Economic Strategies](#) 财经战略研究院.

The Center of Finance & Banking was established in 1994. In 2002, the [Institute of Finance & Banking](#) 金融研究所 (金融所) was founded in its lieu.

Even in previously sensitive realms like foreign affairs and cross-strait relations, a few dozen think tanks of varying sizes have emerged in recent years. Moreover, the [Counsellors' Office of the State Council](#) (COSC) [established as early as 1949] and various other political parties with a high density of senior intellectuals have proactively utilized their direct channels to provide suggestions and convey public sentiment to top government officials. Central leaders have also identified a select group of individuals known as "Directly Managed Experts of the Party Central Committee 中央直管专家" to serve as the highest-level advisory resources — these bright brains certainly wield a much greater influence over central decision-making.

e.g. Yi Gang, Governor of the People's Bank of China (PBoC) from 2018–2023 was [selected](#) as one of the "Directly Managed Experts" in 2005, when he served as Assistant President at PBoC.

In addition to publicly distributed publications, the above think tanks frequently produce internal reports known as "briefings" and "references." These "Nei Can", with very limited circulation, often make their way directly to the offices of top leaders, reaching what can be likened to the "heavenly court." Almost on a daily basis, these leaders review, offer comments (pishi, 批示) on, and occasionally forward some of these reports.

Beyond the documented channels, certain researchers, leveraging their academic prestige and connections, convey confidential letters or private counsel to top authorities through unconventional means.

Typical cases of Nei Can having influenced China's policy agenda setting

The influence of Nei Can on China's policy agenda is evident in the following cases after reform and opening up:

No.1: Establishing China's first Antarctic research base

In June 1983, China became a part of The Antarctic Treaty. However, due to the fact that China had not yet established a research station in Antarctica, a contracting state did not bring along consultative state privileges; China could discuss Antarctic matters but had no voting or decision-making authority. Given this situation, on February 7, 1984, 32 scientists who had recently been honored with the Zhu Kezhen Field Science Work Award, including Wang Fubao [then Professor at Nanjing University] and Sun Honglie [then Vice President of CAS], collectively penned a letter "Marching to Antarctica" to the CPC Central Committee and the State Council. In this letter, they proposed that China should establish a scientific research station in Antarctica. The letter garnered feedback (pishi) from prominent party and state leaders such as Fang Yi, Hu Qili, Qiao Shi, Li Peng, and Zhao Ziyang.

Due to weak economic basis and the pressing need for financial resources to fuel the "[Four Modernizations](#)" [of agriculture, industry, science and technology, and national defense], establishing an Antarctic research station did not appear to offer immediate economic advantages.

Nevertheless, China's central leaders carefully deliberated the scientists' request for a ten-year budget of 110 million yuan, balancing the long-term objectives against associated financial considerations, and ultimately granted approval of the establishment of an Antarctic research station [with a compromised budget]. On February 14, 1985, China successfully inaugurated its inaugural Antarctic research base, known as the Great Wall Station.

No.2: Enterprises in China allowed to go bankrupt

On May 17, 1984, Cao Siyuan, a staff member of the Center of Technology and Economy of DRC [now named Institute of International Technology and Economy, [IITE](#)], persuaded Wen Yuankai, a delegate to the National People's Congress (NPC), China's top legislature, to submit Cao's draft proposal titled "On the Enactment of the 'Enterprise Bankruptcy Restructuring Law'" along with its two annexes to the NPC.

Cao Siyuan (1946–2014) was a reformist and one of the earliest practitioners of non-governmental think tanks in China after reform and opening-up. He was Founder and Director of the Beijing Siyuan Merger and Bankruptcy Consulting Firm 思源兼并与破产咨询事务所 and head of the Beijing Siyuan Social Science Research Center 北京思源破产事务研究所.

The intensive efforts made by Cao in pushing forward China's first bankruptcy law earned him the nickname "Cao Pochan 曹破产", or "Bankruptcy Cao".

The proposal was swiftly forwarded to the General Office of the State Council, which in turn transmitted it to the Economic Regulations Research Center of the State Council [which was ultimately amalgamated into the Ministry of Justice of China]. Between May 24 and November, 1984 the Research Center organized six seminars involving relevant ministries to deliberate on the necessity of a bankruptcy law. During these sessions, Cao Siyuan played a pivotal role by presenting his viewpoints and rationale.

By the end of October, the leaders of the State Council reached a consensus to commence the drafting process for the bankruptcy law. In January of the following year, the official drafting group for the bankruptcy law was established, with Cao Siyuan as a member. In the summer of 1986, during the 16th session of the 6th NPC Standing Committee, the first review of the State Council's draft bankruptcy law faced significant opposition, with 41 out of 50 speakers expressing dissent.

To prevent the bankruptcy law from failing, Cao Siyuan took proactive measures by distributing his own work titled "On the Enterprise Bankruptcy Law" to every member of the Standing Committee and phoning every one of them as the author of the book. In the end, the revised bankruptcy law eventually received a vote in the NPC Standing Committee on December 2, 1986, with 101 votes in favor, 0 against, and 9 abstentions. The Enterprise Bankruptcy Law was officially enacted in December 1988.

No.3 Embracing the market price

Following the comprehensive rollout of economic reforms, distortion of the price system, particularly concerning raw materials prices, became the foremost concern. In September 1984 [one month before the third plenary session of the 12th Party Congress], during the "Moganshan Conference,"

[formally known as The Symposium of Middle-Aged and Young Workers in Economics Science, held at Moganshan, Deqing, East China's Zhejiang province] discussions on price reform took center stage. The initial stages of the conference saw two contrasting viewpoints: the "adjustment group" and the "liberalization group."

The International Cooperation Center under the NDRC held five annual China Middle-Aged and Young Reform and Opening Up Forums in Deqing from 2012 to 2016, also known as the "New Moganshan Conference."

The local authorities of the Revolutionary Committee Of The Chinese Kuomintang in Deqing initiated another "Moganshan Conference" series focusing on rural development, starting from 2018. The sixth edition of the event was held on 10-12 October, 2023.

The adjustment group were more closely associated with the decision makers, comprising Tian Yuan, Zhou Xiaochuan, Lou Jiwei, and Li Jiange, etc.. They advocated for a gradual "small-step, rapid adjustment" strategy. Their approach aimed to systematically rectify the pricing system, progressively aligning it with market equilibrium prices to minimize potential shocks resulting from price reforms.

Tian Yuan later became a pioneer of China's futures market, co-founding the China International Futures Co.,Ltd. in 1992.

Zhou Xiaochuan served as Governor of the PBoC from 2002-2018.

Lou Jiwei served as Minister of Finance from 2013-2016.

Li Jiange is now Chairman of China International Capital Corporation Limited.

Conversely, Zhang Weiying and others proposed an immediate or phased removal of price controls, advocating for the implementation of market-driven pricing. Subsequently, participants like Hua Sheng, He Jiacheng, Jiang Yue, Gao Liang, and Zhang Shaojie introduced a blend of "liberalization and adjustment" for a dual track pricing reform.

Zhang Weiying is now Distinguished Professor at the National School of Development, Peking University.

Hua Sheng is now Honorary Dean of the School of Economics and Management, Southeast University.

He Jiacheng was former Executive Dean of the Party School of the CPC Central Committee, [deposed](#) for abuse of power, bribery, distortion, and "serious violations of political discipline" in 2015.

Jiang Yue retired as the Director-General of the Industry and Information Technology Department of Shaanxi Province in 2018.

In a dedicated report for the meeting minutes titled "[Completing Price Reform Smoothly with a Conscious Dual-Track System](#)," Hua Sheng recommended the reforms begin with pricing of means of production, and complete adjusting the entire pricing system while reforming the price management framework over approximately five years. This marked the inception of the "dual track system" concept.

Following the conference, Hua Sheng, as a representative of this third approach, presented his findings to Zhang Jinfu, then Secretary-General of the Central Leading Group for Financial and Economic Affairs. The dual-track reform strategy of "liberalization combined with adjustment" swiftly garnered attention from the State Council leadership.

In March 1985, the State Council issued a watershed document, abolishing price controls on means of production outside economic plans and marking the official endorsement of the central government of the dual-track reform strategy. In 1986, Hua Sheng, then in his early thirties, was honored with the title of one of the first "National Experts with Outstanding Contributions."

No.4 Eyes on strategic technology

On March 3, 1986, a joint call to action was submitted to the CPC Central Committee by four CAS academicians: Wang Ganchang, Wang Daheng, Chen Fangyun, and Yang Jiachi. They proposed China should actively pursue global strategic high-end technologies while expediting the growth of its own high-tech sector.

[Wang Ganchang](#) (1907–1998) was a nuclear physical scientist and participated in the development of the first atomic bomb of China (1964).

He was one of the initiators of nuclear physics, cosmic rays and particle physics in China.

[Wang Daheng](#) (1915–2011) was an optical scientist, honored as the "Father of Chinese Optical Engineering". He also contributed to China's first atomic bomb and was the Vice Chief Designer of the Dongfanghong I satellite (1970).

[Chen Fangyun](#) (1916–2000) was a scientist specialized in radio electronics and space system engineering. He was the designer of China's first satellite tracking and measurement system.

[Yang Jiachi](#) (1919 – 2006) was one of the main pioneers in China's automation and control technology and aerospace technology. He was part of the team behind China's first atomic bomb, first H-bomb (1967), and first satellite.

Deng Xiaoping attached great importance to this proposal, issuing pishi, "This is a matter of swift decision-making without any delays."

In the subsequent six months, the CPC Central Committee and the State Council orchestrated the collaboration of over 200 experts to meticulously devise a comprehensive strategy for the development of high-tech sectors. After three rounds of thorough scientific and technical assessments, the CPC Central Committee and the State Council granted approval to the [National High-Tech R&D Program](#), often referred to as the "863 Program." Over the ensuing two decades, the "863 Program" played an instrumental role in propelling the growth of China's high-tech industries.

No.5 Expanding coastal opening up

In 1987, a Nei Can report titled "Conception for a Development Strategy of the International Macro-Level Circular Economy" was submitted via Xinhua News Agency. The author was Wang Jian, a deputy researcher at the Economic Research Institute of the State Development Planning Commission [now a subsidiary of the Macroeconomic Research Institute under the NDRC]. This report envisioned the expansion of open economies in coastal regions, the establishment of a large-scale imports and large-scale exports processing sector, and active engagement in the international macro-level economic circle.

The report captured intensive attention from China's top leaders. In January 1988, Deng Xiaoping issued a directive that opening up and economic development in coastal areas urging bold and accelerated efforts, emphasizing no delay in seizing the opportunity.

On February 6, the Political Bureau of the CPC Central Committee formally approved the economic development strategy for coastal regions. Then, on March 4, the State Council convened a conference dedicated to the opening up of the coastal region. During this event, slogans such as "foreign markets and foreign resources," "large-scale imports and large-scale exports," "export-ensured imports," "import-sustained exports," and "integration of import and export" were introduced.

Continuing this momentum, on March 18, the State Council issued the ["Circular of the State Council Concerning the Expansion of the Scope of the Coastal Economic Open Zones."](#) This initiative encompassed 140 cities and counties, including provincial capitals like Hangzhou, Nanjing, Shenyang, among others, thereby increasing the population within the coastal economic opening areas to 160 million.

In recognition of his instrumental role in this transformative development, Wang Jian was honored as one of "China's Top Ten Outstanding Youths of 1988."

No.6 Extensive advisory of Hu Angang

Starting in 1985, [Hu Angang](#), Professor at the School of Public Policy and Management, Tsinghua University, embarked on a comprehensive study of contemporary China. In mid-June 1993, "[A Study of China State Capacity](#)," co-authored by Hu Angang and [Wang Shaoguang](#), was internally published by Xinhua News Agency. This report garnered significant attention from top decision-makers and served as a vital reference point for subsequent fiscal and tax reforms in China. Among the seven recommendations put forth in the report, six were subsequently adopted as official policy.

For an English explanation of Hu and Wang's "State Capacity" theory, refer to Wang, & Hu. (2001). [State Capacity](#). In *The Chinese Economy in Crisis* (1st ed., p. 16). Routledge.

In 1994, Hu Angang proposed that "special zones are not special." He advocated for the gradual elimination of preferential policies in these

special zones and the implementation of national treatment in an effort to narrow regional disparities. Despite persistent criticism from the Shenzhen Municipal Party Committee and Shenzhen Special Zone Daily, central leaders ultimately embraced the majority of his proposals.

Additionally, during the mid-1990s, Hu Angang and his collaborators advocated for the development in the western region of China, sole reliance on tax revenues for military funding, and other policy recommendations. These ideas later evolved into central policies in the late 1990s. As a result of his influential contributions, Hu was frequently invited to policy inquiry sessions hosted by the China's top leaders and in long-term planning consultation meetings organized by national ministries and commissions. This recognition solidified his position as a respected advisor within high-level decision-making circles.

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JIA YUXUAN, PEIYU LI, AND ZICHEN WANG • 10月12日



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Zheng Yongnian: decentralization invigorates growth; unilateral opening a pathway to geopolitical equilibrium

JIA YUXUAN • 9月6日



Zheng Yongnian is a Chinese political scientist and Professor of the Chinese University of Hong Kong (Shenzhen) and a prominent commentator of current affairs within China. He was Director of the East Asian Institute at National University of Singapore and before that founding Research Director of the China Policy Institute, the University of Nottingham.

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Shangjun Yang

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