

Chapter VII

“In a country well governed, poverty is something to be ashamed of. In a country badly governed, wealth is something to be ashamed of”. - Confucius

7. Economy

7.1 Statistics-Internal and External; Public Finances

7.1.1 GDP Nominal

Source	2017	2018
China(US\$ Million)	122377 ¹¹²⁷	136082 ¹¹²⁸
World Bank (US\$ Trillion)	12.143 ¹¹²⁹	13.608 ¹¹³⁰
IMF(GDP per capita, current prices Purchasing power parity; international dollars per capita)	11.84 thousand ¹¹³¹	12.51 thousand ¹¹³²

7.1.2 GDP Growth (Annual %)

Source	2017	2018
China	6.9 ¹¹³³	6.6 ¹¹³⁴
World Bank	6.757 ¹¹³⁵	6.567 ¹¹³⁶
IMF(Real GDP growth Annual percent change)	6.8 ¹¹³⁷	6.6 ¹¹³⁸

¹¹²⁷Appendix 1-4 Gross Domestic Product and its Growth Rate of China Statistical Yearbook 2018 <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN2904.jpg>

¹¹²⁸Appendix 1-4 Gross Domestic Product and its Growth Rate of Statistical Yearbook 2019 <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E2904.jpg>

¹¹²⁹<https://data.worldbank.org/country/china>

¹¹³⁰ibid

¹¹³¹<https://www.imf.org/external/datamapper/datasets/WEO/1>

¹¹³²<https://www.imf.org/external/datamapper/datasets/WEO/1>

¹¹³³Appendix 1-4 Gross Domestic Product and its Growth Rate of China Statistical Yearbook 2018 <http://www.stats.gov.cn/tjsj/ndsj/2018/indexeh.htm>

¹¹³⁴Appendix 1-4 Gross Domestic Product and its Growth Rate of Statistical Yearbook 2019 <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E2904.jpg>

¹¹³⁵https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN&name_desc=true

¹¹³⁶ibid

¹¹³⁷https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/CHN

¹¹³⁸ibid

7.1.3 Per Capita GDP PPP

Source	2017	2018
China (US\$)	8759 ¹¹³⁹	9771 ¹¹⁴⁰
World Bank[GDP per capita, PPP {Current International \$ }]	16782.208 ¹¹⁴¹	18,236.613 ¹¹⁴²
IMF	---	---

7.1.4 Public Debt (Percentage of GDP)

Source	2018	2019
China	---	---
World Bank	---	---
IMF(General government gross debt)	50.6 ¹¹⁴³	55.6 ¹¹⁴⁴

7.1.5 Gross National Savings (Percent of GDP)

Source	2018	2019
China	---	---
World Bank	46.738 ¹¹⁴⁵ (2017)	46.647 ¹¹⁴⁶ (2018)
IMF	44.588 ¹¹⁴⁷	---

7.1.6 Foreign Exchange Reserves

Source	2017	2018
China (Million US\$)	3139900 ¹¹⁴⁸	3072700 ¹¹⁴⁹
World Bank	---	---
IMF	---	---

¹¹³⁹Appendix1-5 GDP Per Capita <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E2905.jpg>

¹¹⁴⁰Appendix1-5 GDP Per Capita <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E2905.jpg>

¹¹⁴¹<https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=CN>

¹¹⁴²ibid

¹¹⁴³https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/OEMDC/ADVEC/WEOWORLD/CHN

¹¹⁴⁴ibid

¹¹⁴⁵<https://data.worldbank.org/indicator/NY.GDS.TOTL.ZS?locations=CN>

¹¹⁴⁶ibid

¹¹⁴⁷https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weorept.aspx?sy=2017&ey=2024&s csm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=75&pr1.y=13&c=924&s=NGDP_R%2CNGDP_RPCH%2C NGDP%2CNGDPD%2CPPP%2CNGDP_D%2CNGDPRPC%2CNGDPRPPPC%2CNGDPPC%2CNGDPDPC %2CPPP%2CPPSH%2CPPPEX%2CNID_NGDP%2CNGSD_NGDP%2CPCI%2CPCPICH%2CPCPIE%2C PCPIEPC%2CTM_RPCH%2CTMG_RPCH%2CTX_RPCH%2CTXG_RPCH%2CLUR%2CLP%2CGGR%2CGGR_NGDP%2CGGX%2CGGX_NGDP%2CGGXCNL%2CGGXCNL_NGDP%2CGGSB%2CGGSB_NGDP%2CGGXONL B%2CGGXONLB_NGDP%2CGGXWDG%2CGGXWDG_NGDP%2CNGDP_FY%2CBCA%2CBCA_NGDPD&grp=0 &a=

¹¹⁴⁸ Appendix- 13 Foreign Exchange Reserves of China Statistical Yearbook 2018, <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN2913.jpg>

¹¹⁴⁹ Appendix- 13 Foreign Exchange Reserves of China Statistical Yearbook 2019, <http://www.stats.gov.cn/tjsj/ndsj/2019/indexeh.htm>

7.1.7 Foreign Trade (Export & Import)

Source		2017	2018
China (Million US\$)	Total Exports	2263370 ¹¹⁵⁰	2486680 ¹¹⁵¹
	Total Import	1843790 ¹¹⁵²	2135730 ¹¹⁵³
	Trade Balance	419580 ¹¹⁵⁴	350950 ¹¹⁵⁵
World Bank (Million US\$)	Total Exports	2263371 ¹¹⁵⁶	2494230 ¹¹⁵⁷
	Total Import	1843793 ¹¹⁵⁸	2134983 ¹¹⁵⁹
	Trade Balance (Current US\$ Million)	215696 ¹¹⁶⁰	106623 ¹¹⁶¹
IMF		---	---

7.1.8 Balance of payments, Current Account

Source	2017	2018
China (US\$ 10000)	16488665 ¹¹⁶²	4909159 ¹¹⁶³
World Bank (Current Account Balance) (Billion US\$)	195.117 ¹¹⁶⁴	49.092 ¹¹⁶⁵
IMF	---	---

¹¹⁵⁰ Foreign Trade and Economic Cooperation 11-1 of China Statistical Yearbook 2018, <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN1101.jpg>

¹¹⁵¹ Foreign Trade and Economic Cooperation 11-1 of China Statistical Yearbook 2019, <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E1101.jpg>

¹¹⁵² Foreign Trade and Economic Cooperation 11-1 of China Statistical Yearbook 2018, <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN1101.jpg>

¹¹⁵³ Foreign Trade and Economic Cooperation 11-1 of China Statistical Yearbook 2019, <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E1101.jpg>

¹¹⁵⁴ Foreign Trade and Economic Cooperation 11-1 of China Statistical Yearbook 2018, <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN1101.jpg>

¹¹⁵⁵ Foreign Trade and Economic Cooperation 11-1 of China Statistical Yearbook 2019, <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E1101.jpg>

¹¹⁵⁶ World Bank: World Integrate Trade Solution, China Trade Summary 2017 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2017/Summary>

¹¹⁵⁷ World Bank: World Integrate Trade Solution, China Trade Summary 2018 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/LTST/Summary>

¹¹⁵⁸ World Bank: World Integrate Trade Solution, China Trade Summary 2017 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2017/Summary>

¹¹⁵⁹ World Bank: World Integrate Trade Solution, China Trade Summary 2018 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/LTST/Summary>

¹¹⁶⁰ World Bank: World Integrate Trade Solution, China Trade Summary 2017 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2017/Summary>

¹¹⁶¹ World Bank: World Integrate Trade Solution, China Trade Summary 2018 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/LTST/Summary>

¹¹⁶² National Accounts- 3-21 Balance of Payments of China Statistical Yearbook 2018 <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN0321.jpg>

¹¹⁶³ National Accounts- 3-16 Balance of Payments of China Statistical Yearbook 2019 <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E0316.jpg>

¹¹⁶⁴ World Bank: Current account balance (BoP-Current US\$)-China, <https://data.worldbank.org/indicator/BN.CAB.XOKA.CD?end=2017&locations=CN&start=1982>

¹¹⁶⁵ ibid

7.1.9 Major Items of Export

Source	2017	2018
MEA India India to China	Diamond; Cotton Yarn, Iron Ore, Copper, Organic Chemicals ¹¹⁶⁶	Cotton, Copper, Diamonds/ Natural Gems ¹¹⁶⁷

7.1.10 Major Items of Import

Source	2017	2018
MEA India China to India	Fertilizers, Antibiotics, Organic Chemicals ¹¹⁶⁸	Machinery, Telecom, Power-related equipments, Fertilizers, Organic Chemicals ¹¹⁶⁹

7.1.11 Major Trading Partners

Source	2017 ¹¹⁷⁰				2018 ¹¹⁷¹			
China (US\$ 10000)	USA		58367590		USA		63351900	
	Japan		30305294		Japan		32770921	
	Hong Kong (China)		28652856		Korea Rep.		31339955	
	Korea Rep.		28025693		Hong Kong (China)		31052397	
	Germany		16807451		Germany		18381416	
	Australia		13644735		Australia		15314073	
	Vietnam		12199187		Vietnam		14783304	
	India		8438762		India		9550900	
	United Kingdom		7904247		United Kingdom		8041357	
	Israel		1312470		Israel		1391557	
World Bank (Top 5 Export	2017 ¹¹⁷²				2018 ¹¹⁷³			
	Export		Import		Export		Import	
	Market (From China)	Partner Share %	Exporter (To China)	Partner Share %	Market (From China)	Partner Share %	Exporter Share %	Partner Share %

¹¹⁶⁶ INDIA- CHINA Bilateral Relations (MEA, Oct 2017)

https://mea.gov.in/Portal/ForeignRelation/China_October_2017.pdf

¹¹⁶⁷ INDIA- CHINA Bilateral Relations (MEA, Sep 2019)

https://mea.gov.in/Portal/ForeignRelation/china_brief_sep_2019.pdf

¹¹⁶⁸ INDIA- CHINA Bilateral Relations (MEA, Oct 2017)

https://mea.gov.in/Portal/ForeignRelation/China_October_2017.pdf

¹¹⁶⁹ INDIA- CHINA Bilateral Relations (MEA, Sep 2019)

https://mea.gov.in/Portal/ForeignRelation/china_brief_sep_2019.pdf

¹¹⁷⁰ 11-5 Value of Imports and exports by country(Region)of Origin/ Destination(2017) of China Statistical Yearbook 2018 <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN1105.jpg>

¹¹⁷¹ 11-5 Value of Imports and exports by country(Region)of Origin/ Destination(2018) of China Statistical Yearbook 2019 <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E1105.jpg>

¹¹⁷² World Bank: World Integrate Trade Solution, China Trade Summary 2017 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2017/Summary>

¹¹⁷³ World Bank: World Integrate Trade Solution, China Trade Summary 2018 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2018/Summary>

and Import Partners) (Million US\$)							(To China)	
	US (430328)	19.01	Korea, Rep. (177553)	9.63	USA (479702)	19.23	Korea, Rep. (204566)	9.58
	Hong Kong, China (279211)	12.34	Japan (165794)	8.99	Hong Kong, China (302960)	12.15	Japan (180402)	8.45
	Japan (137259)	6.06	Other Asia, nes (155961)	8.46	Japan (147235)	5.90	Other Asia, nes (177347)	8.31
	Korea, Rep. (102704)	4.54	US (154442)	8.38	Korea, Rep. (109029)	4.37	US (156004)	7.31
	Vietnam (71617)	3.16	China (132369)	7.18	Vietnam (84016)	3.37	China (146382)	6.86
	India ¹¹⁷⁴ (68042)	3.00	India ¹¹⁷⁵ (16345)	0.88	India ¹¹⁷⁶ (76880)	3.08	India ¹¹⁷⁷ (18850)	0.88
IMF	---			---				

7.1.12 Economy (Sector Wise % of Gross Value Added)

Source	2017		2018	
China	---		---	
UN	2016 ¹¹⁷⁸		2019 ¹¹⁷⁹	
	Agriculture	8.9	Agriculture	8.4
	Industry	40	Industry	41.3
	Services and others	51.2	Services and others	50.4
World Bank	---		---	
IMF	---		---	

7.1.13 China's Trade with India's Neighboring Country

Country	2017 ¹¹⁸⁰ (10,000 US\$)		2018 ¹¹⁸¹ (10,000 US\$)	
	Exports	Imports	Exports	Imports
Nepal	96696	1785	107737	2200
Bhutan	624	18	1283	1

¹¹⁷⁴ World Bank: World Integrate Trade Solution, China Trade Summary 2017 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2017/TradeFlow/EXPIMP/Partner/IND/Product/all-groups>

¹¹⁷⁵ ibid

¹¹⁷⁶ World Bank: World Integrate Trade Solution, China Trade Summary 2018 Data, <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2018/TradeFlow/EXPIMP/Partner/IND/Product/all-groups>

¹¹⁷⁷ ibid

¹¹⁷⁸ China – UN Data <http://data.un.org/en/iso/cn.html>

¹¹⁷⁹ China - UN Data 2019, <http://data.un.org/en/iso/cn.html>

¹¹⁸⁰ 11-5 Value of Imports and exports by country(Region)of Origin/ Destination(2017) of China Statistical Yearbook 2018 <http://www.stats.gov.cn/tjsj/ndsj/2018/html/EN1105.jpg>

¹¹⁸¹ 11-5 Value of Imports and exports by country(Region)of Origin/ Destination(2018) of China Statistical Yearbook 2019 <http://www.stats.gov.cn/tjsj/ndsj/2019/html/E1105.jpg>

Bangladesh	1516902	87515	1775306	98442
Myanmar	894846	452635	1054777	468434
Sri Lanka	408800	31003	425505	32175
Maldives	29563	62	39617	103
Pakistan	1825079	183322	1693332	217209
Afghanistan	54121	343	66759	2408

7.1.14 India's Trade with Neighboring Country

Country	2017-2018 (April-March) (Million US\$)		2018-2019 (April-March) (Million US\$)	
	Exports¹¹⁸²	Imports¹¹⁸³	Exports¹¹⁸⁴	Imports¹¹⁸⁵
Nepal	6612.96	438.38	7766.20	508.14
Bhutan	546.12	395.39	657.33	370.96
Bangladesh PR	8614.35	685.65	9210.66	1044.80
Myanmar	966.19	639.64	1205.60	521.49
Sri Lanka DSR	4476.46	772.63	4710.21	1488.40
Maldives	217.00	5.68	223.02	20.41
Pakistan IR	1924.28	488.56	2066.56	508.14
Afghanistan TIS	709.75	433.78	715.44	435.44

¹¹⁸² Government of India, Ministry of Commerce and Industry, Department of Commerce, Export Import Data Bank, Export: Country-wise, 2017-2018, <https://commerce-app.gov.in/eidb/default.asp>

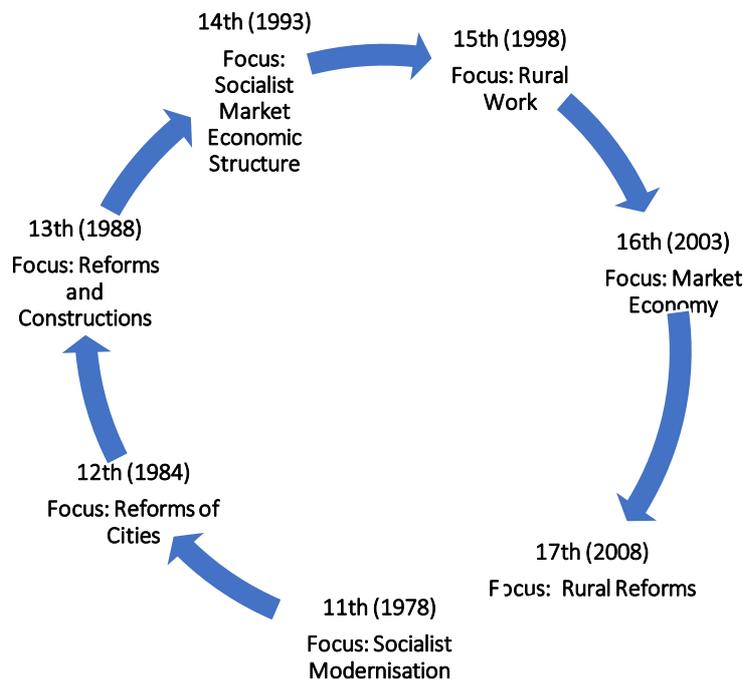
¹¹⁸³ Government of India, Ministry of Commerce and Industry, Department of Commerce, Export Import Data Bank, Import: Country-wise, 2017-2018, <https://commerce-app.gov.in/eidb/default.asp>

¹¹⁸⁴ Government of India, Ministry of Commerce and Industry, Department of Commerce, Export Import Data Bank, Export: Country-wise, 2018-2019, <https://commerce-app.gov.in/eidb/default.asp>

¹¹⁸⁵ Government of India, Ministry of Commerce and Industry, Department of Commerce, Export Import Data Bank, Import: Country-wise, 2018-2019, <https://commerce-app.gov.in/eidb/default.asp>

7.2 China in the Global Economy

There have been two particularly significant Third Plenums in the history of the People's Republic of China: the 1978 Third Plenum of the 11th Central Committee, and the 14th in 1993. The 1978 Third Plenum, held two years after the death of Chairman Mao Zedong, ended the Cultural Revolution and launched the “reform and opening up of China” under Deng Xiaoping. The 1993 Third Plenum, held under Jiang Zemin, set the stage for China's transition to a socialist market economy and led to more aggressive economic reforms promoted by Zhu Rongji.¹¹⁸⁶ General function of third plenum is to introduce the new leadership's broad economic and political reforms. Some of the other third Plenary Sessions with briefs are given in the following timeline.



During the Third Plenum of the 11th CPC Central Committee of the 11th National Congress, a Communiqué was adopted on December 22, 1978 during which the plenary session unanimously endorsed the policy decision put forward by Comrade Hua Kuo-feng on behalf of the Political Bureau of the Central Committee on shifting the emphasis of our Party's work and the attention of the people of the whole country to socialist modernization.¹¹⁸⁷ Interestingly, “Socialist Modernization” was also what Deng Xiaoping envisioned when he set out for reforms in 1978 and he saw the “Four Modernizations” (of industry, agriculture, national defense and science and technology), which go back to Zhou Enlai, who formulated these first in 1963.¹¹⁸⁸

¹¹⁸⁶<https://www.china-briefing.com/news/introduction-to-chinas-plenary-sessions-and-the-cpc-central-committee/>

¹¹⁸⁷http://www.bjreview.com.cn/90th/2011-04/26/content_357494_3.htm

¹¹⁸⁸<http://pubdocs.worldbank.org/en/934911517472447837/Reflections-on-40-years-of-reforms-final.pdf>

7.2.1 Third Plenum/Plenary Sessions of CPC Central Committee

The Third Plenary Session of the 12th CPC Central Committee Approves Economic Reforms

Broad reforms of the economic structure that focus on cities were adopted by the Third Plenary Session of the 12th Party Central Committee. The one-day session was held on October 20, 1984 after a six-day preparatory meeting. The principal order of business was the unanimous adoption of an economic reform decision made by the Party Central Committee. By combining basic Marxist principles with China's current situation, the decision explains the necessity and urgency of speeding up the reforms of the country's entire economic structure, with special attention devoted to the urban economy. The document adopted by the session defines the nature, sets the orientation and tasks and outlines the policies and principles of the reforms.

The second major action taken was the scheduling of a national conference of Party delegates next September in accordance with Article 12 of the Party Constitution. Two items on the agenda were: (1) discussion and adoption of the proposals on the essentials of the Seventh Five-Year Plan for China's economic and social development, and (2) election of additional members of the Party Central Committee, and other organizational matters.

About 1,000 delegates were to attend the national conference. They included members and alternate members of the Party Central Committee and members of the Central Advisory Commission and the Central Commission for Discipline Inspection. Delegates included principal leaders of the provinces, autonomous regions, municipalities directly under the Central Government, Military Commands as well as Party, government, military and mass organizations at the central level who were not members of the abovementioned committee or commissions, and Party members - especially young and middle-aged ones - who had made major contributions to work in various fields since the 12th Party Congress (in September 1982) also participated in the conference. All the delegates had the right to vote and to elect.

Third Plenary Session of the 12th Party Central Committee was attended by 321 Party Central Committee members and alternate members. Another 297 delegates were present as non-voting members, including members of the Central Advisory Commission and the Central Commission for Discipline Inspection and major leaders from relevant local and central departments. The session was chaired by Hu Yaobang, Deng Xiaoping, Zhao Ziyang, Li Xiannian and Chen Yun, all members of the Standing Committee of the Party Central Committee's Political Bureau. Ye Jianying, also member of the Standing Committee of the Political Bureau, were absent due to illness.

The session called on the whole Party, the whole army and the people of all China's nationalities to study conscientiously the "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure" and work seriously and

effectively, with full confidence and courage, to make the reform successful in an all-round way, and strive for a new and better situation for socialist modernization.¹¹⁸⁹

The Third Plenary Session of the 13th CPC Central Committee: Focuses on Economic Order.

The Third Plenary Session of the 13th Central Committee of the CPC was held September 26-30, 1988 (TANG MENGZONG). The Third Plenary Session of the 13th Central Committee of the Communist Party of China (CPC) closed in Beijing on September 30. It concluded that the emphasis on reform and construction for the next two years is to put an end to confusion existing in economic activities, especially in the field of circulation. The task calls for resolute and forceful measures, said a communiqué summing up the session.

The communiqué went on to point out that in order to fulfil the task, it is necessary to increase the supply of farm and side-line products, marketable light industrial and textile goods, and energy and raw materials.

"Price reforms will be conducted at a slower pace next year, and efforts must be made to ensure that next year's commodity price increase rates are lower than this year's. All work next year should serve this objective," the communiqué said. The five-day session examined and adopted the report delivered by General Secretary Zhao Ziyang on behalf of the Political Bureau.

The plenary session held that the general economic situation in China is good at present but there also exist a number of difficulties and problems, with sharp price rises being the most prominent.

"Comprehensive reform should be carried out in a guided and orderly way with each aspect supplementing and promoting the others. Without a rational price structure, the establishment of a basis for a new economic system is out of the question. However, deepening the reform is not merely a matter of adjusting prices but involves comprehensive reforms in various fields, especially the reform of enterprises - large and medium-sized state-owned enterprises in particular."

The communiqué added that close attention should be paid to enterprise reform next year, in order to:

Separate government administration from enterprise management so that enterprises which meet certain conditions may operate on their own, and;
Further improve the contract responsibility system, make experiments in implementing the shareholding system with public ownership remaining predominant, and develop new enterprise groups on a trial basis.

¹¹⁸⁹http://www.bjreview.com.cn/special/third_plenum_17thcpc/txt/2008-10/10/content_156228.htm

"Economic efficiency will be raised by a mechanism set up to ensure that under macro-control by the state, the enterprises operate on their own, hold themselves responsible for their own profits and losses and constrain themselves," the communiqué said.

The plenary session said that the Party leadership should be strengthened to guarantee that economic reforms are implemented.

The session also called for strengthening democratic supervision and using law, administrative discipline and education to overcome corruption in the Party and government departments.

The communiqué affirmed that the past decade has witnessed achievements in reform, which have promoted economic and social progress. It added that now is the time to sum up experiences, to overcome difficulties and to continue the progress. The plenary session called on the Party to unite and work together toward economization and achieving the objectives set forth by the session. This will result in greater reformatations, a society more open to the world and in socialist modernization, according to the document. The session approved in principle the "Preliminary Programme for Price and Wage Reforms" and proposed that the State Council organize efforts in the next five years or more to implement the programme.¹¹⁹⁰

During the **14th National Congress, 3rd Plenary Session of the 14th CPC Central Committee, the party** had discussed (November 22, 1993) major issues concerning the establishment of a Socialist Market Economic structure and had adopted decisions including Changing the Operation Mechanism of State-Owned Enterprises (SOEs) and Establishing a Modern Enterprise System, deepening the Reform of the System of Foreign Economic Relations, Opening Wider to the Outside World etc.¹¹⁹¹

The Third Plenum of the 15th CPC Central Committee of the 15th National Congress:

The CPC Central Committee's 185 members and 148 alternate members reached a consensus on the importance of agriculture, rural work in general, and farmers in China's reforms, **opening up and modernization** at the Third Plenary Session of the 15th CPC Central Committee, held in Beijing from October 12-14, 1998.

The agricultural base, its development and the **rural economy** need to be strengthened to increase farmers' incomes, they said. The session stressed that all policies should boost the economic vitality of rural areas; that the country should rely on farmers to increase and expand production by applying modern scientific methods and technological knowledge; and that the standards of the farmers' material and cultural lives should be improved.

Participants agreed specific measures must be taken to enhance the development of rural grass roots democracy and the legal system, and to promote socialist ethical and cultural progress and in building Party organizations and the contingent of cadres, to maintain balanced rural economic and social development and rural social stability. To fulfil the

¹¹⁹⁰http://www.bjreview.com.cn/special/third_plenum_17thcpc/txt/2008-10/10/content_156229.htm

¹¹⁹¹http://www.bjreview.com.cn/special/2013-10/23/content_574000.htm

grand trans-century development goals outlined at the 15th National Congress of the CPC, efforts must be made to **strengthen agriculture as the foundation of the national economy, ensure sustained agricultural and rural economic development, along with the steady increase in farmers' income and maintain stability in rural areas.**

The session examined and approved the "Resolution of the CPC Central Committee on Several Major Issues Concerning Agriculture and Rural Work."¹¹⁹²

The Third Plenum of the 16th CPC Central Committee of the 16th Congress:

The Third Plenary Session of the 16th CPC Central Committee was held in Beijing on October 11-14, 2003. The session heard and discussed a work report delivered by General Secretary Hu Jintao on behalf of the Political Bureau of the CPC Central Committee. It also deliberated and approved the Decision on Issues Regarding the Improvement of the Socialist Market Economic System and the Proposal on Revising Part of the Constitution of the PRC, and decided to submit the two documents to the Standing Committee of the 10th NPC for deliberation.

Held at a crucial period of China's reform and development, the plenum centered on the improvement of the country's socialist market economic system, putting forward a series of new ideas and perspectives set to give strong impetus to the ongoing economic restructuring.

At this session, the CPC Central Committee worked out the guidelines and basic principles for deepening the economic restructuring. The concept of "scientific development" was clearly defined. It calls for firm adherence to the people-first principle and comprehensive, coordinated and sustainable development so as to bring about an all-round progress of economy, society and humanity. To coordinate development in both urban and rural areas and in different regions, integrate economic and social development, achieve harmonious development between man and nature and coordinate domestic development and opening up to the outside world, it is of essential importance to give bigger play to the fundamental role of the market in resource allocation, increase the vitality and competitiveness of enterprises, improve state macro-control and enhance the government's functions in social management and public service, thereby forging strong institutional guarantees for building a moderately prosperous society in an all-round way.

After this plenum, the CPC Central Committee adopted the Regulations on Internal Supervision (Trial Implementation) and the Regulations on Disciplinary Penalties. Following the principle of advancing inner-Party democracy and safeguarding the Party's unity, the regulations focus on maintaining the Party's vitality and creativity through promoting inner-Party democracy and on guaranteeing the unblocked implementation of the central leadership's decisions and instructions, thus raising Party organizations' combat effectiveness through defending the Party's unity and the central leadership's authority.¹¹⁹³

¹¹⁹²http://www.bjreview.com.cn/90th/2011-03/25/content_357542_4.htm, Full text of the Third Plenary Session of the 15th Central Committee is available at the given URL:

<http://en.people.cn/199810/15/a101.html>

¹¹⁹³http://www.bjreview.com.cn/90th/2011-03/24/content_357545_4.htm

The Third Plenum of the 17th CPC Central Committee of the 17th Congress:

Situation around October 2008 pointed out that the rural economy had undergone huge changes in the past 30 years. The net income of farmers reached 4,140 Yuan (US\$606) per capita, almost 30 times the 1978 figure. The numbers living in absolute poverty fell from 250 million to 15 million. Grain output had increased from 300 billion to 500 billion kilograms since reform and opening up. The past 30 years showed a clear track record of continual rural reform.¹¹⁹⁴

The Communist Party of China (CPC) Central Committee approved a decision on major issues concerning rural reform and development at the close of a four-day third plenum (October 9 to 12, 2008) at Beijing. Hu Jintao, general secretary of the CPC Central Committee, delivered a work report at the Third Plenary Session of the 17th CPC Central Committee.

The country was facing challenges in its rural development and reform, but it would firmly push forward the work, said the communiqué issued after the plenum. "Rural infrastructure is still weak and needs improving. Rural development is lagging behind and needs support. Farmers' income increases slowly and needs speeding up," said the document. "We will firmly push forward the rural reform. We will continue to emancipate the mind," it said. "We shall work out new concepts and ideas to solve the problems in rural development."

The government would try to make a breakthrough in reforming the rural system, proceed in liberating the rural economy and improving its dynamics, create a better economic environment; improve rural development policy, it said. China will stick to and improve its rural basic economic system, the communiqué said. The system is based on the household contract responsibility system which entrusts the management and production of public owned farmlands to individual households through long-term contracts. It will set up a "strict and normative" land management system in the countryside, expand policy support for agriculture, establish a modern rural financial network and a system to balance the development between rural and urban areas, and improve the rural democracy.

In the communiqué, the CPC promised to invest more government budget in public service in rural areas, including education, health care, employment, housing and pension sectors. It also asked Party organs and governments at all levels to put rural development at the top of their agendas and embody the national rural development strategy in policies, planning, budgets and assigning officials. It set a goal to double the per-capita disposable income of rural residents by 2020 from the 2008 level. The CPC has always placed great importance on agriculture, rural development and farmers' life as they are vital to the country's overall development, the communiqué said.

The rural reform triggered China's economic reform three decades ago. It contributed to the establishment of the country's basic economic system and socialist market economy,

¹¹⁹⁴http://www.china.org.cn/china/reform-opening-up/2008-10/08/content_16645095_2.htm

improvement of people's life and modernization process, it said. A total of 202 full members and 166 alternate members of the Committee attended the plenum, according to the communiqué. Members of CPC central commission for discipline inspection and top officials of the relevant departments were also present at the session, the communiqué said. Some delegates to the 17th CPC National Congress who have been working on agriculture and rural development at the grass roots, and experts and scholars on agriculture, rural areas and farmers also attended the plenum.

The plenum also analyzed the economic situation. The communiqué noted that the general situation in China was good, the economy had kept a relatively fast growth, the financial sector had been stable, and the basic trend of the country's economic development had not changed. However, the plenum held that the turbulence of the international financial market had intensified, and the global economic growth had slowed down. The number of uncertain and unstable factors in the international economic environment had increased, while the domestic economic operation also suffered from some contradictions and problems. "Therefore, we had to be mindful of potential dangers, and be prepared to take challenges," the communiqué said.

Delegates to the plenum agreed that the Political Bureau of the CPC Central Committee had fully implemented the principals put forward by the first and second plenary sessions of the 17th CPC Central Committee, according to the communiqué. It had held high the great banner of socialism with Chinese characteristics, followed the guidance of Deng Xiaoping Theory and the important thought of Three Represents, thoroughly applied the Scientific Outlook on Development, continued to emancipate the mind, persisted in reform and opening up, pursued development in a scientific way, promoted social harmony, and strove for new victories in building a moderately prosperous society in all respects, it added.

The communiqué said that the Political Bureau also united the whole party and people of all ethnic groups to deal with the complicated and volatile international and domestic situations as well as big challenges of natural disasters. It led the people to win the campaign against snow and rain disasters in south China in February and March, and relief work after the May 12 earthquake in southwest Sichuan Province, to successfully host the Beijing Olympics and Paralympics, and to complete the manned space flight of Shenzhou-7. The Political Bureau also did a good job in pushing forward the economic, political, cultural and social development and the party's self-building. It had made new progresses in all respects, consolidated and developed the social stability, the communiqué said.

Monday's People's Daily, the leading Party newspaper, will carry an editorial reviewing the achievement made at the plenum." The plenum was held at a critical moment when China's reform entered a key stage and changes of the international situation went deep," the article said.¹¹⁹⁵

China has become the world's second largest economy, largest manufacturer, largest trader in goods, second largest consumer of commodities, second largest recipient of

¹¹⁹⁵<http://lr.china-embassy.org/eng/majorevents/t517617.htm>

foreign direct investment (FDI), and largest holder of foreign exchange reserves (see Table).¹¹⁹⁶

Table: Growth of China’s Economic Strength

Category	1952	2018	Growth
GDP	RMB67.9 billion	RMB90 trillion	174 times
Fiscal revenue	RMB6.2 billion (in 1950)	RMB18.33 trillion	12.5% annually on average
Industrial added value	RMB12 billion	RMB30.5 trillion	970 times
Per capita GDP	RMB119	RMB64,644	70 times
Final consumption rate	78.9%	54.3%	--
Non-financial FDI	US\$920 million (in 1983)	US\$135 billion	146 times
Trade in goods	US\$1.9 billion	US\$4.6 trillion	2,380 times

The year 2019 marks the 70th anniversary of the founding of the People’s Republic of China (PRC). On the occasion of this 70th anniversary of the founding of the PRC, the Chinese government China's State Council Information Office on Sept 27 issued a white paper, titled “China and the World in the New Era.” to respond to the world’s questions about “China threat” theory and China’s development.

The Chinese claim of the Belt and Road Initiative (including CPEC) is based on the principles of extensive consultation, joint contribution and shared benefits, and is guided by the Silk Road spirit characterized by peace, cooperation, openness, inclusiveness; mutual learning and mutual benefit are high claims which are being found contradictory and contestable.

Similarly, Chinese claims of never pursuing hegemony or expansion are paradoxical to Chinese activities in the past. In this regard, an article “Life in China’s Asia” written by Jennifer Lind in the Foreign Affairs Magazine (March/April 2018) points out that:

- “For now, the United States remains the dominant power in East Asia, but China is quickly closing the gap. Although an economic crisis or domestic political turmoil could derail China’s rise, if current trends continue, China will before long supplant the United States as the region’s economic, military, and political hegemon.”

¹¹⁹⁶China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019.

- China is already following the strategies of previous regional hegemony. It is using economic coercion to bend other countries to its will. It is building up its military to ward off challengers. It is intervening in other countries' domestic politics to get friendlier policies. And it is investing massively in educational and cultural programs to enhance its soft power. As Chinese power and ambition grow, such efforts will only increase. China's neighbors must start debating how comfortable they are with this future, and what costs they are willing to pay to shape or forestall it.
- **Economic Centrality:** Over the past few decades, China has become the number one trading partner and principal export destination for most countries in East Asia. Beijing has struck a number of regional economic deals, including free-trade agreements with Australia, Singapore, South Korea, the Association of Southeast Asian Nations, and others. Through such arrangements, which exclude the United States, Beijing seeks to create a Chinese-dominated East Asian community. Beijing is also building an institutional infrastructure to increase its influence at the expense of U.S.-led institutions, such as the International Monetary Fund (IMF) and the World Bank, and Japanese-led ones, such as the Asian Development Bank. In 2014, China, along with Brazil, Russia, and India, set up the \$100 billion New Development Bank, which is headquartered in Shanghai. In 2015, China founded the \$100 billion Asian Infrastructure Investment Bank, which 80 countries have now joined. Furthermore, Xi's much-heralded Belt and Road initiative will promote Chinese trade and financial cooperation throughout the region and provide massive Chinese investment in regional infrastructure and natural resources. The China Development Bank has already committed \$250 billion in loans to the project. Such policies mimic the economic strategies of previous regional hegemony.
- Economic dominance lets regional hegemony use economic coercion to advance their agendas.
- Beijing has already begun to employ such economic coercion. In 2017, China punished South Korea and the Japanese–South Korean business conglomerate Lotte for cooperating with the U.S.-built THAAD missile defense program. (Lotte had sold the land on which THAAD was deployed to the South Korean government.) Beijing banned Chinese tour groups from visiting South Korea, Chinese regulators closed 80 percent of Lotte supermarkets and other Korean-owned businesses (ostensibly for fire-code violations), and state-run media urged boycotts of Korean products. Beijing has also used economic coercion against Japan (banning the export of Chinese rare-earth metals to the country after a 2009 ship collision) and Norway (embargoing Norwegian fish exports after the **Chinese dissident Liu Xiaobo** won the Nobel Peace Prize in 2010). And in 2016, when Mongolia hosted the **Dalai Lama**, Beijing imposed extra fees on commodities moving through the country and froze all diplomatic activity—including negotiations about a \$4 billion Chinese loan. “We hope that Mongolia has taken this lesson to heart,” the Chinese foreign ministry said in a statement. Apparently it has: the Mongolian government has announced that the spiritual leader will not be invited back.
- Such coercion will be less necessary in the future as leaders pre-emptively adjust their policies with Beijing in mind. Consider the Philippines: in the

past, the country has stood up to China—for example, filing a complaint about Chinese territorial assertiveness with an international tribunal at The Hague in 2013. But more recently, Philippine President Rodrigo Duterte, who has received \$24 billion in investment pledges from Beijing, has warmed relations with China and distanced his country from the United States.

- **The Pursuit of Military Hegemony:** Following the example of previous hegemonies, China is also expanding its regional military reach. Since the 1990s, Chinese military spending has soared, and the CCP is modernizing weaponry and reforming its military organizations and doctrine. The People's Liberation Army (PLA) has adopted the doctrine of “anti-access, area denial” to push the U.S. military away from its shores and airspace. China has also built the region's largest coast guard and controls a vast militia of civilian fishing vessels. In 2017, the PLA opened its first overseas military base in Djibouti; it will likely build more bases along the African east coast and the Indian Ocean in coming years. Meanwhile, in the South China Sea, China has built six large islands that house air force bases, missile shelters, and radar and communications facilities. Already, the U.S. military finds itself constrained by the expanding bubble of Chinese air defenses, by China's growing ability to find and strike U.S. naval vessels, and by an increased missile threat to U.S. air bases and ports.
- Beijing is using these capabilities to more forcefully assert its territorial claims. By transiting disputed waters and massing ships there, Beijing is pressuring Japan militarily over a cluster of small islands called the Diaoyu by China and the Senkaku by Japan. Elsewhere, to deny access to disputed areas, the PLA swarms fishing and coast guard vessels, and fires water cannons at other countries' ships. Last summer, after asserting ownership of an oil-rich area in Vietnam's exclusive economic zone, Beijing threatened to use military force if Vietnam did not stop drilling. Vietnam stopped drilling.
- Contemporary China's quest for regional military dominance follows the behaviour of previous regional hegemonies, including China itself. As the historian Peter Perdue has argued, modern China is a product of invasions that subdued all of modern Xinjiang and Mongolia, and reached Tibet, as well. Chinese dynasties, he has written, “never shrank from the use of force,” including the “righteous extermination” of rival states and rebels.¹¹⁹⁷

As per the White Paper, from 1979 to 2018 China's economy grew rapidly at an average annual rate of 9.4 percent, and became an important engine of global economic growth. In 2008, the world suffered a serious financial crisis and the world economy was hit hard. Through a series of effective measures to deal with the crisis, China's economy recovered rapidly and continued to maintain a medium- and high-speed growth. As a result, China became the main stabilizing force and power source of the world economy.¹¹⁹⁸

China is the biggest contributor to world economic growth. Since the 18th CPC National Congress in 2012, China has implemented the concepts of innovative, coordinated, green, open and inclusive development. It has adapted to, steered, and led the new normal of

¹¹⁹⁷ Abstracts from article “Life in China's Asia” Published in Foreign Affairs Magazine (March/April, 2018) by Jennifer Lind, <https://www.foreignaffairs.com/articles/china/2018-02-13/life-chinas-asia>

¹¹⁹⁸China's State Council Information Office White paper, titled “China and the World in the New Era”, September 27, 2019.

economic development, strengthened supply-side structural reform, and maintained a sustainable and healthy economic development with increasing quality and efficiency. In the past three years, China's economic aggregate has exceeded RMB70, 80, and 90 trillion successively, accounting for nearly 16 percent of the world economy. From 2013 to 2018, China contributed more than 28 percent of world economic growth on average. Estimates show that without China, the average annual growth rate of the world economy from 2013 to 2016 would have slowed by 0.6 percentage point and the intensity of fluctuation would have increased by 5.2 percent. According to a report released by the McKinsey Global Institute (MGI), the aggregate index of the world's exposure to China's economy gradually rose from 0.4 to 1.2 between 2000 and 2017, with China accounting for 35 percent of global manufacturing output.¹¹⁹⁹

China's scientific and technological innovations have injected new momentum into world economic growth. In recent years, investment in the field of science and technology in China has been increasing, and major scientific and technological innovations have emerged. In 2018, China's R&D spending accounted for 2.19 percent of GDP. According to the Global Innovation Index (GII) released by the World Intellectual Property Organization (WIPO) and other organizations, China continued its rise in 2019, moving from 17th in 2018 to 14th (**see Box below**); it is the only middle-income economy in the top 20.¹²⁰⁰ According to the Claims made by China in the White Paper, in the field of high technology, China is catching up and getting ahead. Quantum communications, supercomputing, aerospace, artificial intelligence, fifth-generation mobile network technology (5G), mobile payment, new energy vehicles, high-speed rail, and financial technology are sectors in which China leads the world. China's innovations in science and technology have been widely applied, bringing more convenience to the work and daily life of people of other countries, and injecting new momentum into world economic growth.¹²⁰¹

Box: International Organizations and Foreign Institutions Make Positive Comments on China's Scientific and Technological Innovation

According to the 2019 GI report issued by WIPO and others, the Bloomberg New Economy Forum Survey¹²⁰², and the KPMG¹²⁰³ Technology Industry Innovation Survey, China continues to improve its global ranking in innovation.

First, China's capability in innovation has continuously improved. China's GI has risen for four years in a row, moving to 14th this year and being the only middle-income economy in the top 20, according to the GI report.

Second, China's science and technology clusters are rising collectively. Eighteen science and technology clusters in China are among the top 100 in the world, an increase of two over last year. This is second only to the United States, which has 26

¹¹⁹⁹ MGI, "China and the world: Inside the dynamics of a changing relationship", July 2019.

¹²⁰⁰ WIPO, Cornell University and INSEAD, "The Global Innovation Index 2019", July 2019.

¹²⁰¹ China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019.

¹²⁰² Bloomberg News Economy Forum Survey, July 2019.

¹²⁰³ KPMG, "The changing landscape of disruptive technologies: Global technology innovation hubs", March 2017.

clusters in the top 100. Among them, the Shenzhen-Hong Kong cluster ranks second and the Beijing cluster ranks fourth. The rankings of almost all Chinese clusters are on the rise compared with last year. According to a Bloomberg survey of global business professionals, 39 percent of respondents believe that Beijing will become the world's top tech city by 2035, and 26 percent believe that Shanghai will become the world's center of technological innovation in the future.¹

Third, the quality of innovation in China has further improved. The GII report points out that the focus of current global competition for innovation has shifted from quantity to quality. China ranks 15th in terms of innovation quality, and has ranked first among middle-income economies for the past seven years. It is also the only middle-income economy that has narrowed the gap with high-income economies in terms of the quality of universities, internationalization of local inventions, and the quality of scientific publications, measured by the number of citations that locally produced research documents receive abroad. The quality of Chinese universities ranks third only to the United States and the United Kingdom. China ranks first among the middle-income economies in international patents and the quality of scientific publications. Its innovation input-output performance is close to or higher than that of some high-income economies, and it is on a par with Germany, the UK, Finland, Israel and the US in terms of innovation output. China's industrial designs, trademark applications, and exports of high-tech and creative products are surging ahead. The number of patent applications for inventions in China has soared from 10,000 in 1990 to 1.38 million in 2017.

Fourth, China is more optimistic about technological innovation. The United States and China have the greatest potential to develop disruptive technology breakthroughs that will have a global impact, according to surveys by Bloomberg and KPMG. China is more optimistic about technological innovation, arguing that technology promotes the shaping of a better world, which is why China has been able to catch up with and surpass Western countries in some areas of technology.¹²⁰⁴

In the future, China will become more prominent in its role as a stabilizing force and power source. Currently, the world economy lacks momentum for growth, and the solidity of the Chinese economy is becoming more and more important to the world. China's economy is changing from high-speed growth to high-quality development, and new industrialization, information technology application, urbanization and agricultural modernization are gathering speed. The economic structure is undergoing a profound adjustment, industrial upgrading is continuing, and new economic growth areas are constantly emerging. The urbanization rate of permanent residents reached 59.6 percent in 2018 and will increase steadily. The number of permanent urban residents will continue to increase. This will bring a wide range of needs in various areas, such as infrastructure, real estate, new retail, medical treatment and public health, education, culture and entertainment, and provide an important engine for economic development. New industries and business forms are emerging. In 2018, the added value of high-tech manufacturing increased by 11.7 percent over the previous year. Corresponding figures for strategic emerging industries and equipment manufacturing were 8.9 percent and 8.1

¹²⁰⁴Box 5 of the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019.

percent. New energy vehicles, intelligent televisions, lithium-ion batteries and integrated circuits increased by 66.2, 17.7, 12.9 and 11.2 percent, respectively. The growth rate of the information service industry is as high as 30.7 percent, and the growth rate of mobile games, online shopping, ride-sharing platforms, travel platforms, big data cloud computing and other sub-industries is 30 to 50 percent. Each sub-industry has given birth to a number of “unicorn” enterprises. According to an MGI report, by 2040, the integration between China and the rest of the world is expected to drive economic value of US\$22 trillion to US\$37 trillion, equivalent to 15 to 26 percent of global GDP. Strengthened cooperation between China and other countries will create enormous economic value.¹²⁰⁵

China’s economy and the world economy have undergone structural changes and are deeply integrated. China, which has a more stable economy, higher quality of growth, and promising growth prospects, contributes to the development of the world economy in the long run (see Box below). It is both unrealistic and harmful to regard China’s economic development as a “threat” or “challenge” and try to squeeze China out of the global industrial chain, supply chain and value chain so as to “detach” China from the world economy.¹²⁰⁶

Box: International Institutions Are Optimistic About China’s Economic Prospects

On July 4, 2019, Moody’s, an international credit rating agency, confirmed China’s sovereign credit rating as A1, with a stable economic outlook. The company believes that the focus of China’s economic policy has shifted to improving the quality of growth, and that China has curbed the rise in overall economic leverage and maintained financial stability. China’s huge foreign exchange reserves and the government’s strategic management of the economy have helped to develop measures aimed at curbing financial risks. While the World Bank’s “Global Economic Prospects” in June 2019¹²⁰⁷ lowered its global economic growth forecast for 2019 and 2020, it maintained its forecast for China’s economic growth this year, arguing that China has the ability to cope with external challenges and “headwinds”.¹²⁰⁸

China has the most promising consumer market in the world. It is not only “the world’s factory”, but also a global market. With a population of nearly 1.4 billion and a middle-income group of 400 million, China has the largest market in the world. The sustained and healthy development of China’s economy has created extensive demand in many fields and provided an important engine for economic development. China has huge space and potential for consumption, which is clearly moving up market and making a growing contribution to the economy. The consumption growth rate has surpassed that of fixed asset investment, and its gradient effect is prominent (see Box below). According

¹²⁰⁵MGI, “China and the world: Inside the dynamics of a changing relationship”, July 2019.

¹²⁰⁶China’s State Council Information Office White paper, titled “China and the World in the New Era”, September 27, 2019.

¹²⁰⁷World Bank, “Global Economic Prospects: Heightened Tensions, Subdued Investment”, June 2019.

¹²⁰⁸ Box 6 of the China’s State Council Information Office White paper, titled “China and the World in the New Era”, September 27, 2019.

to an MGI report, China is the world's largest market in many categories, including automobiles, alcohol and mobile phones, accounting for about 30 percent of global consumption.¹²⁰⁹ Its huge consumer demand provides an enormous market for countries all over the world. In the coming 15 years, China's imports of goods and services are expected to exceed US\$30 trillion and US\$10 trillion.¹²¹⁰

Box: Consumption Is Clearly Moving Up Market

Before reform and opening up started in 1978, urban and rural residents in China focused their spending on food and clothing. In 1978, the urban and rural Engel coefficients were as high as 57.5 percent and 67.7 percent. Since 1978, the level of consumption in China has greatly improved, and the cultural life of its people has become richer. In 2010, the urban and rural Engel coefficients fell to 31.9 percent and 37.9 percent. Since the 18th CPC National Congress in 2012, living standards have further improved and great strides have been made towards a moderately prosperous society in all respects. In 2018, the urban and rural Engel coefficients dropped to 27.7 percent and 30.1 percent. The following is a list of number of objects owned per 100 households:

- 33 cars, 95.3 percent up from 2013,
- 59.2 motorcycles, 49.9 percent up,
- 249.1 mobile phones, 22.6 percent up,
- 109.3 air conditioners, 55.3 percent up,
- 56.4 range hoods, 32.7 percent up; and
- 85 water heaters, 32.4 percent up.¹²¹¹

China is the most attractive investment destination. It has a workforce of almost 900 million, and more than 700 million are employed. It has a talent bank of 170 million people who have received higher education or vocational education, and generates more than 8 million college graduates each year.¹²¹²

China continues to optimize its business environment, giving foreign manufacturers and investors a broader space and a better business environment (see Box below).

China has stepped up the protection of intellectual property rights. It has improved the relevant systems, mechanisms, laws and regulations, and enhanced the innovation protection system in line with international economic and trade rules, so as to provide more powerful and effective protection for the investors and IPR holders.

According to the "World Investment Report 2019" of the United Nations Conference on Trade and Development (UNCTAD), global FDI continued its slide in 2018, down by 13 percent from the previous year, but China achieved counter-trend growth and continued

¹²⁰⁹MGI, "China and the world: Inside the dynamics of a changing relationship", July 2019.

¹²¹⁰China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019.

¹²¹¹ Box 7 of the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019.

¹²¹²ibid

as the world's second largest recipient of FDI.¹²¹³ In the first half of 2019, foreign investment in actual use in China was RMB478.33 billion, an increase of 7.2 percent over the same period last year; foreign investment in high-tech manufacturing and services grew especially fast.

Box : The Business Environment Continues to Improve

In the context of rising deglobalization and trade protectionism, China has firmly promoted reform and opening up. It launched a series of major opening-up measures in 2018, further improving the business environment.

First, the overall tariff rate has been reduced to 7.5 percent, involving 1,585 tax items, with an average reduction of about 26 percent. Of these, the tax rate on automobiles has been reduced from 25 to 15 percent, and the tax rate on auto parts has been reduced to 6 percent.

Second, China continues to relax market access and encourages competition. We will significantly ease market access for banking, securities and insurance industries, remove foreign ownership limits by 2020, and significantly expand the scope of business. We will give national treatment to foreign investors in industries such as business credit reporting, credit rating, bank card clearing, and non-bank payments. We will steadily promote the two-way opening of the capital market. Marked progress has been made in market access and business expansion for foreign-funded financial institutions, and foreign ownership limits on aircraft and shipbuilding industries have been lifted. Over the past three years, China has shortened the negative list for foreign investment three times, and the restrictive measures against foreign investment have been cut by 57 percent.

Third, we will speed up the development of pilot free trade zones and open up new prospects for reform and opening up at a higher level. We will explore the building of a free trade port in Hainan. We will set up a new area in the China (Shanghai) Pilot Free Trade Zone to encourage and support Shanghai's innovative effort in promoting investment and trade liberalization and facilitation.

Fourth, we will improve the business environment. According to a World Bank report¹²¹⁴, China ranks 46th out of 190 economies in the world in terms of business environment, up by 32 places from the previous year. In ease for starting a business, obtaining electricity, registering assets, and execution of contracts, China ranks 28th, 14th, 27th and 6th, respectively.¹²¹⁵

A survey of Chinese investment in Africa by the School of Oriental and African Studies (SOAS) of the University of London shows that more than 90 percent of employees at construction sites and factories run by Chinese enterprises in Ethiopia are local residents. Chinese companies have created a large number of jobs in Africa.¹²¹⁶ It is estimated that China's foreign trade in goods will reach US\$25 trillion in the next five years.

¹²¹³ UNCTAD, "World Investment Report 2019", June 2019.

¹²¹⁴ World Bank, "Doing Business 2019", November 2018.

¹²¹⁵ Box 8 of the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019.

¹²¹⁶ SOAS, "Industrial Development, Construction and Employment in Africa", July 2019.

The “going global” of scientific and technological innovation to the advantage of both China and the rest of the world (see Box below).

Box: China’s Innovations in Science and Technology Benefit the World¹²¹⁷

Hybrid rice guarantees global food security. In the early 1990s, the Food and Agriculture Organization (FAO) of the United Nations listed China’s hybrid rice technology as one of the prime strategies to solve the food crisis in developing countries. Through the South-South Cooperation program under the FAO framework, China has made hybrid rice cultivation technologies available to 28 countries and regions around the world. By the end of 2018, more than 40 countries had planted over 7 million hectares of hybrid rice, providing an average annual yield increase of more than 20 percent over local rice. This increase could feed about 30 million people.¹²¹⁸

Artemisinin contributes to the fight against malaria. Artemisinin is an anti-malarial drug discovered by Chinese scientists in the 1970s. Artemisinin-based combination therapy is considered by the World Health Organization (WHO) to be the best available treatment for malaria. Over the past 20 years, it has been widely used in malaria-endemic areas around the world. The WHO recognizes that the treatment has saved millions of lives worldwide and cured more than 100 million patients every year.¹²¹⁹

China’s high-speed rail promotes world connectivity. Since the Belt and Road Initiative was proposed, China’s high-speed rail has entered foreign markets at a growing pace. It has reached dozens of countries in Asia, Europe, Africa, and the Americas, and its overseas market share is growing steadily. It has promoted local economic development and employment.¹²²⁰

China’s communications technology bridges the global “digital gap”. Chinese telecommunications enterprises actively “go global” and strive to promote global digitization, so as to benefit more people around the world. By 2018, Huawei was supporting more than 1,500 networks in more than 170 countries and regions, providing smooth communication to more than 3 billion people around the world.¹ It had provided communication solutions to remote mountain areas in dozens of countries, including Ghana, Nigeria, Kenya and Algeria, serving a rural population of 40 million. As of June 2019, Huawei had secured 50 5G commercial contracts worldwide and delivered more than 150,000 base stations.¹²²¹

¹²¹⁷Box 9 of the China’s State Council Information Office White paper, titled “China and the World in the New Era”, September 27, 2019

¹²¹⁸Statistics from the Department of Agriculture and Rural Affairs of Hunan Province.

¹²¹⁹Xinhua News Agency, “TuYouyou’s team resolves artemisinin resistance in malaria treatment”, June 2019.

¹²²⁰Huawei, “2018 Sustainability Report”, July 2019

¹²²¹Huawei website: <https://www.huawei.com/cn/press-events/news/2019/6/huawei-ryan-ding-industries-plus-5g>.

Box: Fruitful Results Have Been Achieved Since the Belt and Road Initiative Was Put Forward

The Belt and Road Initiative originated in China. In November 2016, the United Nations adopted a resolution welcoming economic cooperation initiatives such as the Belt and Road Initiative. In March 2017, the United Nations Security Council called on all countries in its resolution to promote the initiative and the building of a global community of shared future. According to a World Bank research report, the initiative will help 7.6 million people out of extreme poverty and 32 million out of moderate poverty. It will increase trade in participating countries by 2.8 to 9.7 percent, global trade by 1.7 to 6.2 percent and global income by 0.7 to 2.9 percent.¹²²² The initiative is a veritable road to resource sharing, shared prosperity and common development.

By the end of August 2019, the Chinese government had signed 195 Belt and Road cooperation documents with 136 countries and 30 international organizations having interregional and intercontinental railway networks such as the China-Laos Railway, China-Thailand Railway, Hungary-Serbia Railway and Jakarta-Bandung High-Speed Railway. By the end of June 2019, a total of 16,760 China-Europe freight trains had carried almost 1.5 million TEUs of goods, reaching 16 countries and 53 cities abroad.

From 2013 to 2018, the imports and exports of goods between China and other Belt and Road countries totaled nearly US\$6.5 trillion. Financial integration by the end of the first quarter of 2019, the People's Bank of China, the International Finance Corporation of the World Bank Group, the European Bank for Reconstruction and Development, and the African Development Bank had jointly financed nearly 200 projects covering more than 70 countries and regions. By the end of 2018, Chinese enterprises had invested more than US\$90 billion in Belt and Road countries, and the turnover of contracted projects had exceeded US\$400 billion.

As of July 2019, of the 136 countries that had signed Belt and Road Initiative cooperation documents with China, China had concluded mutual visa exemption agreements with 113 countries covering different types of passports, and visa facilitation agreements or arrangements with 25 countries.

In 2017, 38,700 people from countries along the routes studied in China on scholarships from the Chinese government. In 2018, China hosted 500 young scientists from other Belt and Road countries to conduct research exchanges.¹²²³

China is building platforms for multilateral dialogue and cooperation promoting multilateral cooperation, we have established a number of global and regional multilateral platforms including:

- Belt and Road Forum for International Cooperation,

¹²²² World Bank, "Belt and Road Economics: Opportunities and Risks of Transport Corridors", June 2019.

¹²²³ Excerpts of Box 10 of the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019

- China International Import Expo,
- Hongqiao International Economic Forum,
- Forum on China-Africa Cooperation,
- China-Arab States Cooperation Forum,
- China-CELAC Forum,
- Boao Forum for Asia,
- China-ASEAN Expo,
- China-Arab States Expo,
- China-Africa Economic and Trade Expo,
- Conference on Dialogue of Asian Civilizations, and
- World Internet Conference.

China has hosted the CICA Summit in Shanghai, APEC Leaders' Informal Meeting in Beijing, G20 Hangzhou Summit, BRICS Summit in Xiamen, and SCO Qingdao Summit. We have initiated the establishment of international financial cooperation institutions such as the Asian Infrastructure Investment Bank and the New Development Bank. China is also contributor to promoting to the developing countries' economic and social development and people's wellbeing and achieving the United Nations 2030 Agenda for Sustainable Development.

In the report China has claimed that China will never pursue hegemony or expansion, nor will it seek to create spheres of influence, no matter how international situation changes, how China develops itself but from the mid-19th century, China was abused by the Western powers.¹²²⁴

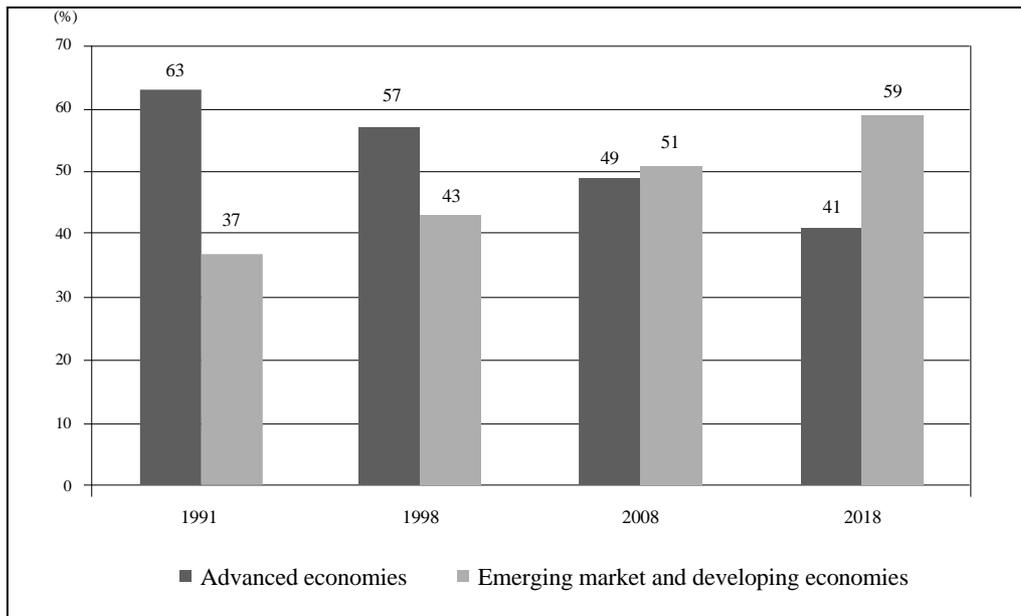
Unilateralism, protectionism, hegemonism, and power politics are some of the major factors affecting world peace and stability. The 21st century has witnessed growing economic globalization and a rapidly changing international political and economic landscape. According to the latest data released by the IMF, the share of emerging market and developing economies in global output, measured by purchasing power parity, first surpassed that of advanced economies in 2008, and rose to 59% in 2018 (see Figure below).¹²²⁵

¹²²⁴ Excerpts China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019

http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

¹²²⁵ Excerpts from section III "A Prosperous and Beautiful World Is the Common Aspiration of All Peoples" from the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019

http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html



Percentage Share of Advanced Economies and Emerging Market and developing economies and the World Economy.¹²²⁶

The world economy is slowing down for lack of impetus (see Box below).¹²²⁷

Box: The Slowing World Economy Faces Major Risks

Global economic growth is sluggish. In April the IMF projected a decline in growth in 2019 for 70 percent of the global economy. In July the IMF forecast a growth of 3.2 percent for the global economy in 2019, 1.9 percent for advanced economies, and 4.1 percent for emerging market and developing economies. Growth in the United States is expected to be 2.6 percent in 2019, moderating to 1.9 percent in 2020. Growth in 2019 is projected at 1.3 percent for the euro area and 0.9 percent for Japan. Growth in the BRICS countries in 2019 is forecast at 6.2 percent for China, 7 percent for India, 1.2 percent for Russia, 0.8 percent for Brazil, and 0.7 for South Africa.¹²²⁸

Growth in global trade and investment is lower than forecast. The WTO expects the volume of world merchandise trade to grow by merely 2.6 percent in 2019, the lowest rate since the 2008 global financial crisis. Business confidence has weakened. Lower investment in emerging market and developing economies has hampered their efforts to catch up with the advanced economies.¹²²⁹

Risks around debt are increasing. According to statistics from the Institute of International Finance (IIF), global debt in 2018 reached US\$243.2 trillion, 317 percent

¹²²⁶ IMF, "World Economic Outlook", April 2019.

¹²²⁷ Excerpts of Box 11 of the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019, http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

¹²²⁸ IMF, "World Economic Outlook", July 2019.

¹²²⁹ WTO, "Trade Statistics and Outlook", April 2019.

of global GDP. The slowdown in major economies has dimmed the demand for bulk commodities and debt vulnerabilities have increased sharply.¹²³⁰

Economic globalization is an irreversible consequence of global economic development (see Box below).

Box: Economic Globalization Is a Double-Edged Sword¹²³¹

Economic globalization has promoted world economic development. According to World Bank data, global GDP in current US dollars grew 25-fold from US\$2.96 trillion in 1970 to US\$74 trillion in 2015.¹²³² WTO statistics show that global trade grew over 50-fold from US\$300 billion in 1970 to US\$16 trillion in 2016.¹²³³ According to UN statistics, the global population living in extreme poverty dropped from 1.9 billion in 1990 to 836 million in 2015, surpassing the target of reducing extreme poverty rates by half under the UN Millennium Development Goals.¹²³⁴

It should also be noted that the world is faced with a growing economic imbalance characterized by a widening gap between the North and South and between the rich and poor. Many developing countries are beset with poverty and consequential social problems such as hunger, disease and conflict. According to “Global Wealth Report 2016” from the Credit Suisse Research Institute (CSRI), the 3.5 billion adults at the bottom of the global wealth pyramid own a mere 2.4 percent of global wealth, less than US\$10,000 per capita.¹²³⁵ An MGI 2016 report shows that about 70 percent of households in 25 advanced economies – the equivalent of more than 500 million people – experienced flat or falling incomes from 2005 to 2014.¹²³⁶ Globally, more than 700 million remain in extreme poverty, and the Gini coefficient has risen past the 0.6 threshold of very high income inequality to approximately 0.7.

The internationalization of the Renminbi has broadened monetary settlement options for global trade and promoted diversity in the international monetary system.¹²³⁷

¹²³⁰ IIF, “Global Debt Monitor”, April 2019.

¹²³¹ Excerpts of Box 12 of the China’s State Council Information Office White paper, titled “China and the World in the New Era”, September 27, 2019
http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

¹²³² The World Bank website: <https://www.worldbank.org>.

¹²³³ The WTO website: <https://www.wto.org/index.htm>.

¹²³⁴ UNCTAD, “Development and Globalization: Facts and Figures”, July 2016.

¹²³⁵ CSRI, “Global Wealth Report 2016”, November 2016.

¹²³⁶ MGI, “Poorer Than Their Parents? Flat or Falling Incomes in Advanced Economies”, July 2016.

¹²³⁷ China's State Council Information Office White paper, titled “China and the World in the New Era”, September 27, 2019
http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

In this White Paper, China claimed about Developing global partnerships, Supporting multilateralism and upholding international equity and justice, and Taking a lead in reforming and developing the global governance system.

Developing global partnerships

(1) The China-US relationship is one of the most important bilateral relationships in the world. China is ready to work with the US to shoulder their shared responsibilities as major countries, expand cooperation on the basis of mutual benefit, manage differences based on mutual respect, and jointly advance China-US relations focusing on coordination, cooperation and stability.

(2) China and Russia have walked hand in hand through the past seven decades, each as the other's largest neighbor. China will work with Russia to build a deeper friendship between our two countries, support each other on issues concerning our core interests, closely coordinate with each other on major issues of mutual concern, enhance the connectivity of our development strategies, and push our bilateral relations to greater heights, wider fields and deeper levels.

(3) Europe is an important pillar in the world today, and also a comprehensive strategic partner to China. The two sides will extend cooperation, make joint efforts to uphold multilateralism, and promote stability throughout the world.

(4) China sees its neighboring countries as the foundation of its development and prosperity. China will continue to lead regional cooperation and safeguard regional peace and development.

(5) China and other developing countries share the same aspiration for peace and development. We will :

- contribute to a closer community of shared future between China and Africa ;
- further a comprehensive cooperative partnership between China and Latin American countries characterized by equality, mutual benefit and common development ;
- reinforce a future-oriented strategic partnership of comprehensive cooperation and common development between China and the Arab states ;
- foster new drivers for South-South cooperation.

Supporting multilateralism and upholding international equity and justice

(1) Supporting multilateralism is the common aspiration of the international community. China will continue to uphold the international system with the UN at its core and the international order underpinned by the purposes and principles of the UN Charter, and join forces with other countries in supporting multilateralism and opposing unilateralism. China will remain committed to the multilateral trading system with the WTO at its core, and oppose unilateral conduct such as erecting walls between nations, undermining others, or withdrawing into isolation. We give active support to the WHO, WIPO, the International Telecommunication Union (ITU), and the International Labor Organization (ILO) in playing a better role in global governance.

(2) Upholding equity and justice is China's basic principle in dealing with international issues. China will undertake more international responsibilities, work with other

countries to safeguard human conscience and international truth, and uphold equity and justice in regional and international affairs.

Taking a lead in reforming and developing the global governance system

(1) China gives active support to reforming the UN, helping it better meet the new requirements of global governance in its underlying guidelines, organization and operations. We support necessary reform of the WTO on the basis of equity and justice.

(2) China makes active efforts to advance the quota and governance reform of the IMF and the World Bank. We will promote the role of the G20 as the premier forum for international economic cooperation. In leading and promoting an open world economy, China will push for new breakthroughs in the Asia-Pacific Economic Cooperation (APEC). We will ensure sustained and steady progress of the BRICS cooperation mechanism.

(3) We will actively promote innovative ideas in global governance, sum up the successful practice and experience of national governance, and explore values in our cultural tradition that remain relevant today as positive guides for good relations, trying to contribute Chinese wisdom, solutions and strength to global governance.¹²³⁸

International Agencies including IMF (August 2019) and World Bank (December 2019) have also prepared following reports over Chinese economy. The Current status report of Chinese economy will be added once it is available inputting the implication of Covid-19.

According to **IMF COUNTRY FOCUS: China's Economic Outlook in Six Charts** published on August 9, 2019:

China's economic growth is moderating and is projected to be 6.2 percent in 2019. In its latest annual assessment of China's economy, the IMF found the quality of growth had improved in three ways in 2018. First, the pace of debt accumulation had slowed. Second, the financial system is better regulated and supervised. Finally, the current account surplus is no longer excessive. But trade tensions cloud the outlook, and reforms need to deepen if this progress is to be continued.¹²³⁹

1. After slowing last year, debt accumulation accelerated in the first quarter of 2019. By avoiding further stimulus measures, China would help check the pace of debt accumulation.

¹²³⁸Excerpts of the China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019

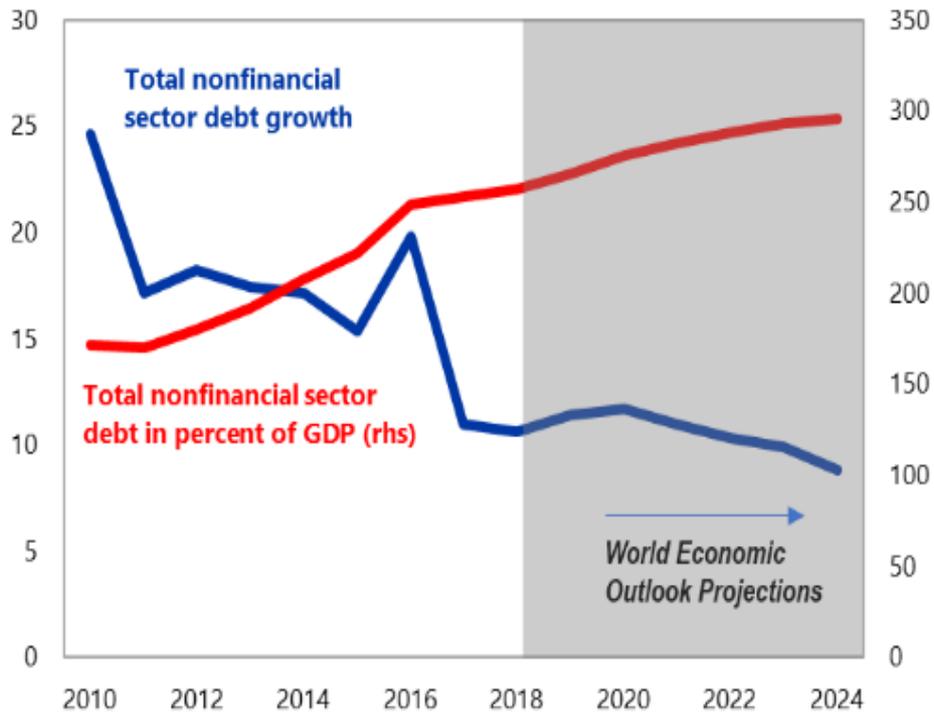
http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

¹²³⁹<https://www.imf.org/en/News/Articles/2019/08/09/na080919-chinas-economic-outlook-in-six-charts>

Rising debt

Reflecting easing measures, nonfinancial sector debt as a share of GDP is expected to rise sharply in 2019, by 10 percentage points.

(In percent; in percent of GDP)



Source: Haver Analytics and IMF staff estimates.

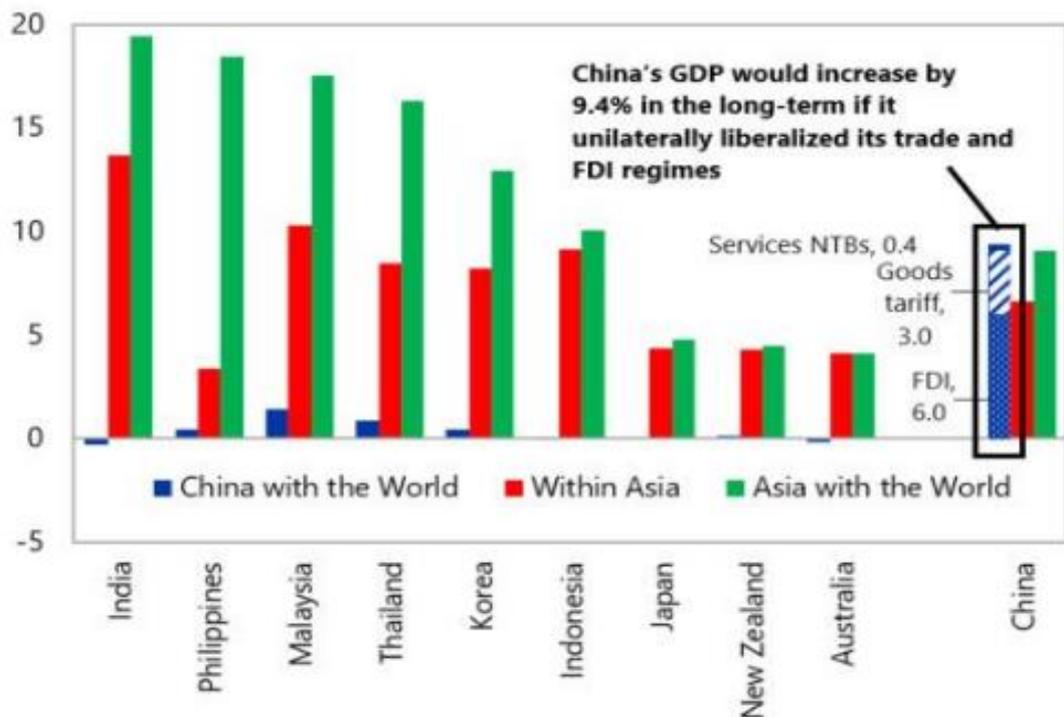
INTERNATIONAL MONETARY FUND

2. Accelerate opening up. Despite gradual opening to foreign trade and investment, China remains less open than other G20 emerging market economies in services and foreign direct investment.

Benefits from opening up

China and other countries would benefit from China liberalizing its trade and investment regime further.

(Impact on GDP, percent)



Note: Charts shows the estimated increase in real GDP from three scenarios, where China: (1) eliminates goods tariffs, (2) lowers non-tariff barriers (NTB) on services, (3) further liberalizes FDI. NTB is for non-tariff barriers. FDI is foreign direct investment.

Source: IMF Asia and Pacific Regional Economic Outlook (Oct 2018).

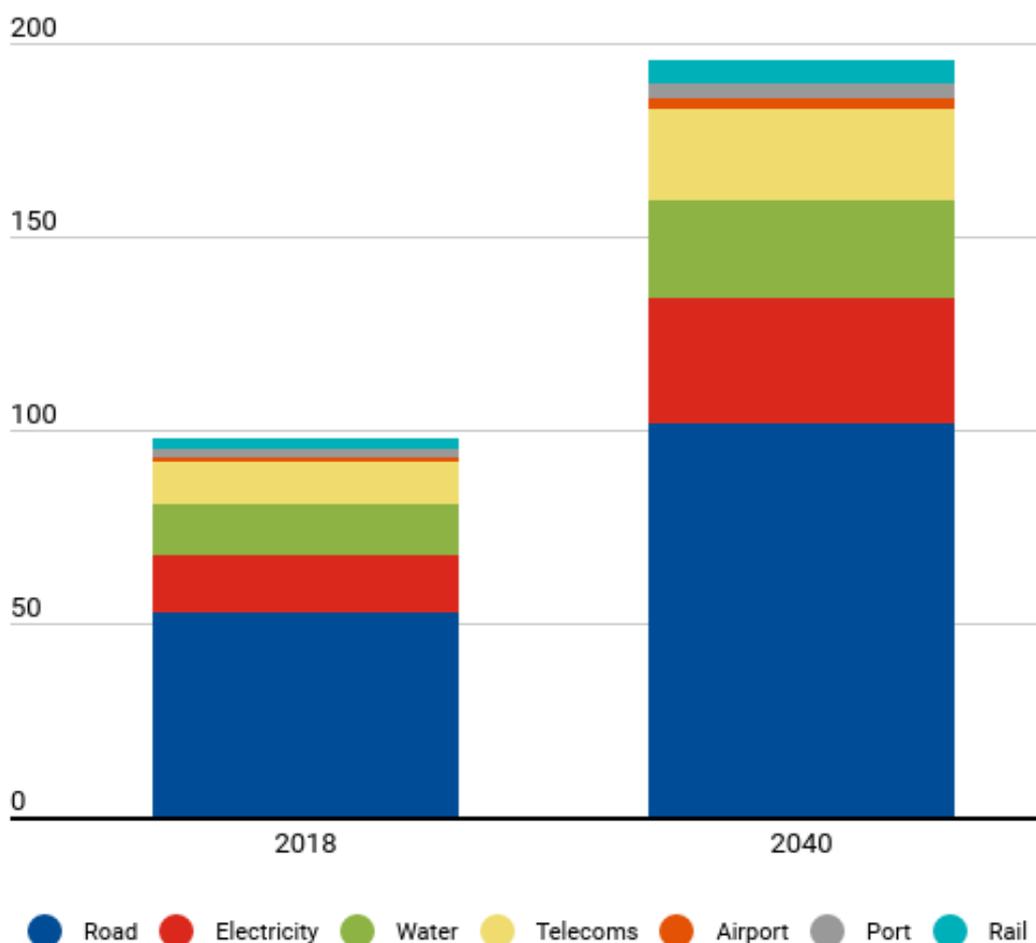
INTERNATIONAL MONETARY FUND

3. Strengthen external lending framework. China's lending outside the country, such as through the Belt and Road Initiative, has the potential to bring significant benefits to partner countries.

China lending

Annual infrastructure investment gaps in Belt-and-Road-Initiative countries are expected to double by 2040.

(In USD billions)



Sources: Global Investment Hub and IMF staff estimates.

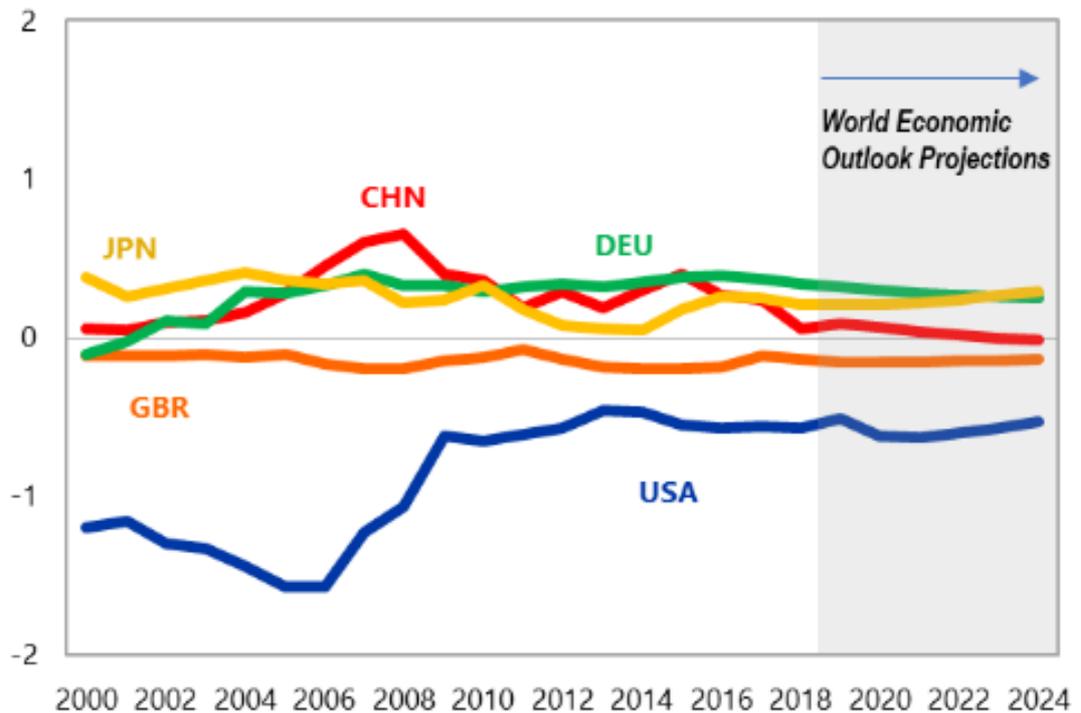
INTERNATIONAL MONETARY FUND

4. Taking measures to help ensure the current account surplus remains in check. China made progress in reducing external imbalances over several years, and its exchange rate in 2018 was broadly in line with fundamentals.

Balancing out

China is no longer a contributor to global imbalances.

Current Account Balances (In percent of world GDP)



Source: IMF World Economic Outlook (WEO) database.

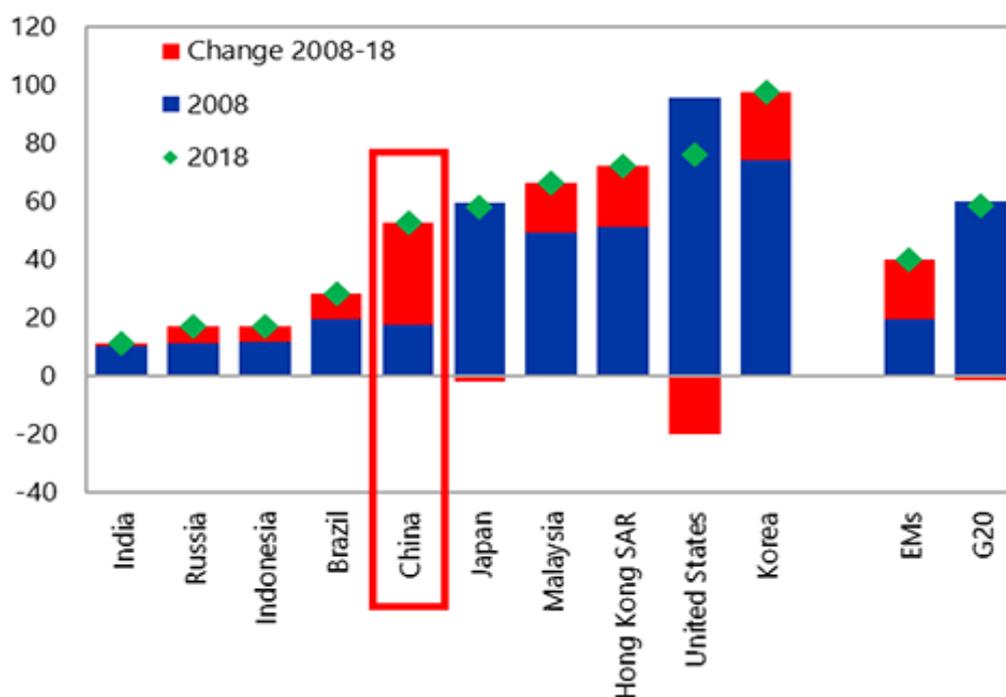
INTERNATIONAL MONETARY FUND

5. Addressing vulnerabilities. China should stay the course on implementing the planned financial regulatory reforms, raise capital in smaller banks, and control the rapid growth of household debt. The debt-service-to-income limit (currently 55 percent) should be tightened to international norms of 30–50 percent, applied to all debt obligations including those from nonbanks, and used more actively to enhance the effectiveness of loan-to-value limits, for example, by restricting the use of unsecured loans for mortgage down payments.

Watching household debt

China's household debt-to-GDP ratio saw a marked increase in recent years, and now exceeds the average for emerging markets.

(In percent)



Source: Bank for International Settlements and IMF staff calculations.

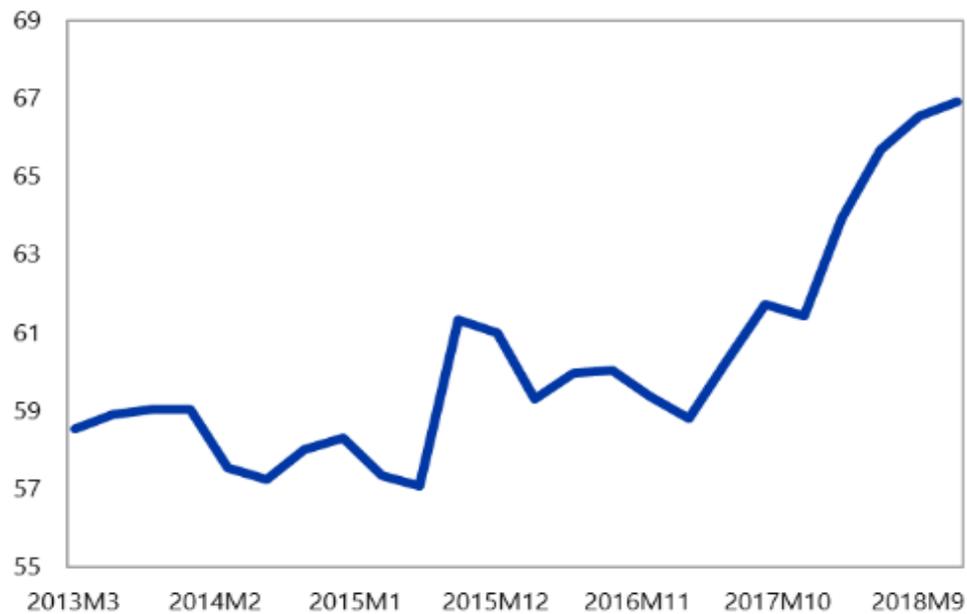
INTERNATIONAL MONETARY FUND

6. Increasing the role of the market in the economy. By opening up more sectors to private and foreign competition and reducing the share of credit going to state-owned enterprises, China could significantly lift productivity and potential growth. Removing the implicit guarantees and hardening the budget constraints for state-owned enterprises would improve credit allocation and limit their advantage in accessing credit.

Favored borrowers

The liabilities of state-owned enterprises rose sharply in 2018, as bank lending shifted towards state-owned enterprises from private enterprises.

(In percent)



Source: People's Bank of China, Ministry of Finance (Mof) China, Wind, China National Bureau of Statistics and IMF staff estimates.

INTERNATIONAL MONETARY FUND

China Economic Update, December 2019 World Bank

According to **China Economic Update, December 2019 World Bank** titled “Cyclical Risks and Structural Imperatives”, the outlook and some of the observations with the China economic update charts are given below:¹²⁴⁰

Outlook: Cyclical headwinds and structural challenges.

China’s economy is slowing, reflecting both cyclical factors—the impact of the global economic slowdown, trade tensions, and tighter regulations of non-bank credit—as well as longer-term structural trends. Growth is projected to decelerate to 6.1 percent in 2019, and to further slow to 5.9 percent in 2020 and 5.8 percent in 2021 (Figure 1). This

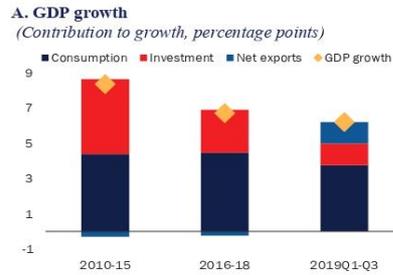
¹²⁴⁰<http://pubdocs.worldbank.org/en/241891576716685045/ceu-dec-2019-en.pdf>

baseline projection reflects a recent de-escalation in trade tensions. As a result, the balance of risks has improved. The forecast also assumes that the somewhat improved external environment will reduce the need for policy support and enable the authorities to resume deleveraging. Nevertheless, short-term downside risks remain, including a sharp slowdown in global trade and investment in the event of a possible re-escalation of global trade tensions; a sharper-than-expected deceleration in major economies; and a renewed spike in global policy uncertainty, which may erode investor and consumer confidence. An upside risk to the forecast is the possibility of a comprehensive and sustained resolution of trade tensions between the United States and China, which could dispel enduring trade policy uncertainty, boost business confidence, and support China's trade, investment, and growth outlook. Domestically, growth may suffer from the potential adverse effects of financial de-risking, given its asymmetric impact on private sector financing and the risk of a disorderly unwinding of excessive leverage, which may excessively depress domestic demand.¹ Over the medium-term, adverse structural factors, including slower labor force growth, tepid productivity increases, and the lingering impact of excessive borrowing and environmental negligence will continue to weigh on potential growth, in the absence of deep and comprehensive reforms.

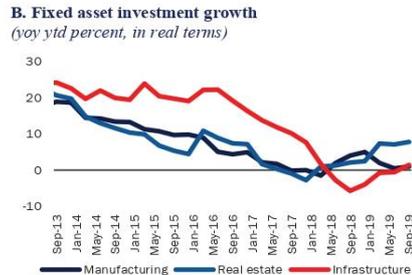
- China's economy is slowing amid cooling domestic demand and external headwinds...
- Credit growth has also slowed.
- Aside from cyclical factors, China is also experiencing a structural deceleration.
- With subdued manufacturing, investment weighed down by uncertainty.
- On the supply side, productivity growth has been lagging behind...
- On the demand side, consumption has room to grow...
- Increasing productivity will require deeper structural reforms
- Addressing income inequality would help
- Despite progress, addressing environmental problems also remains essential for sustainable growth.

Figure 1: The China economic update in charts

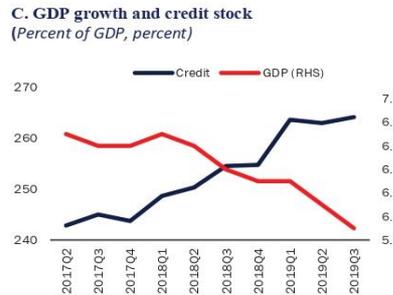
China's economy is slowing amid cooling domestic demand and external headwinds...



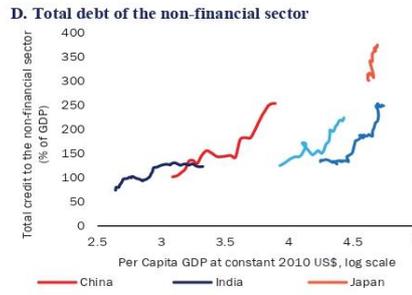
...with subdued manufacturing investment weighed down by uncertainty...



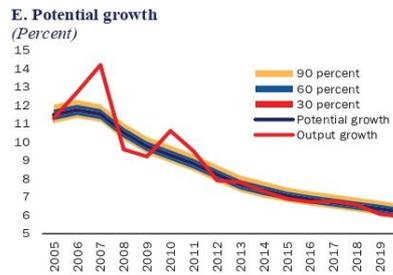
...credit growth has also slowed...



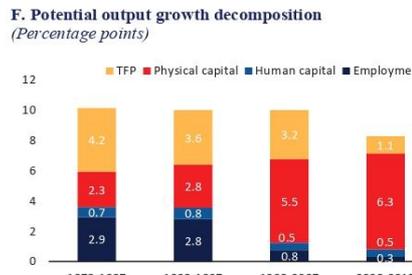
...to reduce risks from China's sizable and expanding debt stock



Aside from cyclical factors, China is also experiencing a structural deceleration...



...with tepid productivity and labor force growth amid past overreliance on capital accumulation



7.3 Class and Income Inequality

Soon after the First World War (1914-1918) period and the October Revolution (1917) led by Lenin, the May 4th Movement (1919) in China broke through the narrow scope of young intellectuals and developed into a nationwide mass revolutionary movement with the participation of the working class, petty bourgeoisie and national bourgeoisie. The center of the movement moved from Beijing to Shanghai, and the main force of the struggle gradually shifted from students to workers.

The direct trigger of the May 4th Movement was China's diplomatic failure at the Paris peace conference. In the first half of 1919, the Allies that won the First World War held a "Peace Conference" in Paris. The conference ignored the rights and interests of China, which belongs to the victor, and stipulated that the defeated Germany would transfer all privileges obtained in Shandong, China, to Japan.¹²⁴¹

On May 4th, more than 3,000 students from Beijing gathered in front of Tiananmen Square to stage demonstrations and set off a patriotic storm. Under the severe crackdown of the Beiyang warlord government, the storm turned to a low tide. From June 3, students returned to the streets to lecture, and a large number of students were arrested. At this important juncture, the working class began to emerge on the political stage with an independent attitude. Since June 5, Shanghai workers have held strikes in support of students, with a participation of 60,000 to 70,000. Subsequently, workers' strikes and businessmen's strikes, such as the raging fire in Ebara, spread across the country, expanding to more than 100 cities in more than 20 provinces and cities. The May 4th Movement of young intellectuals, developed into a nationwide mass revolutionary movement with the participation of the working class, petty bourgeoisie and national bourgeoisie. The center of the movement moved from Beijing to Shanghai, and the main force of the struggle gradually shifted from students to workers.¹²⁴²

In the May 4th Movement, young students saw with their own eyes the great power demonstrated by the working class. Some intellectuals with preliminary communist ideology began to "go to the people" to set up schools and organize trade unions among workers. These people later became early backbones of the Chinese Communist Party.¹²⁴³ China's advanced elements accepted Marxism, and from the beginning they did not treat it as a purely academic theory, but used it as a tool to observe the destiny of the country. Guided by the basic principles of Marxism, they actively engaged in the actual struggle, paying attention to the integration with the workers and the masses, and the actual combination with China. This is a characteristic and merit of the Chinese Marxist ideological movement from the beginning. At this important juncture, the working class began to emerge on the political stage with an independent attitude. In the spread of Marxism after the May 4th Movement, Li Dazhao played a major role. In 1919, he published the article "My Marxist Outlook" in "New Youth", which introduced a more comprehensive view of Marxist historical materialism, economic theory, and socialist theory. In September 1920, Chen Duxiu published an article "Talking Politics", which clearly announced that he had recognized the use of revolutionary means to build a

¹²⁴¹ Excerpts from News of CPC, A Brief History of CPC, The founding of the Communist Party of China and the torrent of the Great Revolution (2), <http://cpc.people.com.cn/GB/64184/64190/65724/4444661.html>

¹²⁴² *ibid*

¹²⁴³ *ibid*

working class (that is, a productive class) country, indicating that he had transformed from a radical democracy to a Marxist.¹²⁴⁴

Deng Zhongxia, Cai Hesen, Yun Daiying, Qu Qiubai, Zhou Enlai, Zhao Shiyan, Chen Tanqiu, Xiang Jingyu, Gao Junyu, He Mengxiong, Wang Jinmei, Deng Enming, Li Da, Li Hanjun, etc., had also become revolutionaries who believed in Marxism. Some members of the Old Alliance such as Dong Biwu, Lin Boqu, Wu Yuzhang, etc., also began to establish their belief in Marxism at that time.¹²⁴⁵

On July 23, 1921, the first National Congress of the Communist Party of China was held in Shanghai. The last day of the meeting was transferred to Nanxing, Jiaxing, Zhejiang. Representatives from various places participating in the meeting were: Li Da, Li Hanjun (Shanghai), Zhang Guozhen, Liu Renjing (Beijing), Mao Zedong, He Shuheng (Changsha), Dong Biwu, Chen Tanqiu (Wuhan), Wang Jinmei, Deng Enming (Jinan), Chen Gongbo (Guangzhou), Zhou Fohai (Travel Japan). Monk Bao Hui was dispatched by Chen Duxiu in Guangzhou and also attended the meeting. They represented more than 50 party members across the country. The representatives of the Comintern Marin and Nikolski attended the meeting. The name of the party was determined by the congress as "Chinese Communist Party" (CPC). The party's program was "the revolutionary army must work with the proletariat to overthrow the capitalist class's power", "recognize the dictatorship of the proletariat until the end of the class struggle", "eliminate capitalist private ownership", and unite the Third International. The conference discussed the actual work plan and decided to focus on leading the workers' movement, organizing unions and educating workers. The party's leading body, the Central Bureau, was elected by the congress, with Chen Duxiu as the secretary, and Li Da and Zhang Guozhen in charge of the propaganda and organization. After the establishment of the early Communist Party organizations in various places, they mainly carried out several aspects of activities including through the work of propaganda and organization of trade unions among workers, the workers began to receive Marxist education, and class awareness was improved.¹²⁴⁶

The founding of the Communist Party of China adapted to the objective requirements of social progress and revolutionary development since modern times, and was a major event of a ground-breaking nature. As the party of China's most advanced class working class, the Communist Party of China not only represented the interests of the working class, but also the interests of the entire Chinese nation. In January 1922, the Chinese Communist Party sent representatives to the First Congress of the Communist International and the National Revolutionary Groups of the Far East held in Moscow by the Communist International. According to Lenin's theory on ethnic and colonial issues, the conference stated that China "the first thing to do now is to liberate China from the yoke of foreign countries and push down the oversight forces" to establish a democratic

¹²⁴⁴ Excerpts from News of CPC, A Brief History of CPC, The founding of the Communist Party of China and the torrent of the Great Revolution (2), <http://cpc.people.com.cn/GB/64184/64190/65724/4444661.html>

¹²⁴⁵ *ibid*

¹²⁴⁶ Excerpts from News of CPC, A Brief History of CPC, The founding of the Communist Party of China and the torrent of the Great Revolution (3), <http://cpc.people.com.cn/GB/64184/64190/65724/4444662.html>

republic. This directly assisted the party in formulating the revolutionary program of the time.¹²⁴⁷

The Second National Congress (July 1922) of the Communist Party of China was held in Shanghai. The congress also passed a resolution confirming that the Communist Party of China was a branch of the Communist International. The second election elected a central executive committee consisting of five members and three alternate members including Chen Duxiu, Zhang Guozhen, Cai Hesen, Gao Junyu, Deng Zhongxia. They elected Chen Duxiu, as its chairman Central Executive Committee. The party-led workers' struggles during this period provided important lessons including that the enemies of the Chinese revolution were extremely powerful. In order to defeat powerful enemies, it was not enough to fight by the working class alone as all possible allies had to be won. The conference's analysis of China's economic and political situation revealed the semi-colonial and semi-feudal nature of Chinese society, and pointed out that the party's highest program is to achieve socialism and communism, but at this stage, the minimum program is: overthrowing warlords; overthrowing the international empire; unify China as a true democratic republic. In this way, the Second National Congress for the first time presented a clear anti-imperialist and anti-feudal democratic revolution program before the people of the country.¹²⁴⁸

The resolution passed by the 2nd National Congress of the Communist Party of China puts forward the task of building the party into a revolutionary mass proletarian party. The 2nd Congress also passed a resolution confirming that the Communist Party of China is a branch of the Communist International.¹²⁴⁹

The party-led workers' struggles during this period provided important lessons. First, the enemies of the Chinese revolution were extremely powerful. In order to defeat powerful enemies, it is not enough to fight by the working class alone. All possible allies must be won. Second, in semi-colonial and semi-feudal China, workers do not have at least democratic rights, and almost all larger workers' struggles are suppressed by reactionary military police. Therefore, there is no revolutionary armed struggle, and only relying on strikes or other legitimate struggle is no way. It is with these experiences and lessons that the Chinese Communists had entered the period of the Great Revolution based on the cooperation between the KMT and the Communist Party.¹²⁵⁰

On March 21, 1927, when the Northern Expeditionary Forces advanced to the outskirts of Shanghai, Shanghai workers launched a general strike under the leadership of a special committee composed of Chen Duxiu, Luo Yinong, Zhou Enlai, Zhao Shiyan, and Wang Shouhua, and then turned into an armed uprising. It occupied Shanghai's areas other than the Concession and set up a temporary municipal government in Shanghai. The victory demonstrated the strength of the Chinese working class.¹²⁵¹

¹²⁴⁷ Excerpts from News of CPC, A Brief History of CPC, The founding of the Communist Party of China and the torrent of the Great Revolution (3), <http://cpc.people.com.cn/GB/64184/64190/65724/4444662.html>

¹²⁴⁸ *ibid*

¹²⁴⁹ *ibid*

¹²⁵⁰ *ibid*

¹²⁵¹ Excerpts from News of CPC, A Brief History of CPC, The founding of the Communist Party of China and the torrent of the Great Revolution (5), <http://cpc.people.com.cn/GB/64184/64190/65724/4444664.html>

At the 10th Plenary Session of the Party's Eighth Central Committee in September 1962, Mao Zedong widened and absolutized the class struggle.¹²⁵²

From the winter of 1960 through 1965, the CPC Central Committee headed by Mao Zedong followed the national economic principle of "adjustment, consolidation, filling out and raising standards" and preliminarily corrected the mistakes of "the Great Leap Forward" and the movement to establish people's communes. As a result, the national economy recovered and developed rapidly. During the period, he put forward a number of measures and preliminarily corrected the "Left" mistakes in rural work and other mistakes. However, at the Tenth Plenary Session of the Eighth CPC Central Committee in September 1962, he overestimated, in absolute terms, the scope of class struggle that existed only within certain limits in socialist society and further developed the idea he put forward after the anti-Rightist campaign in 1957 that the contradiction between the proletariat and the bourgeoisie remained the principal contradiction in Chinese society.¹²⁵³

The 3rd Session of the Eleventh Central Committee (December 1978) decisively discarded the slogan "Take class struggle as the key link", the "Left" political line which had become unsuitable in a socialist society, and made the strategic decision to concentrate instead on socialist modernization. The Party made efforts to set things right and started the all-round reform, which took economic development as the central task. In addition, it decided to open up to the outside world. The Party took a clear-cut stand for sticking to the socialist road, the People's democratic dictatorship, the leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought. The basic line of "one central task and two basic points", the shortened form of making economic development as the central task while adhering to the Four Cardinal Principles and persevering in reform and the open policy, were shaped.¹²⁵⁴

China's development lies in self-reliance and hard work

In the early days of the PRC, following a century of war and chaos, the country and the people were in dire poverty, the industrial and agricultural foundations were weak, and the economy was on the verge of collapse. The people faced unimaginable difficulties in seeking survival and development.

China's economic strength has greatly increased. From 1952 to 2018, China's industrial added value increased from RMB12 billion to RMB30.5 trillion, up 970 times at constant prices, with an average annual growth rate of 11 percent. GDP increased from RMB67.9 billion to RMB90 trillion, up 174 times at constant prices, with an average annual growth rate of 8.1 percent, and per capita GDP increased from RMB119 to RMB64,644, up 70 times at constant prices. According to World Bank statistics, at market exchange rates China's economy in 2018 was worth US\$13.6 trillion, second only to the US economy which was worth US\$20.5 trillion.

¹²⁵² Excerpts from Beijing Review, CPC Celebrates 90th Anniversary 1921-2011: On Questions of Party History (1980s), http://www.bjreview.com/90th/2011-07/01/content_373329_7.htm

¹²⁵³ Excerpts from China Daily, Mao Zedong updated in 2007, https://www.chinadaily.com.cn/china/2007-07/10/content_6142547.htm

¹²⁵⁴ Excerpts from Beijing Review, CPC Celebrates 90th Anniversary 1921-2011: On Questions of Party History (1980s) updated in 2011, http://www.bjreview.com/90th/2011-07/01/content_373329_13.htm

China has made remarkable progress in technology.

The Chinese people's lives have been greatly improved. A persevering effort has provided the Chinese people with adequate food and clothing, and made it possible for them to live decent lives and move towards a moderately prosperous society in all respects (see Table below). China's rural population living under the current poverty line decreased from 770 million in 1978 to 16.6 million in 2018, and China's rural poverty incidence dropped from 97.5 percent to 1.7 percent, down by 95.8 percentage points (see Figure below). (see Box below).

Table: Improvement of the Chinese People's Living Standards¹²⁵⁵

Year Index	Early years after the founding of PRC	1980	2018
Proportion of rural population living under the current poverty line	Extreme poverty	96.2%	1.7%
Per capita disposable income	RMB98 (in 1956)	RMB171 (in 1978)	RMB28,228
Life expectancy	35	65	77
Infant mortality rate	200‰	48‰	6.1‰
Preschool enrollment rate	20%	95.5% (in 1978)	Completion rate of nine-year compulsory education: 94.2%
Average years of schooling for people aged 15 and above	80% illiterate	5.3	9.6
Gross enrollment rate for higher education	0.22%	2.22%	48.1%

¹²⁵⁵ See Table 1 from China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019
http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

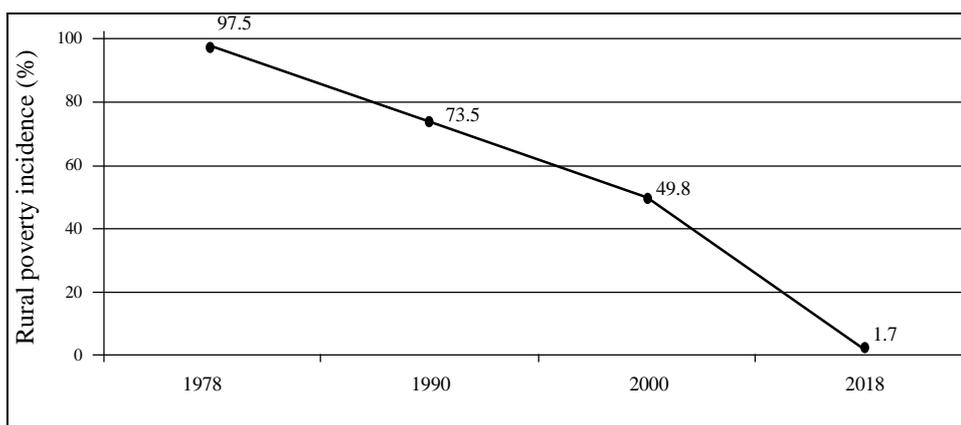


Figure: China's Rural Poverty Incidence, 1978-2018¹²⁵⁶

Box: China's Achievements in Poverty Elimination¹²⁵⁷

Since the 18th CPC National Congress in 2012, China has launched targeted poverty alleviation and made notable progress. China's rural impoverished population was reduced from 99 million in 2012 to 16.6 million in 2018, a total reduction of 82.4 million, down by 13 million every year on average. China's poverty incidence dropped from 10.2 percent to 1.7 percent, down by nearly 9 percentage points. In 2019, China planned to help at least another 10 million poor and about 330 poor counties out of poverty.

Over more than 40 years of reform and opening up since 1978, according to the World Bank's international poverty line of US\$1.9 per person per day, more than 800 million Chinese population have shaken off poverty, accounting for more than 70 percent of the global figure over the same period. China has become the first developing country to realize the poverty reduction objective in the United Nations Millennium Development Goals. UN Secretary-General António Guterres praised China as the largest contributor to global poverty reduction. In 2018, the UN General Assembly adopted a resolution on eliminating rural poverty, which included the concept and practice of targeted poverty alleviation initiated by China. China has provided a wealth of experience for the global fight against poverty.

China has established a preliminary social security system covering elderly care, medical care, minimum subsistence, housing, and education the largest in scale and covering the largest population in the world. By the end of 2018:

- Participants in urban workers' basic elderly care insurance numbered 419 million;
- Participants in unemployment insurance numbered 196 million;
- Participants in work injury compensation insurance numbered 239 million;
- Basic elderly care insurance covered more than 900 million people;

¹²⁵⁶ See Figure 1 from China's State Council Information Office White paper, titled "China and the World in the New Era", September 27,

2019 http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

¹²⁵⁷ See Box 1 from China's State Council Information Office White paper, titled "China and the World in the New Era", September 27, 2019

http://english.www.gov.cn/archive/whitepaper/201909/27/content_WS5d8d80f9c6d0bcf8c4c142ef.html

- Basic medical insurance covered more than 1.3 billion people, almost everyone in the country.

Over the past 70 years, China's life expectancy has increased from 35 in 1949 to 77 in 2018, higher than the world's average of 72. Over the past 70 years, the Chinese people have witnessed profound changes in their mindset. They have carried forward fine traditional Chinese culture, spread modern Chinese values, and enriched and invigorated their cultural life. According to a global wellbeing report released by the Boston Consulting Group (BCG) in 2018, in the past decade, China's ranking rose by 25 places, the fastest rate among the 152 countries covered.¹²⁵⁸

While addressing the **16th National Congress** of the Communist Party of China on Nov. 8, 2002, **Jiang Zemin** spoke on the topic "Build a Well-off Society in an All-Round Way and Create a New Situation in Building Socialism with Chinese Characteristics." The excerpts of the speech are given below¹²⁵⁹: The Congress was the first of its kind held by the Party in the new century in the new situation in which the Party began to take the third step of the strategic plan for socialist modernization.

Highlighting the work of the Past Five Years since the Fifteenth National Congress of the CPC and Basic Experience of 13 Years, Jiang Zemin pointed out that under the great banner of Deng Xiaoping Theory and implementation of Three Represents"¹²⁶⁰, the party would speed up socialist modernization and work hard to create a new situation in building socialism with Chinese characteristics. While entering the 21st century, the party started a new phase of development for building a well-off society in an all-round way and speeding up socialist modernization. At the Fifteenth National Congress, Deng Xiaoping Theory was established as the Party's guiding ideology, the Party's basic program for the primary stage of socialism was put forward, and the objectives and tasks for China's cross-century development were specified. Acting in the spirit of the congress, the Central Committee held seven plenary sessions at which it made decisions and plans on such major issues as agriculture and rural work, the reform and **development of state-owned enterprises**, the formulation of the Tenth Five-Year Plan (2001-2005) and the improvement of the Party's work style.

Announcing that reform and opening up had yielded substantial result, he said that the socialist market economy had taken shape initially and the work of building up the market system had been in full swing.

While discussing about Economic Development and Restructuring, Jiang Zemin emphasized on speeding up industrialization and urbanization and undertaking the following main tasks for economic development and reform in the first two decades of this century: to improve the socialist market economy, promote strategic adjustment of the economic structure, basically accomplish industrialization, energetically apply IT,

¹²⁵⁸ BCG, "Striking a Balance Between Well-Being and Growth: The 2018 Sustainable Economic Development Assessment", September 2018.

¹²⁵⁹ https://www.fmprc.gov.cn/mfa_eng/topics_665678/3698_665962/t18872.shtml

¹²⁶⁰ "Three Represents" was put forward by Jiang Zemin, former Chinese president, in 2000. It refers to what the CPC currently stands for (a) It represents the development trends of advanced productive forces. (b) It represents the orientations of an advanced culture. (c) It represents the fundamental interests of the overwhelming majority of the people of China. (<http://www.china.org.cn/english/zhuanli/3represents/68735.htm>)

accelerate modernization, maintain a sustained, rapid and sound development of the national economy and steadily uplift the people's living standards. He added that in the first decade, they would accomplish all the objectives set in the Tenth Five-Year Plan and for the years up to 2010 so as to bring the economic aggregate, overall national strength and the people's living standards up to a much higher level and lay a solid foundation for even greater development in the second decade.

He pointed out achievements over the past five years scored through reform and opening up, especially through practice since the Fourth Plenary Session of the Thirteenth Central Committee in 1989. In 2001, China's GDP reached 9.5933 trillion Yuan, almost tripling that of 1989, representing an average annual increase of 9.3 percent. China came up to the sixth place in the world in terms of economic aggregate. These 13 years had witnessed a highly volatile international situation and a magnificent upsurge of China's reform, opening up and modernization. From the late 1980s to the early 1990s, there occurred serious political disturbances in China, drastic changes in Eastern Europe and the disintegration of the Soviet Union. He added that after Deng Xiaoping made remarks on his tour of the South, the Fourteenth National Congress decided to establish a socialist market economy as the goal of reform, thus ushering in a new stage for reform, opening up and the modernization drive.

He emphasized on innovation, persevering in reform and keep improving the socialist market economy, adhering to the Four Cardinal Principles¹²⁶¹ and develop socialist democracy.

Spelling out objectives of Building a Well-off Society in an All-Round Way, Jiang Zemin claimed that on the basis of optimized structure and better economic returns, party's efforts include making efforts to quadruple the GDP of the year 2000 by **2020**, increasing China's overall national strength & international competitiveness, achieving industrialization and establishing a socialist market economy and an open and viable economic system. He also announced that the proportion of urban population would go up considerably and the trend of widening differences between industry and agriculture, between urban and rural areas and between regions would be reversed step by step. With a sound social security system and higher rate of employment, people would have more family property and lead a more prosperous life.

Supporting the concept of "One Country, Two Systems" and Complete National Reunification' Jiang Zemin expressed satisfaction over resolved questions of Hong Kong and Macao and strived for an early settlement of the question of Taiwan for national reunification.

For resolving the outstanding issues relating to strengthening and improving the Party's style of work and intensify the struggle against corruption, he called for action on the principle of the "eight do's" and "eight don'ts"¹²⁶² put forward by the Party Central Committee. Fighting against corruption was a major political task of the whole Party.

¹²⁶¹The Four Cardinal Principles are: to keep to the socialist road and to uphold the people's democratic dictatorship, leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought.

¹²⁶²The "eight do's" and "eight don'ts" are:

1. Emancipate the mind and seek truth from facts; do not stick to old ways and make no progress.
2. Combine theory with practice; do not copy mechanically or take to book worship.
3. Keep close ties with the people; do not go in for formalism and bureaucracy.

While addressing the **18th National Congress** of the Communist Party of China (CPC) on November 8, 2012, **Hu Jintao** stated the objective/progress in poverty alleviation mentioning that “firmly march on the path of socialism with Chinese characteristics and strive to complete the building of a moderately prosperous society in all respect.” Excerpts of his address are given below.

- **Living standards have been significantly improved.** Efforts to improve the people's wellbeing have been intensified; urban and rural employment has continued to increase; individual income has increased rapidly; household assets have grown steadily; people's need for daily necessities such as clothing, food, housing and transportation is better met; subsistence allowances for both urban and rural residents and the rural poverty line have been raised by a big margin; and basic pensions for enterprise retirees have increased continually.
- **Living standards should be fully raised.** Equal access to basic public services should be generally achieved. The educational level of the entire population should be significantly raised and training of innovative professionals markedly improved. China should have a large pool of competent professionals and be rich in human resources, and it should basically modernize its education. There should be more employment opportunities. Income gaps should be narrowed, middle-income groups should keep growing, and the number of people living below the poverty line should drop by a large margin. Social security should cover all the people. Everyone should have access to basic medical and public health services. The system of housing for low-income groups should take shape, and there should be social harmony and stability.
- **Integrate urban and rural development:** We should give high priority to rural areas in developing infrastructure and social programs in the country. We should work harder to build new rural areas, carry out programs of poverty alleviation through development and fully improve rural working and living conditions. We should ensure sustained and fast growth of rural income. We should uphold and improve the basic system for rural operations and protect in accordance with the law farmers' rights to farm the land they have contracted, to use the land on which their houses sit, and to share in the proceeds from rural collective operations. We should strengthen the collective economy, develop specialized cooperatives and joint stock partnerships for farmers, foster new types of agricultural business entities, and develop large-scale agricultural operations in diverse forms. We should reform the land expropriation system and increase the share of gain in land value to farmers. We should speed up improvements to institutions and mechanisms for promoting integrated urban and rural development, with a focus on integrating urban and rural planning, infrastructure and public services. We should ensure equal exchange of factors of production between urban and rural areas and balance allocation of public resources between them. What we aim to achieve is a new type of relations between industry and agriculture and between urban and rural areas in which industry promotes agriculture, urban areas

4. Adhere to the principle of democratic centralism; do not act arbitrarily or stay feeble and lax.

5. Abide by Party discipline; do not pursue liberalism.

6. Be honest and upright; do not abuse power for personal gains.

7. Work hard; do not indulge in hedonism.

8. Appoint people on their merits; do not resort to malpractice in personnel placement.

support rural development, agriculture and industry benefit each other, and there is integrated urban and rural development.

- **Continuing to Promote the Noble Cause of Peace and Development of Mankind:**

Mankind has only one earth to live on, and countries have only one world to share. History teaches us that the law of the jungle will not lead to the coexistence of human society and that the arbitrary use of force cannot make the world a better place. To pursue peace, development and cooperation and oppose war, eliminate poverty and avoid confrontation in order to build a harmonious world of enduring peace and common prosperity - this is what the people of all countries long for.¹²⁶³

Excerpts from the speech of **Xi Jinping** delivered at the **19th National Congress of the Communist Party of China** clearly identify that China will pursue a different type of forward economic policy – “more equitable development,” implying that China will aim to make its growth more inclusive.

The more prominent problem is that our development is unbalanced and inadequate. This has become the main constraining factor in meeting the people’s increasing needs for a better life.

Based on a comprehensive analysis of the international and domestic environments and the conditions for China’s development, we have drawn up a two-stage development plan for the period from 2020 to the middle of this century. In the first stage from 2020 to 2035, we will build on the foundation created by the moderately prosperous society with a further 15 years of hard work to see that socialist modernization is basically realized. The vision is that by the end of this stage, the following goals will have been met:

People are leading more comfortable lives, and the size of the middle-income group has grown considerably. Disparities in urban-rural development, in development between regions, and in living standards are significantly reduced; equitable access to basic public services is basically ensured; and solid progress has been made toward prosperity for everyone.

We will promote the integrated development of the primary, secondary, and tertiary industries in rural areas, support and encourage employment and business start-ups there, and open up more channels to increase rural incomes. We will strengthen basic services in rural communities, and improve the rural governance model which combines self-governance, rule of law, and rule of virtue. We will train professional rural service personnel who have a good knowledge of agriculture, love our rural areas, and care about rural people.

China is currently undergoing a major restructuring of its economic model. Policies that were employed in the past to essentially produce rapid economic growth at any cost were very successful. However, such policies have entailed a number of costs (such as heavy pollution, **widening income inequality**, overcapacity in many industries, an inefficient financial system, rising corporate debt, and numerous imbalances in the economy) and therefore the old growth model is viewed by many economists as no longer sustainable.

¹²⁶³ Hu Jintao's report at 18th Party Congress on 27 November, 2012 <http://www.china-embassy.org/eng/zt/18th CPC National Congress Eng/t992917.htm>

Growing Better at Ensuring and Improving People's Wellbeing and Strengthening and Developing New Approaches to Social Governance for winning the battle against poverty: Seeing that poor people and poor areas will enter the moderately prosperous society together with the rest of the country is a solemn promise made by our Party. We should mobilize the energies of our whole Party, our whole country, and our whole society, and continue to implement targeted poverty reduction and alleviation measures. We will operate on the basis of a working mechanism whereby the central government makes overall plans, provincial-level governments take overall responsibility, and city and county governments ensure implementation; and we will strengthen the system for making heads of Party committees and governments at each level assume the overall responsibility for poverty alleviation. We will strengthen collaboration on poverty alleviation between the eastern and western regions; and we will provide focused assistance to areas of extreme poverty. We must ensure that by the year 2020, all rural residents living below the current poverty line have been lifted out of poverty.¹²⁶⁴

China has experienced rapid economic growth over the past two decades and is on the brink of eradicating poverty. However, income inequality increased sharply from the early 1980s and rendered China among the most unequal countries in the world. This trend has started to reverse as China has experienced a modest decline in inequality since 2008.¹²⁶⁵

Policies implemented by China to address inequality.

Concerns over the income distribution in China have been increasing in recent years, although generally targeting extreme absolute poverty rather than a broader concept of inequality. In the Twelfth Five Year Plan, the government reiterated its commitment to speeding up the formation of a reasonable pattern of income distribution, and reversing the widening income gap as soon as possible. This concern over inequality persisted and was articulated in the Thirteenth five Year Plan (2016-2020), which reiterated the goal to eradicate rural poverty by 2020. In the first session of the 13th National People's Congress of March 2018, premier Li announced the target of lifting 10 million people out of poverty in 2018 out of an estimated close to 27 million remaining at the end of 2017. Policy reforms have been initiated in a number of areas:

Personal Income Tax Reform: In response to concerns over rising inequality, the government raised the minimum threshold for personal income tax multiple times from 800 Yuan per month before 2005 to 3,500 Yuan per month in 2011. The threshold remained in place as of 2017, and is now equivalent to 78 percent of GDP per capita. However, it is estimated that only a small share of income earners actually pay the tax and various studies have found the redistributive effect of the personal income tax to be very limited.

Labor market policies: After a hiatus in 2009, significant annual hikes in minimum wages resumed in 2010. As a result, by 2015 the average ratio of minimum wage to average wage had increased to 31.2 percent in the non-private sector and 51.2 percent in the private sector. While the role of the minimum wage regulation in reducing wage

¹²⁶⁴ http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf

¹²⁶⁵ WP/18/127 IMF Working Paper "Inequality in China-Trends, Drivers and Policies Remedies"
<file:///C:/Users/Jyoti%20Kumar/Downloads/wp18127.pdf>

inequality was believed to be limited, the recent hikes and better enforcement have led to a change in this view.

The Dibao system: By 2016 the minimum income guarantee system covered 45.8 million rural residents (7.8 percent out of the total rural population). Another 4.97 million rural residents received relief assistance for extreme poverty. In contrast, 14.9 million urban residents, approximately 1.9 percent of the urban population, participated in the program. Empirical studies find that while the Dibao program did not have a significant impact on reducing income inequality, it has been effective in alleviating poverty.

Pro-farmer policies: Since 2000, China implemented a series of pro-farmer policies as part of its balanced development strategy and measures to reduce urban–rural income gaps. These policies included various direct subsidies, the abolishment of the agricultural tax and improvement of public services and social protection. These pro-farmer policies have been found to play an important role in increasing farmers’ incomes and reducing the income gaps between urban and rural areas.

Social security: Largely on account of the New Rural Cooperative Medicare, China accomplished rapid expansion in medical care coverage, achieving near-universal coverage for rural residents. In addition, a total of 378 million people participated in the urban basic pension program for workers by the end of 2016. Another 508 million participated in the basic pension insurance program for urban and rural residents. However, because of the differences in the scope and level of coverage among different groups, it is not clear to what extent the advances in the social security system have narrowed inequality nationwide.

Regional development strategy and fiscal transfer policies: During much of the early reform period, economic growth was higher in the coastal region than in the western region, and this led to widening regional disparity. In response, the government adopted the Western Development Strategy in 2000, which included inter alia improvement of infrastructure, preferential policies for foreign investment and significant increases in fiscal transfers to western regions. Moreover, the share of general purpose grants in the transfer system has grown since the early 2000s and there is evidence that they have reduced fiscal disparities and other indicators of development across regions. As a result, the income gap between coastal and western regions has decreased since the mid-2000s. In 2014, China unveiled its urbanization plan, which is also seen as a policy to moderate inequality. It aims to move approximately 100 million additional rural residents into urban areas by 2020, thereby reducing the urban-rural income gap. In addition, the Human Rights Action Plan 2016 called for the implementation of the State Council’s reform program of the household registration system, and establishing a unified urban-rural household registration system.

Poverty alleviation policies: China started to implement antipoverty policies in the mid-1980s. On account of both the poverty alleviation policies and high economic growth, China’s rural poverty rate has declined considerably. More recently, the 13th Five-Year Plan for the Development of Education (2016-2020) called for making three-year preschool and senior high school education universal, with special support to central and western regions as well as rural or poverty stricken areas. The plan also stipulated equal

access to compulsory education at local schools for the children of migrant workers, and improving the education system for left-behind children.

Financial inclusion: Over the last 15 years, the Chinese government has actively implemented a wide range of policies to bolster financial inclusion. These included guidelines to promote the expansion of payments systems in remote and rural areas, regulations for new types of rural financial service providers and sub-branches and promotion of agent-based service points for cash withdrawal, among others. In addition, in 2014 the China Banking Regulatory Commission set the objective to reach coverage of basic financial services in all villages in three to five years. These comprehensive efforts have shown significant results with ATMs and point-of-sales more than doubling from 2011 to 2016 and agent-based service points for cash withdrawal covering almost all rural towns in China. Yet, some gaps remain, which the government is actively addressing through its Plan for Advancing the Development of Financial Inclusion issued in 2015.¹²⁶⁶

Hukou system, another name given to the housing registration, differs from province to province. For migrant workers - who have moved to cities to work - living without a residency permit can make it next to impossible to apply for licences and submit basic government documents. The old system, which dates back half a century, strictly separates urban and rural citizens, leading to a disparity in economic rights, welfare entitlements and freedom of movement.¹²⁶⁷ The details of Hukao are separately have been elaborated in Chapter 9 under sub-heading “Urbanisation: Household Registration System/Hukou System”. The Hukou system has received extensive criticism from both the academic world and the public.

7.4 China’s Economic fallout from Covid-19

7.4.1 UNCTAD Analysis

According to new analysis from UNCTAD, the economic fallout from COVID-19 is likely to get “much worse” before it gets better for some six billion people living in developing economies, the UN said on March 30 2020, in an appeal for a \$2.5 trillion rescue package to boost their resilience to further hardship. An economic downturn in these emerging economies was already evident in the last quarter of 2019 before the new corona virus outbreak emerged in central China last December - said Richard Kozul Wright, UNCTAD director of globalization and development strategies. “Even so, the world economy will go into recession this year with a predicted loss of global income in the trillions of dollars - this will spell serious trouble for developing countries, with the likely exception of China and the possible exception of India”, Mr. Kozul-Wright warned. It adds the commodity-rich exporting countries will face a \$2 trillion to \$3 trillion drop in investment from overseas in the next two years.¹²⁶⁸

Earlier the UNCTAD, Trade and Development Report published in September 2019 had mentioned that global growth is projected to fall to 2.3 per cent in 2019. In Asia,

¹²⁶⁶ Excerpts from Chandra, S. Jain et., IMF Working Paper: WP/18/127, Asia and Pacific Department, published in June 2018 titled “Inequality in China – Trends, Drivers and Policy Remedies”.

¹²⁶⁷ <https://gbtimes.com/hukou-reform-give-permits-100-million-migrant-workers>

¹²⁶⁸ Excerpts from UN News published on March 30, 2020 titled as “\$2.5 trillion COVID-19 rescue package needed for world’s emerging economies”, <https://news.un.org/en/story/2020/03/1060612>

particularly China's economy was among the fastest growing in the world showing signs of a loss of growth momentum. Meanwhile, growth in China fell from 6.6 per cent in 2018 to 6.4 per cent in the first quarter of 2019 and 6.2 per cent in the second quarter (relative to the corresponding quarter of the previous year) (Yao, 2019), confirming expectations that the ongoing trade tensions with the United States will weigh on growth in 2019. In addition, domestic debt pressures remain an ongoing concern for Chinese policymakers. Given the strong linkages these high-growth countries, especially China, have with the rest of Asia, their slowdown will have region-wide ramifications.¹²⁶⁹

7.4.2 EIU Report on Economy across G-20

G20 members account for 85 per cent of the world economy, 75 per cent of global trade, and two-thirds of the world's population, including more than half of the world's poor.¹²⁷⁰ Following the corona virus outbreak, the **EIU** (Economist Intelligence Unit report published on March 26, 2020) has revised growth forecasts for all member countries across the world. Across the G20, all but three countries will register a recession in 2020. The global economy will contract by 2.2%. EIU predicts that the **US economy** will contract by 2.8% in 2020. The impact on **China's economy** of the Covid-19 outbreak is set to be much deeper than that of SARS. Assuming that the virus does not flare up again, we expect China's real GDP growth to stand at only 1% in 2020, compared with an estimated 6.1% in 2019. The slowdown will be concentrated in the first quarter of the year and will still be felt in the second quarter.¹²⁷¹

7.4.2.1 Revised growth forecasts for G20 countries in 2020

Country	Real GDP Growth (% in 2020)	Previous Forecast (Before Outbreak)
China	1	5.9
Brazil	-5.5	2.2
France	-5	1
Germany	-6.8	0.9
India	2.1	6
U.K.	-5	1.1
USA	-2.8	1.7
Indonesia	1	5.1
Global(Market Exchange Rates)	-2.2	2.3

Source: The Economist Intelligence Unit, <https://www.eiu.com/n/covid-19-to-send-almost-all-g20-countries-into-a-recession/>

Anadolu Agency (Turkish International News Agency) reported that the situation in China is slowly stabilizing, with some factories getting back to their schedule. However,

¹²⁶⁹ UNCTAD, Trade and Development Report 2019, Page No. 3
https://unctad.org/en/PublicationsLibrary/tdr2019_en.pdf

¹²⁷⁰ The G20, Australian Government, Department of Foreign Affairs and Trade
<https://www.dfat.gov.au/trade/organisations/g20/Pages/g20>

¹²⁷¹ The EIU Report titled as "COVID-19 to send almost all G20 countries into a recession" published on March 26, 2020, <https://www.eiu.com/n/covid-19-to-send-almost-all-g20-countries-into-a-recession/>

China will be having a huge backlog to clear. It also mentioned that “Loss of production in China was estimated 85%-90% in February and 40%-60% in March, 2020”.¹²⁷²

7.4.3 World Bank Press Release

According to World Bank Press Release, the virus that triggered a supply shock in China has now caused a global shock. The Press Release dated March 30, 2020 titled “East Asia and Pacific: Countries Must Act Now to Mitigate Economic Shock of COVID-19” presents both a baseline and a lower case scenario. Growth in the developing EAP region is projected to slow to 2.1 percent in the baseline and to negative 0.5 in the lower case scenario in 2020, from an estimated 5.8 percent in 2019. Growth in China is projected to decline to 2.3 percent in the baseline and 0.1 percent in the lower case scenario in 2020, from 6.1 percent in 2019. Containment of the pandemic would allow for a sustained recovery in the region, although risks to the outlook from financial market stress would remain high.

The COVID-19 shock will also have a serious impact on poverty. The report estimates that under the baseline growth scenario, nearly 24 million fewer people will escape poverty across the region in 2020 than would have in the absence of the pandemic (using a poverty line of US\$5.50/day). If the economic situations were to deteriorate further, and the lower-case scenario prevails, then poverty is estimated to increase by about 11 million people. Prior projections estimated that nearly 35 million people would escape poverty in EAP in 2020, including over 25 million in China alone.

“Countries in East Asia and the Pacific that were already coping with international trade tensions and the repercussions of the spread of COVID-19 in China are now faced with a global shock,” said Victoria Kwakwa, Vice President for East Asia and the Pacific at the World Bank.¹²⁷³

7.5 Annual Work Report tabled at the third session of 13th National People’s Congress.

Premier Li Keqiang delivered a government work report including ‘**a review of our work in 2019 and the first few months of 2020**’ on May 22, 2020 on behalf of the State Council to the legislature for deliberation at the third session of the 13th National People’s Congress (NPC). Premier Li Keqiang expressed the following points on Economy in his speech to the 13th NPC (3rd Session):¹²⁷⁴

¹²⁷² Excerpts about China from Anadolu Agency Report titled as “COVID-19: Informal sectors keep Indian economy on track” published on March 18, 2020 <https://www.aa.com.tr/en/asia-pacific/covid-19-informal-sectors-keep-indian-economy-on-track-/1770246#>

¹²⁷³ World Bank, Press Release on March 30, 2020 titled “East Asia and Pacific: Countries Must Act Now to Mitigate Economic Shock of COVID-19” <https://www.worldbank.org/en/news/press-release/2020/03/30/east-asia-and-pacific-countries-must-act-now-to-mitigate-economic-shock-of-covid-19>

¹²⁷⁴ Excerpts from work report including ‘**a review of our work in 2019 and the first few months of 2020**’, available online at URL: <https://news.cgtn.com/news/2020-05-22/Full-text-Premier-Li-s-speech-at-the-third-session-of-the-13th-NPC-QHaP1FpB8k/index.html>

I. A review of our work in 2019 and the first few months of 2020

- **The economy remained stable overall.**
- Gross domestic product (GDP) reached 99.1 trillion yuan, representing a 6.1 percent increase over the previous year.
- Around 13.52 million new urban jobs were added, and the surveyed unemployment rate was below 5.3 percent.
- Consumer prices rose by 2.9 percent. A basic equilibrium was maintained in the balance of payments.
- **Living standards continued to improve.** Per capita disposable personal income topped 30,000 yuan. Basic old-age insurance, health insurance, and subsistence allowance standards were raised. Further progress was made in the construction of urban government-subsidized housing and the rebuilding of dilapidated houses in rural areas. The number of students in compulsory education receiving living allowances increased by almost 40 percent, and enrollments at vocational colleges grew by one million.
- **The economic structure continued to improve, and the development priorities of regions are better aligned.**
- Total retail sales of consumer goods exceeded 40 trillion yuan, and consumption continued to serve as the main engine driving growth.
- **Agriculture:** Advanced manufacturing and modern services registered rapid growth. **Grain output** was kept above **650 million metric tons**.
- For the first time, permanent urban residents exceeded 60 percent of the population; progress was made in implementing major development strategies for regions.
- **Pivotal progress was achieved in the three critical battle.**
Decisive achievements were made in **poverty alleviation** – the rural poor population was reduced by 11.09 million, and the poverty headcount ratio fell to 0.6 percent. **Pollution prevention** and control efforts continued, with further reductions in the discharge of major pollutants and overall improvements in the environment. The **financial sector** remained stable.

II. Main targets for development and the overall plan for the next stage of work

- Over 9 million new urban jobs, a surveyed urban unemployment rate of around six percent, & a registered urban unemployment rate of around 5.5 percent;
- Consumer Price Index (CPI) increase of around 3.5 percent;
- Accomplishment of the 13th Five-Year Plan.
- *We will pursue a more proactive and impactful fiscal policy.* The deficit-to-GDP ratio this year is projected at more than 3.6 percent, with a deficit increase of one trillion yuan over last year. On top of this, one trillion yuan of government bonds for COVID-19 control will also be issued. These are extraordinary measures for an unusual time.
- The central government will take the lead by committing to negative growth in its budgetary spending, with a more than 50 percent cut to outlays on non-essential and non-obligatory items.
- *We will pursue a prudent monetary policy in a more flexible and appropriate way.*
- *We will strengthen the employment-first policy with comprehensive measures.*

III. Forcefully implementing macro policies to keep businesses and employment stable

To ensure employment and people's well-being, we must instill confidence in over one hundred million market entities; and help enterprises, particularly micro, small, and medium businesses, and self-employed individuals get through this challenging time.

- *We will further cut taxes and fees.* We will continue implementing reductions of VAT rates and the share of employees' basic old-age insurance paid by enterprises, and we will make further tax and fee cuts of about 500 billion yuan. The policies introduced early this year that are due to expire by June will all be extended till the end of the year.
- We expect that these measures will see additional savings of more than 2.5 trillion yuan for enterprises throughout the year.
- *We will reduce enterprises' production and operating costs.* The policy of reducing electricity prices for general industrial and commercial businesses by five percent will be extended to the end of the year. The rates for broadband and dedicated internet access services will be cut by 15 percent on average.
- *We will increase financial support to keep business operations stable.* Large commercial banks should increase inclusive finance lending to micro and small businesses by more than 40 percent. We will support enterprises in increasing bond financing.
- *We will make every effort to stabilize and expand employment.* We will increase employment support for key sectors and key groups. With 8.74 million college students graduating this year, we need to encourage market-based employment and ensure that colleges and the governments of localities where they are located provide employment services to these students on an ongoing basis. We will ensure **employment for demobilized military personnel**. We will adopt a policy to see **rural migrant workers have equal access to employment** services in the cities where they work. We will help people with **disabilities, zero-employment families, and other groups** facing difficulty find jobs.
- This year and next, more than 35 million vocational skills training opportunities will be provided, and enrollment in vocational colleges will grow by two million.

IV. Energizing market entities through reform and strengthening new drivers of growth

- *We will press ahead with reforms to streamline administration and delegate power, improve regulation, and upgrade services.*
- *We will advance reforms to promote market-based allocation of production factors.*
- *We will improve the performance of state capital and SOE reforms.*
- *We will foster an enabling environment for the development of the private sector.*
- *We will encourage the upgrading of manufacturing and the growth of emerging industries.* We will markedly increase medium- and long-term loans to manufacturers. We will promote the industrial internet and boost smart manufacturing. New forms of business such as e-commerce, online shopping, and online services have played an important role during the COVID-19 response and more policies will be introduced in support of such businesses. We will advance Internet Plus initiatives across the board and create new competitive strengths in the digital economy.

V. Implementing the strategy of expanding domestic demand and promoting accelerated transformation of the economic growth model

- *We will promote the recovery of consumption.*
- *We will expand effective investment.*

This year, 3.75 trillion yuan of special local government bonds will be issued, a 1.6 trillion yuan increase over last year. The proportion of special bonds that can be used as project capital will be raised, and 600 billion yuan will be earmarked for investment in the central government budget.

Specifically, efforts will be made mainly in the following three areas:

First, we will step up the construction of new types of infrastructure. We will develop next-generation information networks and expand 5G applications.

Second, we will strengthen the development of a new type of urbanization. We will begin the renovation of 39,000 old urban residential communities and support the installation of elevators in residential buildings and the development of meal, cleaning, and other community services.

Third, we will redouble efforts to develop major transportation and water conservancy projects, and increase national railway development capital by 100 billion yuan.

- *We will steadily advance new urbanization.*
- *We will step up implementation of China's regional development strategies.* We will move forward with the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and the integrated development of the Yangtze River Delta.

We will advance well-coordinated environmental conservation in the Yangtze Economic Belt. An overall plan will be formulated for ecological protection and high-quality development in the Yellow River basin. Development of the Chengdu-Chongqing economic circle will be promoted.

- *We will ensure more effective protection of ecosystems and the environment.*
- *We will safeguard energy security.*

VI. Achieving poverty reduction goals and working for good harvests and growth in rural income

- *We will win the fight against poverty.* A poverty reduction survey will be conducted nationwide.
- **AGRICULTURE:** *We will work to bolster agricultural production.* The area of high-standard cropland will be increased by 5.33 million hectares. We will fully implement the system of provincial governors assuming responsibility for the "rice bag" and city mayors for the "vegetable basket." It is imperative, and it is well within our ability, to ensure the food supply for 1.4 billion Chinese people through our own efforts.
- *We will create more channels for rural residents to find employment and increase their incomes.*

VII. Promoting higher-standard opening up and stabilizing the overall performance of foreign trade and foreign investment

- *We will stabilize the overall performance of foreign trade.*
- *We will step up utilization of foreign capital.* The negative list for foreign investment will be significantly shortened, while a negative list will also be drawn up for cross-border trade in services. We will grant greater autonomy in reform and opening up to pilot free trade zones, speed up the establishment of a free trade port in Hainan, open new pilot free trade zones and integrated bonded areas in the central and western regions, and launch further comprehensive trials on opening up the service sector. We will foster an enabling market environment in which all companies, Chinese and foreign, are treated as equals and engaged in fair competition.
- *We will focus on quality in the joint pursuit of the Belt and Road Initiative.*
- *We will promote liberalization and facilitation of trade and investment.* We will firmly safeguard the multilateral trading regime, and actively participate in reform of the WTO. We will work for the signing of the Regional Comprehensive Economic Partnership, and advance free trade negotiations with Japan and the Republic of Korea as well as other countries. We will work with the United States to implement the phase one China-US economic and trade agreement.

VIII. Advancing the reform and development of social programs to safeguard and improve living standards

- *We will enhance the public health system.*
- *We will improve basic medical services.*
- *We will make greater efforts to meet people's basic living needs.* We will increase the basic pension for retirees and the minimum basic old-age pension for rural and non-working urban residents. Close to 300 million people in our country live on pensions, and we must ensure they receive their benefits on time and in full.
- *We will organize rich intellectual and cultural activities for our people.* We will improve public cultural services, make preparations for the 2022 Winter Olympics and Paralympics in Beijing, and encourage people to exercise and keep fit.
- *We will create new and better ways to conduct social governance.*
- *We will strengthen accountability for workplace safety.* This year, we will formulate the **14th Five-Year Plan**, thus drawing the blueprint for us to embark on a new journey toward the second Centenary Goal.