

# A Glimpse at China's Development Strategies: 2023-2027

David Marx 马野  
November 2022

# The CPC National Congress (CPC-NC) has important economic implications

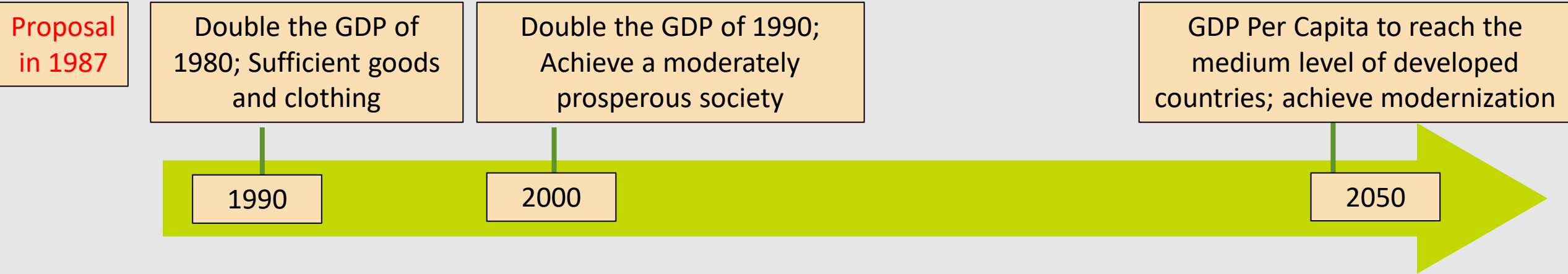
- CPC National Congress lays out China's fundamental development strategies
  - 14<sup>th</sup> CPC-NC in 1992
    - Setting the goal of establishing the **Socialist Market Economy**
    - Raising the targeted growth rate from 8% to 9% for the 1990s
  - 16<sup>th</sup> CPC-NC in 2002
    - Setting the goal of “building a **moderately prosperous society in all respects**”
    - 2020 GDP to quadruple the level in 2000
  - 18<sup>th</sup> CPC-NC in 2012
    - Achieving **balanced, coordinated and sustainable development** with increasing emphasis on **environmental protection**
    - Both GDP and Income Per Capita in 2020 to double the level in 2010

# Outline: Summarizing China's Development Strategies from 2023 to 2027

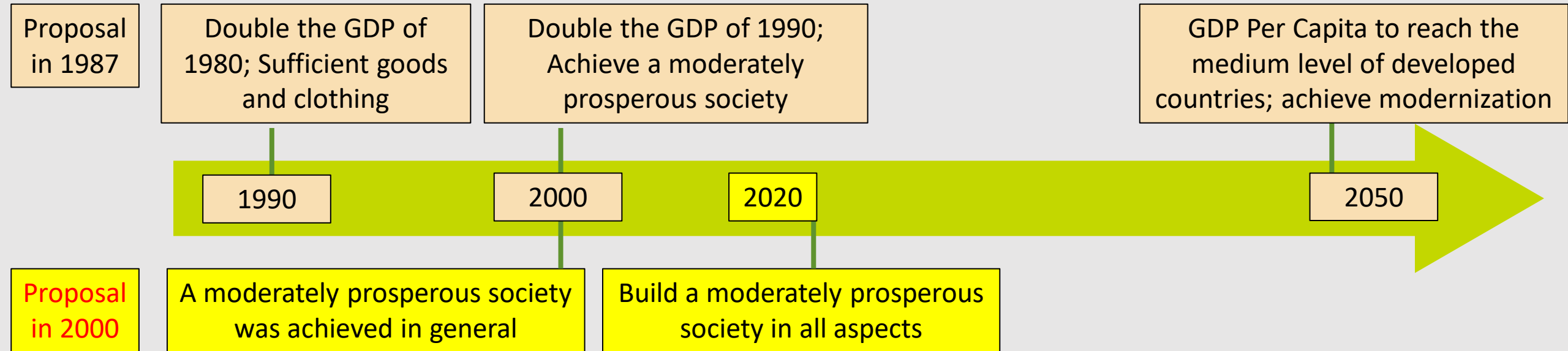
- **Reaffirming China's Two-Step Strategic Plan for Modernization by the mid-21st century**
  - Detailing the development goals of achieving basic modernization by 2035
  - Sticking with the Chinese Path to Modernization
- **Economic development is a primary task**
  - Sustain a growth rate of around 5.5% is essential for achieving “GDP per Capita on par with a mid-level developed country”
- **High Duality Development**
  - The real economy and industrial systems; innovation, education, and talents;
  - High-standard opening-up; green development; coordinated and shared development
- **Implications on infrastructure**
  - Traditional infrastructure in less developed area; green; digital; international connectivity
  - Debt; PPP; policy banks

# I. China's Overall Development Road Map: From Three-Steps to Two-Steps

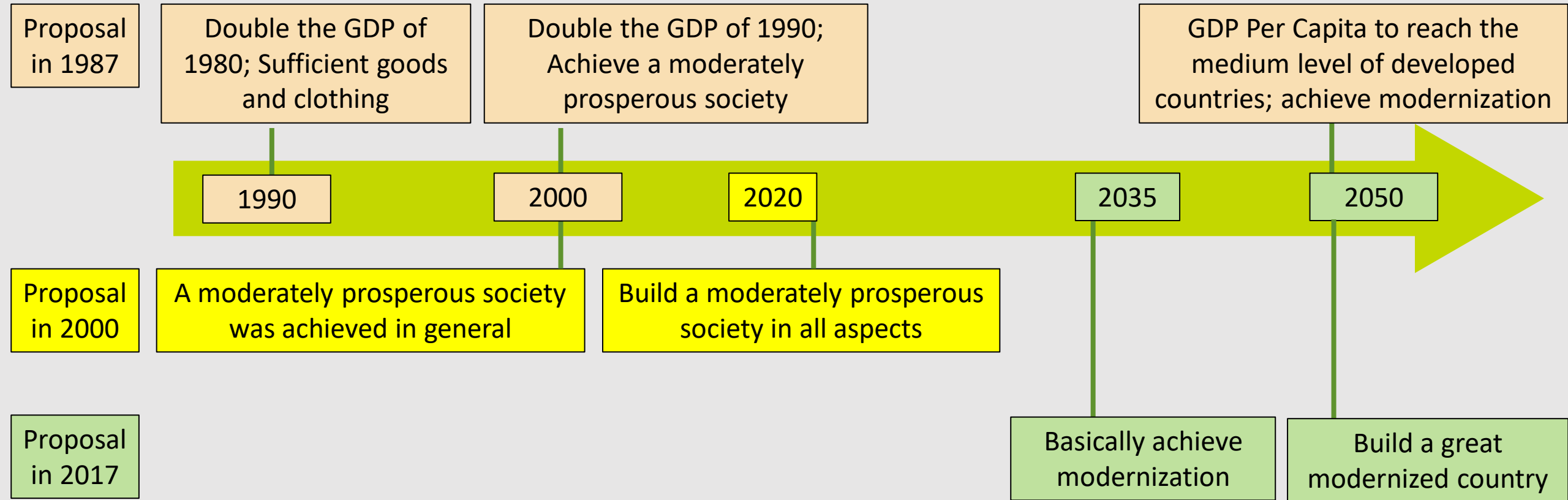
# I. China's Overall Development Road Map: From Three-Steps to Two-Steps



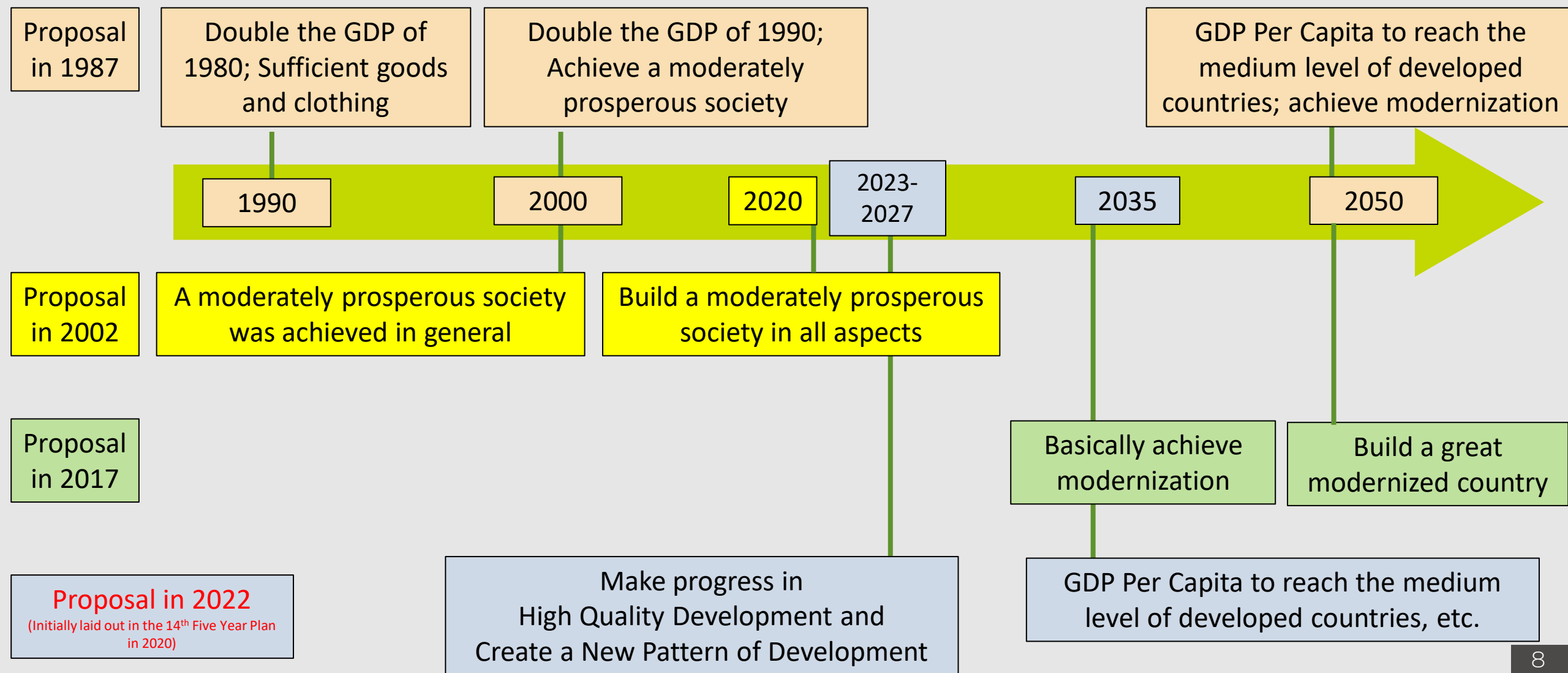
# I. China's Overall Development Road Map: From Three-Steps to Two-Steps



# I. China's Overall Development Road Map: From Three-Steps to Two-Steps



# I. China's Overall Development Road Map: From Three-Steps to Two-Steps





# I. China's Overall Development Road Map: From Three-Steps to Two-Steps

- **A Chinese Path to Modernization: why is it unique?**
  - Modernization of a **huge population**
  - Modernization of **common prosperity** for all
  - Modernization of material and **cultural-ethical** advancement
  - Modernization of harmony between humanity and **nature**
  - Modernization of **peaceful development**

# I. China's Overall Development Road Map: From Three-Steps to Two-Steps

- **Selected development objectives for 2035**
  - Significantly increase economic strength, **scientific and technological capabilities**
  - Join the ranks of the world's most **innovative** countries
  - Build a modernized economy; form a new **pattern** of development  
(focused on the domestic economy and features positive interplay between domestic and international economic flows)  
(focused on? rooted in? built upon?)
  - Basically achieve new industrialization, informatization, urbanization, and agricultural **modernization**

# I. China's Overall Development Road Map: From Three-Steps to Two-Steps

- **Selected development objectives for the next five years**
  - Make major progress in creating a new pattern of development and building a modernized economy;
  - Make new strides in reform and opening up
  - Achieve **greater self-reliance and strength** in science and technology
  - Ensure **personal income** grows basically in step with economic growth and pay rises in tandem with increases in productivity;

## II. Development Reaffirmed as a Top Priority

## II. Development Reaffirmed as a Top Priority

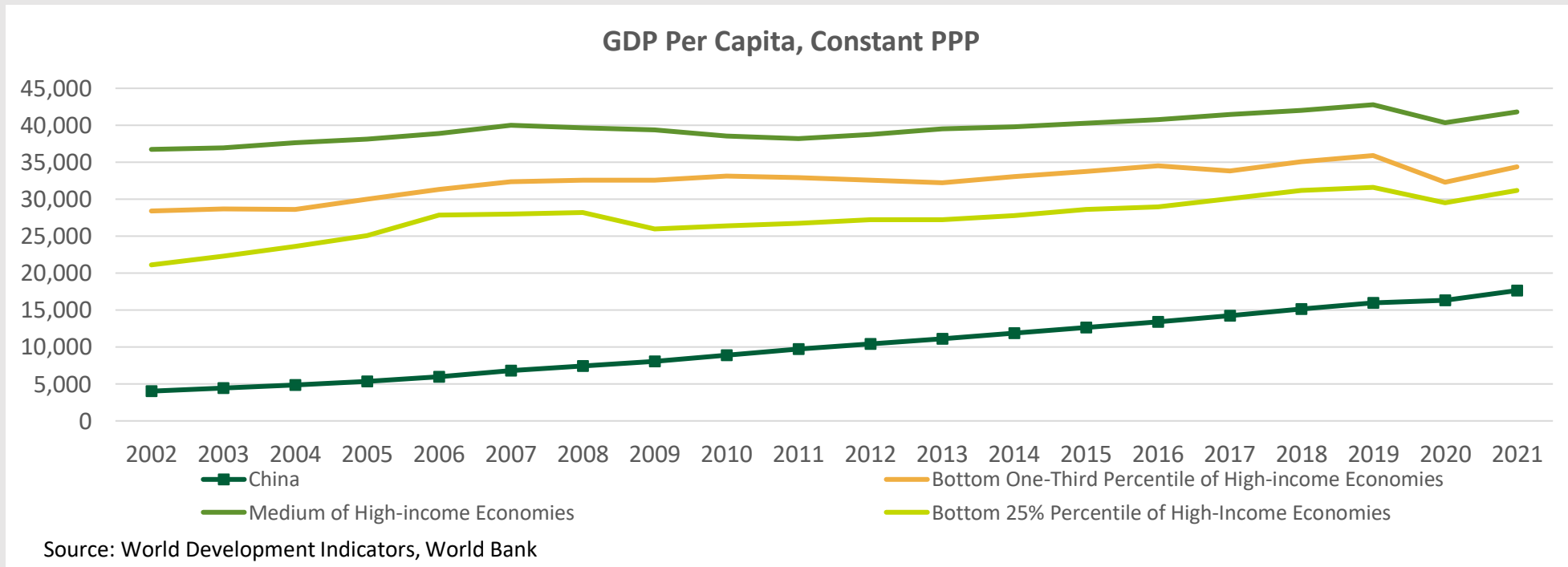
- **Development is still Job No. 1**
  - The section on economic development remains the **fourth** of the Report.
    - Following sections on Previous Achievements, Guiding Principles, and the Overall Missions
    - Prior to sections on other specific fields, such as education, democracy, society, etc.
- Two quotes from the Report
  - “To build a modern socialist country in all respects, we must, **first and foremost**, pursue high-quality development.”
  - “Development is our Party's **top priority** in governing and rejuvenating China, for without solid **material and technological foundations**, we cannot hope to build a great modern socialist country in all respects.”

## II. Development Reaffirmed as a Top Priority

- **Economic growth is still an important development target**
  - No explicit quantitative target was set, neither in growth rates nor in volumes
  - **However**, the report highlighted at the beginning of Section IV that
    - “We will raise total factor productivity, ..., so as to effectively upgrade and **appropriately expand China's economic output.**”
  - Meanwhile, as the first development objectives to be achieved by 2035,
    - China will “substantially grow the **per capita GDP** to be on par with that of a **mid-level developed country**”
    - This leads to an implied economic growth target for the coming years

## II. Development Reaffirmed as a Top Priority

- Implied economic growth target from “a mid-level developed country”
  - What are developed countries?
    - Proxied by World Bank High-Income Economies (80 as of World Bank FY23)
  - How to define mid-level?
    - 50% Percentile / Bottom One-Third Percentile / Bottom 25% Percentile



X2.37

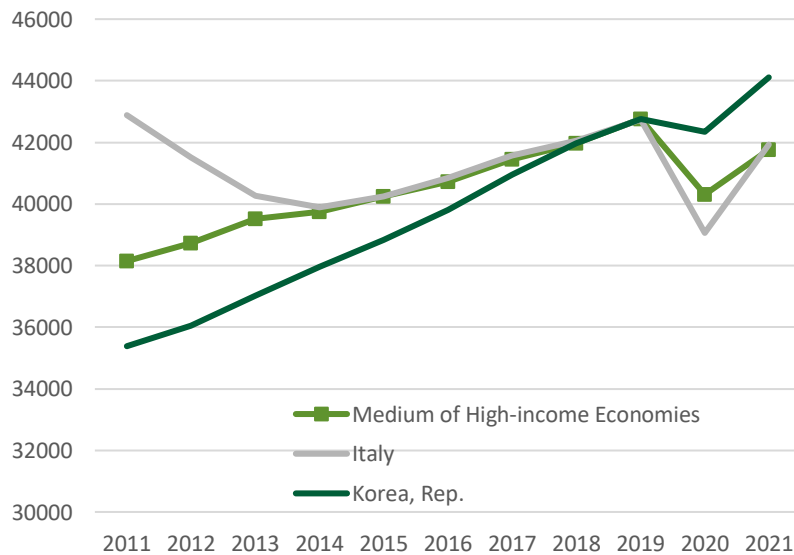
X1.95

X1.77

## II. Development Reaffirmed as a Top Priority

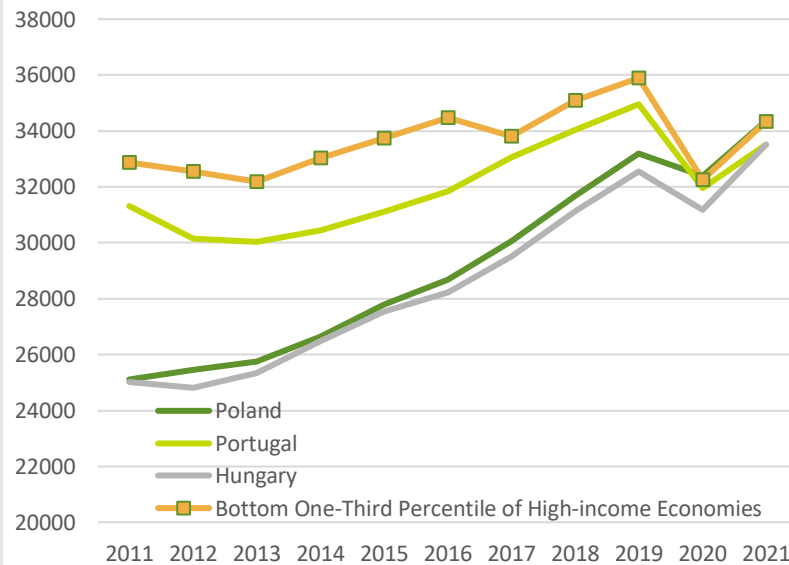
- Implied economic growth target from “a mid-level developed country”
  - What are developed countries?
    - Proxied by World Bank High-Income Economies (80 as of World Bank FY23)
  - How to define mid-level?
    - 50% Percentile / Bottom One-Third Percentile / Bottom 25% Percentile

GDP Per Capita, Constant PPP



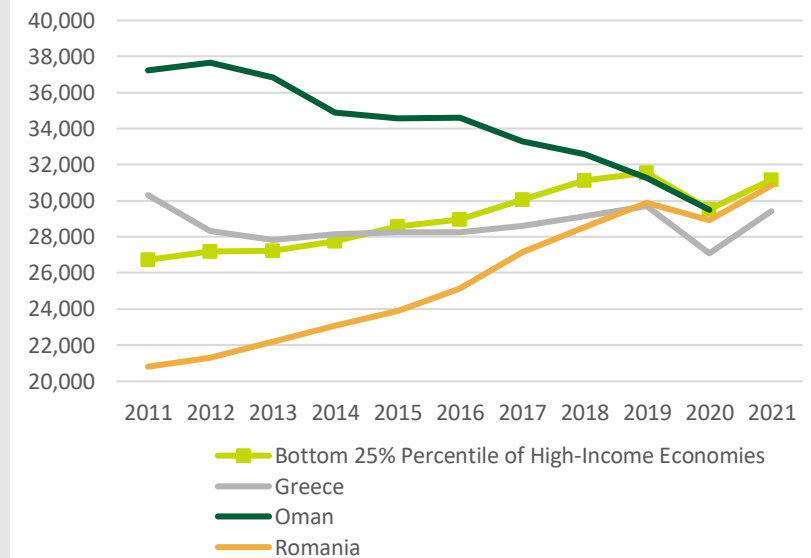
Source: World Development Indicators,  
World Bank

GDP Per Capita, Constant PPP



Source: World Development Indicators,  
World Bank

GDP Per Capita, Constant PPP



Source: World Development Indicators,  
World Bank



## II. Development Reaffirmed as a Top Priority

- Implied economic growth target from “growing into a mid-level developed country”

Target	Required Excess Growth	Actual Growth of the target, 2005-2019	Implied Total Per Capita Growth	Actual Excess Growth, 2005-2019
Medium (Italy, Korea)	6.36%	0.83%	7.19%	7.33%
Bottom One-Third (Poland, Portugal)	4.89%	1.29%	6.18%	6.86%
Bottom 25% (Greece, Romania)	4.16%	1.66%	5.82%	6.49%

- Not a low-hanging fruit: China’s Per Capita GDP growth from 2016-2019: 6.09%
- Yang Weimin (Former Deputy Director, Central Committee for Economies and Finance):
  - China should strive to bring growth back to its potential, estimated at around 5.5% from 2022-2026

### III. High Quality Development

# III. High Quality Development

- **Emphasis on the real economy and the industrial system**
  - The real sector is attached with great importance
    - “In pursuing economic growth, we must continue to focus on the **real economy**”
  - The broadly-defined real sector
    - “boost China’s strength in manufacturing, product quality, aerospace, transportation, **cyberspace, and digital development** ”
    - “Integration of modern **services** with advanced manufacturing”: IoTs, logistics
- Security and resilience
  - “shore up weaknesses in sectors vital to China’s **development security**”
  - “improve our capacity for securing the **supply of strategic resources**”

# III. High Quality Development

- **Emphasis on innovation, science and education, and talents**
  - A special section for education, science and technology, and human resources
    - Used to be scattered in sections on economic development and people's livelihoods
    - Now this special section precedes those on political and cultural development
  - Three “primary”
    - “Science and technology as our **primary productive force**”
    - “Talent as our **primary resource**”
    - “innovation as our **primary driver of growth**”
  - “Create a large, well-structured, and high-quality workforce”
    - “Comprehensively improve our ability to **nurture talent at home**”
    - “Build **world hubs for talent and innovation**,..., strive to build up our comparative strengths in **global competition for talent**”

# III. High Quality Development

- **Emphasis on High-Standard Opening-Up**
  - Aims
    - Amplify the **interplay** between domestic and international markets and resources
    - Improve the level and **quality** of trade and investment cooperation
  - Measures
    - Expand **institutional** opening up (rules, regulations, management, and standards)
    - Reductions to the negative list for foreign investment, protect the rights and interests of foreign investors
    - Regional opening-up
      - New International Land-Sea Trade Corridor in the **western region**
      - Hainan Free Trade Port
    - Promote the internationalization of the **RMB** in an orderly way

# III. High Quality Development

- **Emphasis on Green Development**

- Reaffirming China's commitment of carbon peaking and neutrality
  - “Working **actively** and **prudently** toward the goals”
  - “Advance initiatives to reach peak carbon emissions in a **well-planned** and **phased way** in line with the principle of building the new before discarding the old”
- Energy
  - **Coal** will be used in a cleaner and more efficient way, and greater efforts will be made to explore and develop **petroleum and natural gas**, discover more untapped reserves, and increase production.
  - We will speed up the planning and development of a system for **new energy sources**, properly balance **hydropower** development and ecological conservation, and develop **nuclear power** in an active, safe, and orderly manner.

# III. High Quality Development

- **Emphasis on Coordinated and Shared Development**

- Rural development

- “Gradually develop all permanent basic cropland into **high-standard cropland**”
    - “Consolidate and expand our achievements in **poverty alleviation**”
    - “Cultivate **new types** of agribusiness and commercial agricultural services, and support appropriately scaled agricultural operations”

- Regional development

- Beijing-Tianjin-Hebei region; the Xiongan New Area; the Yellow River basin;
    - Yangtze Economic Belt; Yangtze River Delta; Chengdu-Chongqing economic zone

- Livelihoods

- “raise the share of **personal income** in the distribution of national income”
    - “increase the incomes of low-income earners, and expand the size of the **middle-income group**”
    - “keep income distribution and the **means of accumulating wealth** well-regulated”
    - “encourages both housing **rentals** and purchases.”

## IV. Implications on Infrastructure Investment

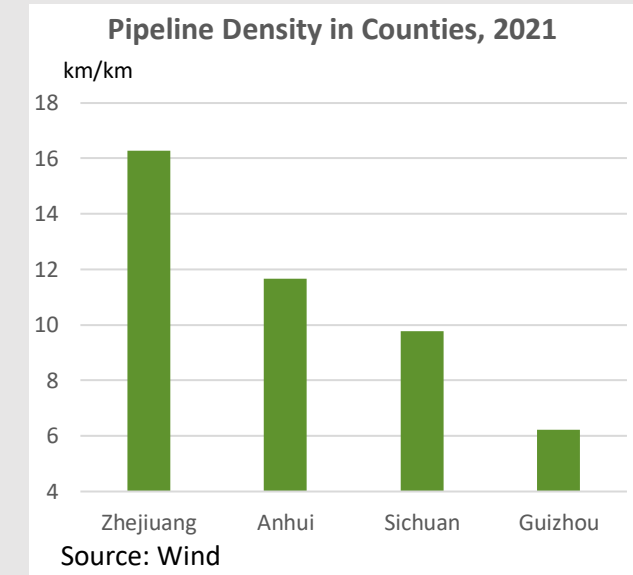
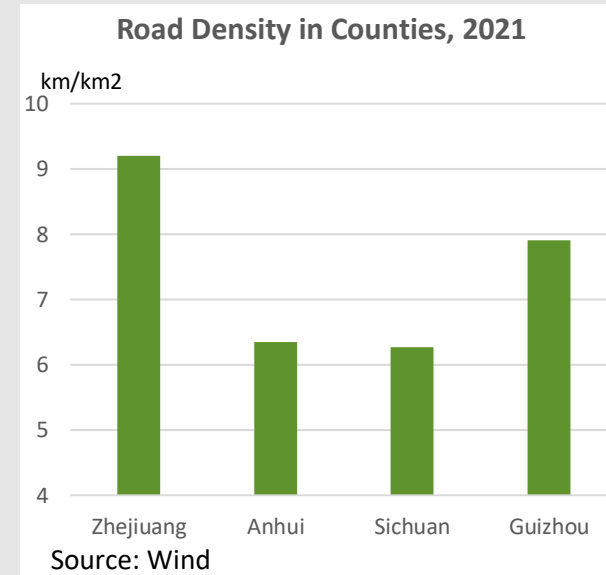
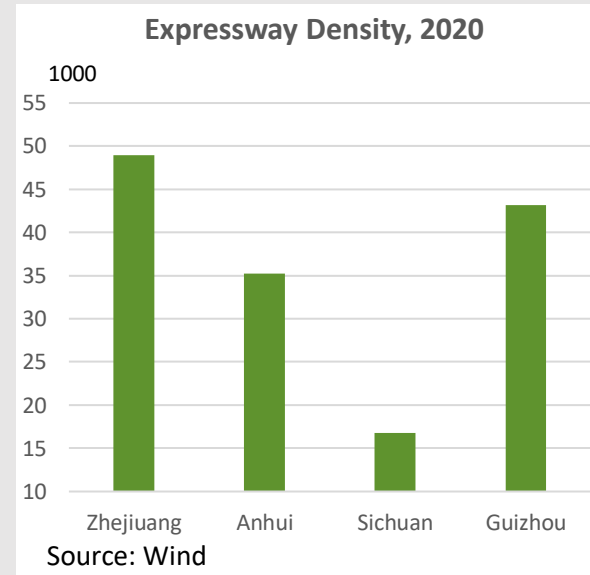
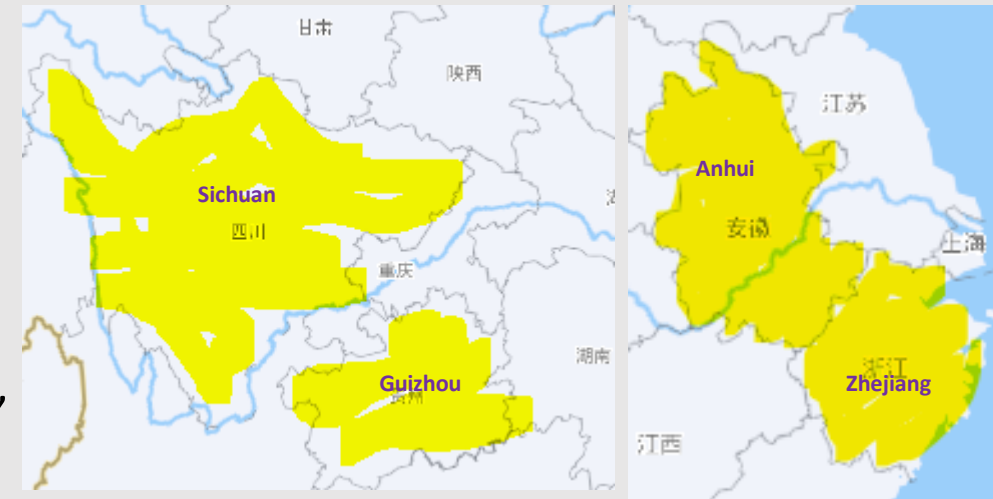


## IV. Implications on Infrastructure Investment

- **General narrative in the report**
  - “Build a **modern infrastructure system** with a better layout and structure, more effective functions, and greater system integration. ”
- Three specifically mentioned fields
  - “We will develop infrastructure and public services in **rural areas** in a well-planned and coordinated way ”
  - “We will carry out urban renewal projects and improve **urban infrastructure** to build livable, resilient, and smart cities. ”
  - “The **environmental infrastructure** will be upgraded and living environments in both urban and rural areas will be improved. ”

# IV. Implications on Infrastructure Investment

- **Traditional infrastructure in less-developed areas**
  - Boost regional development and improve livelihoods
  - Comparing Zhejiang vs. Anhui/Sichuan/Guizhou
    - Zhejiang not only leads in GDP, but also in expressway density, and county pipelines and roads



- Example: Chuanzang Railway: connecting Sichuan and Tibet, 1838km, RMB 320 bn, 11 years to be completed

## IV. Implications on Infrastructure Investment

- **Green and new energy infrastructure**
  - China's 14<sup>th</sup> Five Year Plan
    - Electricity **production from renewable sources** to reach 3.3 trillion KW by 2025, up from 2.5 in 2021
    - Electricity **consumption from renewable sources** to reach 1 billion standard coal, up from 0.75 in 2021
    - **Non-fossil fuel energy consumption** to reach 20% of total consumption, up from 16.6% in 2021
  - Example: Virtual Power Plant
    - The VPP Management Center in Shenzhen
      - Cooperating with energy storage firms, data centers, and subways, with a capacity of 870,000KW, which will rise to 1 million KW by 2025
    - Other cases in Shanghai, Beijing, Jiangsu
- Example: EV charging stations

## IV. Implications on Infrastructure Investment

- **Digital infrastructure**
  - Example: East Data, West Computation
    - **8 National Computing Hubs**
      - Beijing-Tianjin-Hebei; Yangte Delta; Guangdong-Hongkong-Macao
      - Ningxia; Inner Mongolia; Gansu; Guizhou; Chengdu-Chongqing
    - **10 Data center clusters around these hubs**
  - Total investment estimated around RMB 400 billion

## IV. Implications on Infrastructure Investment

- **Infrastructure on International Connectivity**

- Upgrading and digitizing **existing ports**

- **Example: Pinglu Canal in Guangxi**

- 135 KM, RMB 73 billion, 4.5 years
  - Connecting western areas with **Beibu Gulf**, which is very close to the **Strait of Malacca**
  - Shorten the voyage of goods entering the gulf in southwestern China **by around 560 kilometers**
  - Expected to save more than RMB 5.2 billion in transportation costs annually
- 
- China-Kyrgyzstan-Uzbekistan railway



## IV. Implications on Infrastructure Investment

- **Better debt management of infrastructure-related debt**
  - Proceeds from the debt of **central government State-Owned Enterprise**
    - E.g. China Railway: total liability of RMB 6 trillion by June 2022
  - Proceeds from **Local Government Project Bonds**
    - By August 2022: RMB 20.3 trillion
    - Average maturity of 9.9 years / Average interest rate 3.42%
  - Proceeds from the debt of **City Construction Firms** (Chengtou Firms)
    - Interest-bearing liabilities totaled RMB 50.2 trillion by June 2022 (Chengtou Bonds RMB 15 trillion)
  - How: enhance **financial sustainability** analysis and project **economic analysis**
- **Leveraging policy banks**
  - Loan balance by 2021: RMB 13 trillion
  - Additional policy bank investment quota in 2021: RMB 800 bn loan + RMB 300 bn equity funds
- **Increase private participation through Public-Private Partnership/REITs**
  - PPP: 4514 Projects have been under construction, totaling RMB 7.0 trillion by June 2022
  - Better coordination between government agencies and private investors

# Summary

- **Reaffirming China's Two-Step Strategic Plan for Modernization by the mid-21st century**
  - Detailing the development goals of achieving basic modernization by 2035
  - Sticking with the Chinese Path to Modernization
- **Economic development is a primary task**
  - Sustain a growth rate of around 5.5% is essential for achieving “GDP per Capita on par with a mid-level developed country”
- **High Duality Development**
  - The real economy and industrial systems; innovation, education, and talents;
  - High-standard opening-up; green development; coordinated and shared development
- **Implications on infrastructure**
  - Traditional infrastructure in less developed area; green; digital; international connectivity
  - Debt; PPP; policy banks