

Prospects for Changes in Chinese Economic Policy in the Coming Years



Seungshin Lee

Ph.D., Senior Research Fellow, Center for East Asian and Advanced Economy Studies

On July 18, 2024, the Third Plenary Session of the China adopted the Decision of the Central Committee of the Communist Party of China on Further Comprehensively Deepening Reform and Promoting Chinese-style Modernization. The decisions reached at the Third Plenary Session of the CPC Central Committee will determine the general direction of China's economic operations in the next five to ten years. Two important goals were announced at the plenary session, namely to achieve the goal of socialist modernization by 2035, and to complete the reform tasks identified at the meeting by 2029.

The Third Plenary Session of the CPC Central Committee of the People's Republic of China focused on comprehensive deepening reform and promoting Chinese-style modernization, in particular adopting major reform measures for the next five years. In other words, the goal was announced to pursue economic reform with a “comprehensive, systematic and long-term” mindset and system, focusing more on medium- and long-term effects than on short-term ones. This article introduces the main decisions of the Third Plenary Session and subsequent implications for economic policy.

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The first decision involved **reforming of the economic system**. In terms of the economic system, the goal was set to realize a “high-level socialist market economy system,” with particular emphasis on building a unified national market. Great importance was attached to education, science and technology and talent growth, and reform measures were set forth for the education and technology talent system, together with various mechanisms to facilitate high-quality development and cultivate new quality productivity.

Second, an emphasis was placed on **high-quality development and high-quality opening-up to the outside world**, thus contributing to the high-quality development of the economy. Drawing upon the dual-engine drive of “power of policy” and “power of reform,” the development of new quality productivity was identified as a priority. Other key points included improving the system and mechanism for developing new productive forces in accordance with local conditions, improving the system for promoting the deep integration of the real economy and the digital economy, improving the system and mechanism for the development of the service industry, and improving the resilience and safety level of industrial and supply chains. In terms of opening up to the outside world, these initiatives include: innovative development of digital trade; promoting the construction of a comprehensive cross-border e-commerce pilot zone; constructing a bulk commodity trading center; establishing a global distribution center; comprehensively implementing a negative list for cross-border service trade; and promoting telecommunications, Internet, education, culture, medical and other fields in an orderly manner.

The third major decision was to pursue a **Chinese-style modernization**. In this context the high-level socialist market economy system becomes an important guarantee for China to pursue its own style of modernization, while high-quality development becomes the primary task of comprehensively building a modern socialist country, and national security an important foundation for the steady and long-term development of this Chinese-style modernization. It can be seen that the next stage of development in China will extend beyond quantitative expansion, instead transforming into “qualitative improvement.” Subsequently, we can assume the next stage of mainland China's development will no longer be limited to quantitative expansion, with more of a focus set on quality upgrade measures.

Over the next five years, we can expect the following major ideas to guide China's macroeconomic policies. The first is to pay attention to governance. At the plenary session, new proposals were made to “focus on improving the party's leadership level and long-term governance capabilities.” The second is to pay attention to issues of fairness. The Third Plenary Session of the

20th Central Committee of the Communist Party of China not only emphasized development but also distribution. The concepts of both “liberal control” and “control” were emphasized to better maintain market order. It was clearly stated that “narrowing the gap between urban and rural areas” and “common prosperity” are still the focus of equitable economic development. The third message was to pay more attention to safety issues. This focus on safety will subsequently include, among others: preventing and resolving real estate and local government debts, improving the resilience and safety level of industrial and supply chains, and effectively responding to external risks and challenges. The fourth major idea is to attach importance to quality, build a new higher-level open economic system, and establish a high-level socialist market economic system. This was explained as creating a fairer and more dynamic market environment which stimulates social motivation and innovation vitality. To ensure that per capita GDP reaches the level of moderately developed countries in 2035, the goal was set to elevate the nation’s per capita GDP to within the range of US\$ 30,000 and US\$ 40,000.

From a macroeconomic perspective, we can expect three possible approaches by the Chinese government to manage the economy. First, from the perspective of industrial chain and supply chain security, moderate overproduction can be maintained to ensure certain limits on price levels. Second, from the perspective of preventing risks in key areas, macroeconomic control measures will steer away from extreme policies. For example, from the perspective of people’s livelihoods, an emphasis was placed on “doing the best within one’s capacity” and “strengthening the construction of inclusive and basic people’s livelihoods.” Third, from the perspective of responding to external risks, gradual alignment with international standards was stressed in four aspects of rules, systems, management, and standards. Through these measures, the aim was set to actively integrate into the global economy to cope with U.S.-China economic and trade decoupling or confrontation. **KIEP**