

**Testimony before the  
U.S.-China Economic and Security Review Commission**

**Hearing on U.S.-China Relations at the Chinese Communist Party's Centennial**

**Yuen Yuen Ang**

**January 28, 2021**

Thank you for the opportunity to offer my views on U.S.-China relations and China's economic policymaking. In this testimony, I address four themes.

1. The CCP leadership's confidence in China's economic trajectory
2. Continuity and change in China's economic policies
3. CCP's vision of "socialist modernization" by 2035
4. Recommendations for managing relations with China

Key observations:

- Three words capture the core themes of the 2020 communique: (1) "quality development," (2) "core technology," and (3) "security."
- Despite the shocks in 2020, the CCP remains confident and sees opportunity in a post-pandemic global order; but this confidence is better characterized as guarded confidence rather than hubris.
- There are continuities and changes between the 2015 and 2020 Fifth Plenum communiqués, which provides a useful indicator of whether and how Xi's administration has evolved over the past five years.
- Consistent with 2015, "quality development" remains the central theme of the 2020 Fifth Plenum—but this time, no GDP targets were set.
- One urgent problem facing the CCP is how to overhaul and align the target system with its core goal of achieving quality development.
- Technology is always a top priority—but whereas the leadership welcomed all types of technological ventures in 2015, in 2020, it only prioritized "core technologies" that can ensure "self-sufficiency."
- The leader Xi clearly favors a statist approach but he also wants to make use of market forces to strengthen the state's allocative role.

## **Significance of the 2020 Fifth Plenum**

From 26-29 October in 2020, the 19<sup>th</sup> Central Committee of the Chinese Communist Party (CCP), under the leadership of General Secretary Xi Jinping, met for the Fifth Plenum to review the proposal for the next 14<sup>th</sup> Five-Year Plan (FYP) (2021-2025). This meeting is especially significant because it took place at a moment of extraordinary stress: a once-in-a-century pandemic on top of an unprecedentedly fractious relationship with the United States.

Another significance is that the CCP is making plans on a longer time horizon than before: the next five-year plan is positioned as a stepping stone toward a 15-year plan. Having made “decisive accomplishments” on the first centennial goal of “moderate prosperity for all,” the leadership is now striving toward the second centennial goal of reaching “socialist modernization” by 2035.

## **Reading the Tea Leaves**

My analysis will focus mainly on the communique (a summary of the discussion), which the state media released on the last day of the plenum.<sup>1</sup> Other relevant documents include the proposal formally approved at the meeting: “CCP Central Committee-Formulated Proposal for the 14th Five-Year National Economic and Social Development Plan and 2035 Long-Term Goals.”<sup>2</sup> Following up, on 4 November, the state media released “explanations” of the communique, including one personally issued by Xi.<sup>3</sup>

In China’s single-party state, official addresses are instruments of policy rather than public communication. They are usually stultifying, filled with platitudes and party slogans, with entire sentences and even paragraphs copied and pasted from plenum to plenum. Hence, a cursory read of CCP communiqués may yield the impression that more or less the same things are being said over and over again.

But in fact, as Qian and Wu, two Chinese economists and policy advisors, pointed out, “In Chinese politics, subtle changes in rhetoric reflect a big change in ideology.”<sup>4</sup> The challenge lies in extracting these “subtle changes” from a sea of bureaucratic jargon, and interpreting their significance in light of previous and concurrent actions and statements.

Hence, in this testimony, I compare the language of the Fifth Plenum in 2020 (which approved the draft of the 14<sup>th</sup> FYP) with the Fifth Plenum in 2015 (which approved the 13<sup>th</sup> FYP). Both took place under Xi’s leadership. Thus, a comparison of the two communiqués provides one evidential basis for assessing whether and how Xi’s administration has evolved over the past five years.

It is worth underscoring that that while the Xi administration has certain enduring goals and characteristics, it is constantly *evolving* in response to the domestic economy, global environment, and in particular, U.S. policies toward China.

## Guarded Confidence

*Q: What do recent CCP policy documents such as the Fifth Plenum communique indicate about CCP policymakers' confidence in China's economic trajectory?*

- 1. Despite the shocks in 2020, the CCP remains confident about China's economic trajectory and sees opportunity in a post-pandemic global order.*

One indication lies in the CCP's diagnosis of its situation in 2015 compared to 2020. Both plenums underscored the “tough domestic challenges” and “complex international situation.” But in 2015, the leadership saw its defining challenge as the “economic slowdown,”<sup>5</sup> whereas in 2020, this was no longer mentioned. Instead, their overriding concerns were the pandemic (mentioned 4 times) and the “complex international situation” (mentioned 3 times). The latter alludes, above all, to worsening U.S.-China relations. As Mr. Xi elaborated: “In recent years, de-globalization is on the rise, and some countries are dramatically pushing for unilateralism and protectionism.”<sup>6</sup>

It is a cliché to say that there is opportunity in crisis. Predictably, there is a paragraph with this cliché in 2015. What is subtly different in 2020 is that the CCP emphasizes that “both the nature of our opportunities and challenges” have changed. Here, it introduces a new term: “a once-in-a-century seismic shift,” paired with another new word: “the relative power [of nations] is shifting.” This alludes to the Party's belief or narrative that passing the pandemic stress test has boosted China's position in the global order.

**Table 1:** Mentions of China's challenges

<b>Keywords</b>	<b>2015 Plenum Communique</b>	<b>Fifth</b>	<b>2020 Plenum Communique</b>	<b>Fifth</b>
<b>Pandemic 疫情</b>	0		4	
<b>A once-in-a-century seismic shift 大变局</b>	0		2	
<b>Relative power is shifting 国际力量对比深刻调整</b>	0		1	
Tough domestic challenges 艰巨繁重的国内改革发展稳定任务	1		1	
Complex international situation 错综复杂的国际形势/环境	1		3	
<b>Economic slowdown 经济下行</b>	1		0	

Beijing's evaluation of China's position is often in response to the domestic situation in the U.S. The storming of Capitol Hill on January 6<sup>th</sup> 2021 was closely watched by the Chinese leadership and elites. Overall, the event has affirmed the impression that “the East is rising while the West is declining,” as Chen Yixin, secretary general of Central Political and Legal Affairs Commission, remarked at a workshop for provincial leaders on January 15<sup>th</sup>.<sup>7</sup>

2. *Having said that, the type of confidence expressed in 2020 is better characterized as guarded confidence rather than hubris.*

Not all types of confidence are the same. One type is pragmatic confidence about what needs to be done to solve problems. But a second type is hubris—visions of grandeur and overestimation of one’s abilities, leading to overreach.

Since taking office, Xi’s administration has been prone to hubris.<sup>8</sup> But the language of the 2020 plenum now suggests a position of guarded confidence. It dedicated a full paragraph to delineating China’s strengths and great challenges, which was absent in 2015. On the sources of confidence:

Our nation has transitioned into a stage of quality development; our (political) institutional advantages are obvious; our governing capacity has increased; our growth prospects look good; our natural and human resources are abundant; our market is large; our development is resilient; we enjoy social stability; all of which provides many advantages and conducive conditions for continued development.

Then it added a strong note of caution:

At the same time, our nation faces an acute problem of inequality; reforming critical steps of key domains remains tough; our innovation capacity does not match the needs of high-quality development; our agricultural foundation is not strong enough; there is a large rural-urban divide; monumental work awaits on environmental protection; and gaps remain in people’s livelihoods and in social management.

Another sign of restraint in hubris appears in Xi’s own explanation of the 2020 communique.<sup>9</sup> He stated, “Our nation is still the world’s largest developing country, and hence development is still our party’s number one mission.”<sup>10</sup> This may seem a mundane statement except when interpreted in light of earlier comments. At the Two Sessions meeting on May 28 in 2020, Premier (head of the State Council) Li Keqiang admitted that about 600 million Chinese people make only 1,000 Yuan (US\$140) a month.<sup>11</sup> This statistical fact deflated triumphalist narratives about China’s superpower ascent that became popular under Xi.<sup>12</sup> Again in July of 2020, Li reiterated on the website of the central government: “China is still a developing country, so we should always act and live within our means.”<sup>13</sup> In this context, it is worth noting that by the end of 2020, Xi echoed this message of realism.

Yet these signs do not mean that ambition has faded—as earlier discussed, the CCP’s assessment appears to have rapidly changed after January 6<sup>th</sup>, and whether it would tilt toward hubris and aggression afterward remains to be seen.

3. *Guarded confidence is accompanied by an overwhelming emphasis on security.*

The 2020 Fifth Plenum resoundingly reaffirmed Xi’s position as the paramount leader. Whereas the 2015 communique referred to “the central Party with Xi Jinping as general

secretary,” the 2020 referred to him as the “core” and “helmsman” four times. It placed an overwhelming emphasis on “security,” which is mentioned 22 times in 2020—more times than “quality of development” (16), “innovation” (15), and “dual circulation” (2)—compared to only 13 times in 2015. Xi personally reiterated this message: “Security is the precondition of development, and development is the safeguard of security.”<sup>14</sup>

## **Continuity and Change**

*Q: What are the most important economic policies introduced in the Fifth Plenum? Do the policies introduced in the Fifth Plenum signal a change in CCP economic policymaking?*

There are continuities and changes from plenum to plenum. The best way to identify what has changed is to compare the structure of the communiques in 2015 and 2020: they share a template but with slight variations (see Table 2 at the end of this document). Both place the quality of development and technological innovation at the heart of the agenda, above all other topics. What is different is the way the leadership interpreted and set targets for these overarching goals, which signals changes in the means to achieving them.

- 1. Consistent with 2015, “quality development” remains the central theme of the 2020 Plenum—but this time, no GDP targets were set.*

Since 1978, China has pulled itself out of poverty through four decades of market liberalization and rapid economic growth. As income rises, the leadership has shifted its emphasis from the quantity to *quality* of growth. Prioritizing quality development simultaneously meets rising domestic expectations for higher quality of life and competitive pressures from the U.S.

Quality development was already championed in the 2015 communique and 13<sup>th</sup> FYP. Against this backdrop, it set an annual GDP growth target of 6.5% for the next five years (2015-2020), and included other targets such as increasing the share of the services sector, the number of patents per 10,000 people, increasing broadband coverage, reducing air pollution, and so forth.

In 2020, “quality development” received even more mentions than in 2015 (Table 3). However, in the proposal of the 14<sup>th</sup> FYP, there was no mention of concrete GDP targets. In his commentary, Xi personally explained why:<sup>15</sup>

Some localities and departments have suggested that we specify GDP growth targets... Our country does have the hope and potential to achieve long-term stable development, reach the standard of high-income countries by the end of the 14<sup>th</sup> FYP (2025), and double total GDP or per capita income by 2035.<sup>16</sup> But in consideration of high uncertainty in the external environment... on top of the effects of the pandemic and a global economic slowdown, we should focus on refining the economic structure in the medium to long term, and guide everyone toward raising the quality and productivity of development.

There are two likely reasons for omitting growth targets. One, not being able to meet them due to disruptions beyond China’s control would look bad. Two, GDP growth targets

distract or discourage local leaders from pursuing quality investments that do not quickly translate into GDP growth, e.g., supporting tech start-ups takes high initial costs and time to yield results. (As I later elaborate, setting targets for quality development is very difficult.)

**Table 3:** Quality development is mentioned even more times in 2020

	Number of times mentioned in 2015 Fifth Plenum	Number of times mentioned in 2020 Fifth Plenum
Quality (of development) 质量	5	16
Refine (economic structure) 优化	2	6
Total	7	22

2. *Technology is always a top priority—but whereas the leadership was open to all types of technological ventures in 2015, in 2020, it only prioritized “core technologies” that can ensure “self-sufficiency.”*

Popular concerns about China’s race for technology overlook a basic fact: China’s comparative advantage in technology is different from that of the US.<sup>17</sup> Owing to its massive consumer market, China excels in commercializing and applying existing technologies to improve manufacturing processes and business models, for example, in e-commerce and Fintech. By comparison, the U.S. remains the unparalleled world leader in basic scientific research, the foundation of advanced technologies.

Consider the composition of each country’s tech unicorns (private startups with a valuation of at least \$1 billion). In 2018, 46% of the world’s unicorns were from the U.S., and China took second place at 29%.<sup>18</sup> But whereas the largest share of Chinese unicorns (58%) operate in the e-commerce and gaming sectors, U.S. unicorns are highly concentrated in artificial intelligence, big data, robotics, and software—the “core” technologies.

My analysis of the communiques’ language indicates that U.S. sanctions on Chinese tech firms in the past years may have pushed the Chinese government away from China’s preexisting strengths in commercialization and applied technologies toward “core” technologies and basic sciences.<sup>19</sup>

**Table 4:** Shift in technological focus in the two plenums

Technology phrases that appeared only in the 2015 Plenum	Technology phrases that appeared only in the 2020 Plenum
Made in China 2025 中国制造二〇二五	Core technologies 关键核心技术
Mass entrepreneurship 创业/大众创业	Self-sufficient 自立自强
Sharing economy 分享经济	Supply chain modernization 产业链现代化
Internet Plus 互联网+	Technological superpower 科技强国

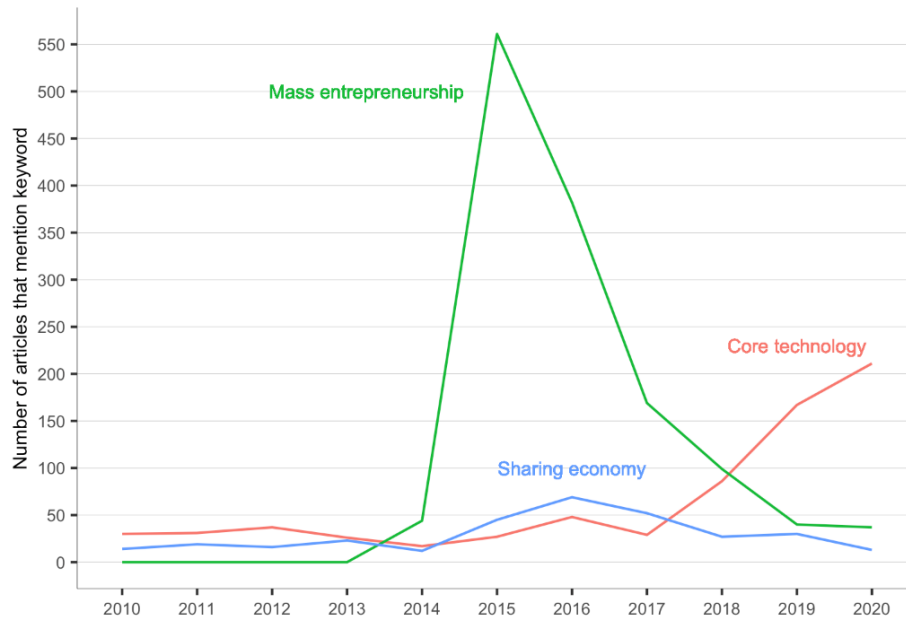
## Glossary

- *Mass entrepreneurship*: This term first appeared in state media in 2013, as state endorsement of a preexisting entrepreneurial movement in innovation. One element of it is the “maker movement,” where ordinary people make their own devices using shared resources and open source hardware. This movement originated in the Bay Area and traveled to China. Following the central government’s call for “mass entrepreneurship” in 2013, local governments responded by creating incubators, hackathons, and “maker spaces.” In contrast to top-down industrial policies, mass entrepreneurship is associated with “democratizing technological agency”<sup>20</sup> and SMEs (small and medium enterprises).
- *Sharing economy*: These are business models and start-ups centered on consumer-to-consumer sharing of resources, usually through online platforms. Examples include sharing car rides, bikes, and work spaces.
- *Internet Plus*: A state initiative to integrate the Internet with traditional industries and agriculture, for example, “rural e-commerce,” where farmers directly sell their products online.
- *Supply chain modernization*: According to Xinhua, “China will advance the optimization and upgrading of its entire industrial chain by making sector-specific strategic plans for supply chains in a targeted approach.”<sup>21</sup> Because this is a relatively new proposal, the details have not yet been spelled out. But Chinese policymakers are clearly aware that domestic supply chains are threatened by the denial of access to crucial raw materials, equipment, and technologies.

In 2015, Beijing’s aims to promote advanced manufacturing in the “Made in China 2025” Initiative seized attention and raised concerns in Washington.<sup>22</sup> But it is rarely, if ever, pointed out that in the 2015 communique, Beijing also welcomed *other* types of technological ventures involving commercial applications and bottom-up participation, e.g., mass entrepreneurship, sharing economy, and Internet Plus (see glossary and Table 4).

Such diversification benefits both China and the U.S. economically because different comparative advantages in technology can be complementary and yield opportunities for U.S.-China cooperation, for instance, in clean energy.<sup>23</sup> Moreover, mass entrepreneurship has the benefit of allowing ordinary Chinese to practice “experimentation,” “self-enterprise,” and “opportunity of the majority”<sup>24</sup>—qualities compatible with democracies and free markets. While U.S. policymakers should have no illusions about Xi’s authoritarian and ambitious turn,<sup>25</sup> they should not overlook China’s bottom-up innovation.

**Figure 1:** Shifting coverage of technology topics in *The People’s Daily*



Yet after being “strangled” by U.S. sanctions, Chinese leaders in 2020 became singularly fixated on developing “core technologies” to ensure “self-sufficiency.” The 2020 communique no longer mentioned commercial, bottom-up forms of innovation (see Table 4). To see whether this shift in technological priorities is reflected elsewhere, I examined mentions of three topics in *The People’s Daily*, the CCP’s official news outlet (see Figure 1), which propagates official positions. In 2017, the year when the 19<sup>th</sup> Party Congress was held, “mass entrepreneurship” had fallen in coverage from its peak in 2015 but it still appeared thrice more than “core technology.” In 2018—when the trade war and U.S. technological sanctions on China began—mentions of “mass entrepreneurship” fell below “core technology,” and “core technology” continuously surged in coverage, up until the end of 2020.

To be sure, there could be a variety of factors driving this shift—but U.S. policies are surely on the top of the list. Indeed, Chinese policymakers have coined the term “strangled technologies” in reference to those particular technologies that the Trump administration has barred China from accessing. The linguistic indicators I have shown, though preliminary, suggest that Beijing is reacting to U.S. containment defensively, hence pushing U.S.-China relations in technology toward zero-sum competition.

3. “Dual circulation” formalizes earlier proposals to increase the weight of domestic consumption in driving economic growth.

Another new term in the 2020 communique is “dual circulation.” This is not a new concept; rather, it formalizes proposals made more than a decade ago to shift the drivers of China’s growth from export and investment to consumption, known at the time as “economic



rebalancing.” Facing the prospect of U.S.-China decoupling and trade conflicts, this agenda has become urgent. In my view, “dual circulation” does not indicate an inward turn. Rather it means that where globalization can be sustained, China will continue to trade and attract foreign investment; but where this is blocked, China must rely on domestic sources of growth.

### **Socialist Modernization by 2035**

*Q: What is the significance of the CCP’s stated goal for basically achieving “socialist modernization” by 2035, including building a “modern economy”?*

- 1. The leader Xi favors a statist approach but he also wants to make use of market forces to strengthen the state’s allocative role.*

Under Xi’s leadership, the CCP articulated two centennial goals. The first centennial goal is to achieve “moderate prosperity for all” by 2021, the 100<sup>th</sup> anniversary of the CCP’s founding. As *Xinhua* explains, this means “making sure that China’s development improves the lives of all its people, particularly those who are below or near the country’s poverty line”<sup>26</sup>—this explains Xi’s relentless efforts to eradicate poverty. The second centennial goal, which marks the 100<sup>th</sup> anniversary of the founding of the People’s Republic of China, is to achieve “a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious” by 2049.

The 2020 communique introduced medium-term goals to achieve “socialist modernization” by 2035, which is halfway between the first and second centennial goals. As earlier discussed, while the CCP refrained from setting growth targets, the proposal of the 14<sup>th</sup> FYP sketches an ambitious vision in 2035 that includes “a big jump in economic size,” “GDP per capita to reach the level of middle-income economies,” “breakthroughs in core technologies,” “ascent into the top ranks of innovation-led nations,” “reduction in carbon emissions,” “a significant increase in cultural and soft power,” and more.

Still, what exactly is “socialist modernization” and “a modern economy,” apart from achieving a list of desirable outcomes? It is worthy to note that the 2020 communique did *not* articulate the vision of achieving a “modern socialist market economy.” In 1993, the Third Plenum of the 14th Central Committee, under the leadership of President Jiang Zemin and Premier Zhu Rongji, adopted a monumental decision to build a “socialist market economy.”

Described as a “watershed,” the 1993 decision seriously deepened China’s market reforms, involving closures of SOEs, massive layoffs, and dismantling of central planning mechanisms such as price controls. At the time, the choice of words—socialist market economy—was deliberate and significant. The ultimate goal of the party was to achieve a “market economy,” and the term “socialist” was only an adjective appended to this market economy.<sup>27</sup> But for Xi, the end goal is not the market economy; rather, it is “modernization.”

Some may recall with disappointment that in 2013, at the Third Plenum of the 18<sup>th</sup> Party Congress, Xi pledged that market forces should play a “decisive” role in allocating

resources, elevating its status from the previous designation of playing a “basic” role. This raised hopes that Xi would be a liberal reformer. In the 2020 communique, Xi repeated that “markets should play a decisive role in allocating resources,” but he added a qualifier: “promote the merger of effective markets *and interventionist governments*.”<sup>28</sup>

In other words, Xi values market forces insofar as they can strengthen the allocative role of interventionist governments. One example is the creation of Government Guiding Funds (GGFs), government-established funds that partner with private venture capital to invest in risky high-tech sectors.

*Q: What indicators will Beijing use to gauge its progress?*

- 2. One urgent problem facing the CCP is how to overhaul and align the target system with its core goal of achieving quality development.*

In my view, the urgent issue facing the CCP is what it should do with the target (and indicators) system altogether. To align with the overarching goal of pursuing quality development, this whole system must be overhauled, but it is not clear how this can be done.

In the early stages of development, Beijing was focused singularly on economic and industrial growth. In this context, central authorities could easily specify a short list of concrete numerical goals to motivate and evaluate officials. However, over time, as China grew affluent, so did the demands on governments. My research finds that by 2009, a typical township official was burdened with more than 140 granular targets.<sup>29</sup>

Moreover, the problem is confounded by the fact that it is inherently difficult—and indeed self-defeating—to impose quantitative targets on ground-breaking innovation because doing so would induce “bean counting” and opportunistic attempts to “game” the numbers. For example, targets on patents has pressured local governments to subsidize and encourage companies to file useless, repetitive patents, just to meet targets.<sup>30</sup>

### **Three Recommendations**

- 1. Track a diverse selection of elite opinion within China*

Despite the appearance of unity within the CCP, there are different viewpoints even among the top leaders. Central party documents necessarily reflect Xi’s grand visions, yet the tone of “guarded confidence” in the 2020 communique suggests that voices urging restraint in hubris and hinting at the dangers of overreach were partially incorporated.

It is practically difficult to identify differences in Chinese elite opinion not only because of language but because disagreements are subtly expressed. Still, it would be well worth trying to track a diverse selection of elite opinion within China, from the most nationalist and hawkish to the opposite (e.g., through selected translations with annotations by experts). Policymakers should especially consider the effects of U.S. rhetoric and actions in shaping

these opinions. Accomplishing these tasks call for long-term investment in U.S.-based analysts who command linguistic and contextual knowledge of China.

2. *Instead of a blanket threat-driven approach, U.S. policymakers should clearly identify the risks and opportunities of different types of Chinese technological innovation, and formulate differentiated responses.*

As Richard Haass, President of the Council on Foreign Relations, wrote: “Developing and implementing a foreign policy that pushes back against selected Chinese practices at home and broad but at the same time leaves open areas for cooperation will be as vital as it will be difficult.”<sup>31</sup> In a similar vein, a report jointly issued by the Asia Society and University of California in San Diego applies the term “smart competition.”<sup>32</sup>

In the realm of technology, this means that U.S. policymakers should begin with an understanding of different *types* of Chinese technological innovation, along with the different risks and opportunities they pose. Such knowledge would inform “smarter” ways of dealing with China through a *differentiated* set of responses, rather than by using only charges and sanctions. A blanket threat-driven approach can backfire by hardening Beijing’s resolve to acquire core technologies at the expense of other types of innovation; it can also boost nationalist hawks within China, who point to foreign hostility to compellingly justify more authoritarian control and silence moderate views.

3. *U.S. policymakers should commission hearings and/or reports on all aspects of China’s innovation and technology landscape, not just in those areas that pose risks, but also in applied, bottom-up innovation.*

As Peter Cowhey and Susan Shirk pointed out in *The Wall Street Journal*, “Incomplete tech knowledge can lead to policy mistakes.”<sup>33</sup> In navigating the U.S-China technological competition, it is especially useful to balance keen awareness of risks and threats with an understanding of these points:

- The different comparative advantages in technology that China and the U.S. possess, and how this may yield complementarities and potential cooperation in transnational challenges such as climate change;<sup>34</sup>
- The flourishing of applied, bottom-up forms of Chinese innovation alongside Beijing’s pursuit of cutting-edge technologies;
- That certain bottom-up innovation sectors in China have been highly competitive by tailoring to domestic consumers (e.g., e-commerce);
- Both the strengths and weaknesses of CCP’s top-down industrial policies;
- How Beijing’s attitudes toward technology have changed and might change in light of U.S. policies.

A balanced appreciation of the whole landscape can help U.S. policymakers avoid policy mistakes and effectively formulate differentiated, targeted responses.

4. *In monitoring developments in the Chinese economy, U.S. policymakers should pair numerical data collection with contextually-informed interpretation of the statistics across multiple dimensions.*

Targets are indispensable for running the Chinese government and economy. However, going forward, the CCP leadership will be diluting its emphasis on growth targets, and, more importantly, they will struggle to set numerical targets for “quality development.” In monitoring China’s developments, U.S. policymakers should adjust to this reality.

Numerical indicators will always be an important source of information, but they are not sufficient and can even be misleading. For example, in 2011, China surpassed the U.S. to become the world’s top patent producer.<sup>35</sup> Those who take this statistic to mean that China is indeed rapidly dominating in technology may be alarmed and thus overreact. In fact, upon closer examination, large quantities of patents may actually come at the expense of quality.<sup>36</sup> This is one example in which outcomes in China can no longer be captured by a single unambiguous metric—most notably, GDP. Indicators must be critically interpreted in context and across multiple dimensions.

**Table 2:** A Comparison of the 2015 and 2020 Fifth Plenum Communiqué

<b><i>Common themes</i></b>	<b>2015</b>	<b>2020</b>
<b><i>Context of plenum</i></b>	Combination of domestic and international pressures, particularly economic slowdown	Domestic pressures, particularly COVID Urgency of expanding domestic consumption Complex international situation
--	Declared the first centennial goal of “moderate prosperity for all” by 2021	NA
<b><i>Achievement of prior FYP</i></b>	Only briefly mentioned, no concrete indicators However, Xi Jinping’s leadership as general secretary is highlighted	Made decisive accomplishments on “moderate prosperity for all” Reached target of poverty eradication on time Reached first centennial goal on time All of which lays a solid foundation for medium-term goals in 2035
<b><i>Opportunity and risk</i></b>	Present situation presents opportunity and risk	Both the nature of opportunity and risk are changing Disruptions: Once-in-a-century shift in global order caused by the pandemic; technological and industrial revolution; relative power [of nations] is adjusting
--	NA	Our nation is confident in these ways, but we still face these daunting challenges.
--	NA	Propose medium-term goals for “socialist modernization” by 2035, to significantly raise economic, technological, and overall national strength
<b><i>Coming FYP</i></b>	13 <sup>th</sup> FYI focused on quality of government, defined by five principles: innovation, coordination, greening, liberalization, and inclusive	14 <sup>th</sup> FYP focused on quality of development, defined by the same principles But acknowledged that current innovation capacity is insufficient to meet this goal
<b><i>Technology and innovation</i></b>	Innovation at the center of the national agenda	Innovation still at the center of the national agenda

		But with emphasis on “self-sufficiency” and “core technologies”
--	Emphasize overall strategy and coordination With a focus on nationalism, ideology, extoling ethics	Modernization of economy, with emphasis on strengthening the “real economy” <sup>37</sup> Particular emphasis on expanding domestic consumption and “dual circulation” Blend market mechanisms with proactive state role
<b><i>Policy issues discussed in this order</i></b>	Environment Integration with the world Hong Kong and Taiwan Increasing public services Social security and pension Aging population and abolishing one-child policy Ideology and political thought Rule of law Security Anti-corruption Discipline (including list of disciplined top officials)	Agriculture New urbanization Culture and education Environment Integrating with the world Public services and aging population Security and safety Military modernization Absolute party leadership

- 
- <sup>1</sup> “The CCP 19th Central Committee Fifth Plenum Communiqué” (in Chinese), *Xinhua*, 29 Oct 2020. Accessed at [http://www.xinhuanet.com/politics/2020-10/29/c\\_1126674147.htm](http://www.xinhuanet.com/politics/2020-10/29/c_1126674147.htm).
- <sup>2</sup> “Proposal on the 14<sup>th</sup> FYP and 2035 Long-Term Goals” (in Chinese), Website of the Central Government. Accessed at [http://www.gov.cn/zhengce/2020-11/03/content\\_5556991.htm](http://www.gov.cn/zhengce/2020-11/03/content_5556991.htm).
- <sup>3</sup> “Xi Jinping: Clarification on ‘Proposal on the 14<sup>th</sup> FYP and 2035 Long-Term Goals’” (in Chinese), *The People’s Daily*, 4 Nov 2020. Accessed <http://cpc.people.com.cn/n1/2020/1104/c64094-31917783.html>.
- <sup>4</sup> Qian, Yingyi, and Jinglian Wu. “China’s Transition to a Market Economy: How Far across the River?”. In *How Far Across the River? : Chinese Policy Reform at the Millennium*, edited by Nicholas C. Hope, Dennis Tao Yang and Mu Yang Li, Stanford University Press, 2003, p. 37.
- <sup>5</sup> That year, China’s GDP growth rate slowed to a 25-year low of 6.9%. This downward pressure reflected both the structural challenge of overcoming the “middle-income trap” (finding new sources of growth as the previous advantage of low-cost labor dissipated) and policy missteps (e.g., channeling resources toward inefficient SOEs).
- <sup>6</sup> Xi Jinping, 4 Nov 2020.
- <sup>7</sup> Remarks by Chen Yixin, “What is new about the new development stage?,” on 15 January 2021 (in Chinese), Accessed at [https://www.sohu.com/a/444668793\\_118060?mc\\_cid=d028ea4f3c&mc\\_eid=22e819b40c](https://www.sohu.com/a/444668793_118060?mc_cid=d028ea4f3c&mc_eid=22e819b40c).
- <sup>8</sup> For example, see John Hubris, “In the Age of Trump and Brexit, China’s National Hubris is on the Rise,” *Washington Post*, 31 Jan 2018.
- <sup>9</sup> Another indication of a pragmatic turn is that whereas the 2015 Plenum spent a whole section extolling ethics and ideology (including “national consciousness” and “social responsibility consciousness”), this no longer appears in the 2020 Plenum. There was also no mention of anti-corruption and discipline in 2020, which was received plenty of spotlight in 2015.
- <sup>10</sup> Xi Jinping, 4 Nov 2020.
- <sup>11</sup> 600 million is about 40 percent of China’s total population. See Wan Haiyuan and Meng Fanqiang, “China Has 600 Million People With Monthly Income Less Than \$141. Is That True?,” *Caixin*, 6 June 2020.
- <sup>12</sup> One example is a documentary produced by CCTV in 2018, titled “Bravo, My Nation”, that breathlessly praised China’s accomplishments since Xi took office in 2012.
- <sup>13</sup> “Li Keqiang: Do Not Waste Money on White Elephant Projects” (in Chinese), Website of the Central Government, July 7 2020, accessed at [http://www.gov.cn/xinwen/2020-07/17/content\\_5527482.htm](http://www.gov.cn/xinwen/2020-07/17/content_5527482.htm).
- <sup>14</sup> Xi Jinping, 4 Nov 2020.
- <sup>15</sup> Xi Jinping, 4 Nov 2020.
- <sup>16</sup> According to Bert Hofman, this translates into an annual growth rate of 4.8%, lower than the target of 6.5% growth in the 13<sup>th</sup> FYP. See Remarks by Bert Hofman, Panel Discussion on “Doubling Down on China,” CSIS, 12 Nov 2020.
- <sup>17</sup> Ang, Yuen Yuen. “The Myth of the Tech Race.” *Project Syndicate, Special Edition, “Beyond the Techlash.”* 28 April 2020. Accessed at <https://sites.lsa.umich.edu/yy-ang/wp-content/uploads/sites/427/2020/05/PS-Myth-of-the-Tech-Race-final-color-pdf.pdf>.
- <sup>18</sup> Credit Suisse, “China, A Breeding Ground for Unicorns,” Nov 16 2018.
- <sup>19</sup> Of course, this is only one indicator; we will learn more details when the CCP releases the 2021-2035 Medium and Long-Term Plan for Developing Science and Technology.
- <sup>20</sup> See Silvia Lindtner (2020), *Prototype Nation*, Princeton University Press, pp. 18-19. See also George Yip and Bruce McKern (2016), *China’s Next Strategic Advantage*, MIT Press; Dan Breznitz and Michael Murphree (2011), *Run of the Red Queen*, Yale University Press.
- <sup>21</sup> *Xinhua*, “China to facilitate the modernization of industrial supply chains,” 3 Nov 2020.
- <sup>22</sup> This goes back even further to the 2006 national campaign, under President Hu Jintao, to promote “indigenous innovation.”
- <sup>23</sup> See John Helveston and Jonas Nahm. 2019. “China’s key role in scaling low-carbon energy technologies.” *Science* 366 (6467): 794-796.
- <sup>24</sup> Lindtner (2020), pp. 25.
- <sup>25</sup> Economy, Elizabeth. *The Third Revolution: Xi Jinping and the New Chinese State*. New York, NY: Oxford University Press, 2018.

---

<sup>26</sup> *Xinhua*, “What Are the Two Centennial Goals,” Oct 17 2017, Accessed at [http://www.xinhuanet.com/english/2017-10/17/c\\_136686770.htm](http://www.xinhuanet.com/english/2017-10/17/c_136686770.htm).

<sup>27</sup> “Socialist market economy” is fundamentally more progressive than the goal of “market socialism,” as advocated by some Eastern European reformers in the 1970s and 1980s. See Qian and Wu, pp. 39.

<sup>28</sup> The term *youwei zhengfu* (有为政府) is the opposite of the Taoist concept of *wuwei zhengfu* (无为政府), which can be translated as minimalist or limited government. *Youwei zhengfu* means governments that are proactive and interventionist, also known in political economy as “developmental states.”

<sup>29</sup> Ang, Yuen Yuen, 2016, *How China Escaped the Poverty Trap*, Cornell University Press, pp. 118-122.

<sup>30</sup> Ang, Yuen Yuen, Jia Nan, Yang Bo, Kenneth Huang. “The Limits of State-Led Innovation: Evidence from Chinese Patents.” Posted 14 Dec 2020 on SSRN:

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3714029](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3714029).

<sup>31</sup> Richard Haass (2020), *The World*, New York: Penguin Press, pp. 51.

<sup>32</sup> Orville Schell and Susan Shirk, “Course Correction: Toward an Effective and Sustainable China Policy,” Issued in February 2019, accessed at <https://asiasociety.org/center-us-china-relations/course-correction-toward-effective-and-sustainable-china-policy>.

<sup>33</sup> Peter Cowhey and Susan Shirk, “The Danger of Exaggerating China’s Technological Prowess,” *The Wall Street Journal*, 8 Jan 2021.

<sup>34</sup> Ang (2020), “The Myth of the Tech Race.”

<sup>35</sup> Reuters, 11 Dec 2011, “China Tops U.S, Japan to Become Top Patent Filer in 2011”

<sup>36</sup> Ang et al (2020), “The Limits of State-Led Innovation.”

<sup>37</sup> In recent years, central planners have warned against the trend of “moving from a real to hollow economy” (*tuoshixiangqu*), which began in the early 2000s. This refers to local governments moving away from promoting industrialization toward real estate development, and to investors from productive economic activities to speculation.