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# Xi Jinping's New Policy Framework

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# We've Entered a New Paradigm

- A new governance model is taking shape – active “steerage” of economy and society towards the goal of building a “great modern socialist nation” by 2035.
- Beijing has formally altered the basic goals of development away from the simple aggregation of resources and towards a more strategic and balanced distribution, even if this comes at the expense of growth.
- Xi confident CCP now has resources, experience, and instruments achieve its goals.
- These new goals demand new tools and new policies, some of which we’re already seeing take shape, some of which will emerge in the coming decade;
- Headwinds to the agenda are real. This may be the plan, but reality gets a vote.

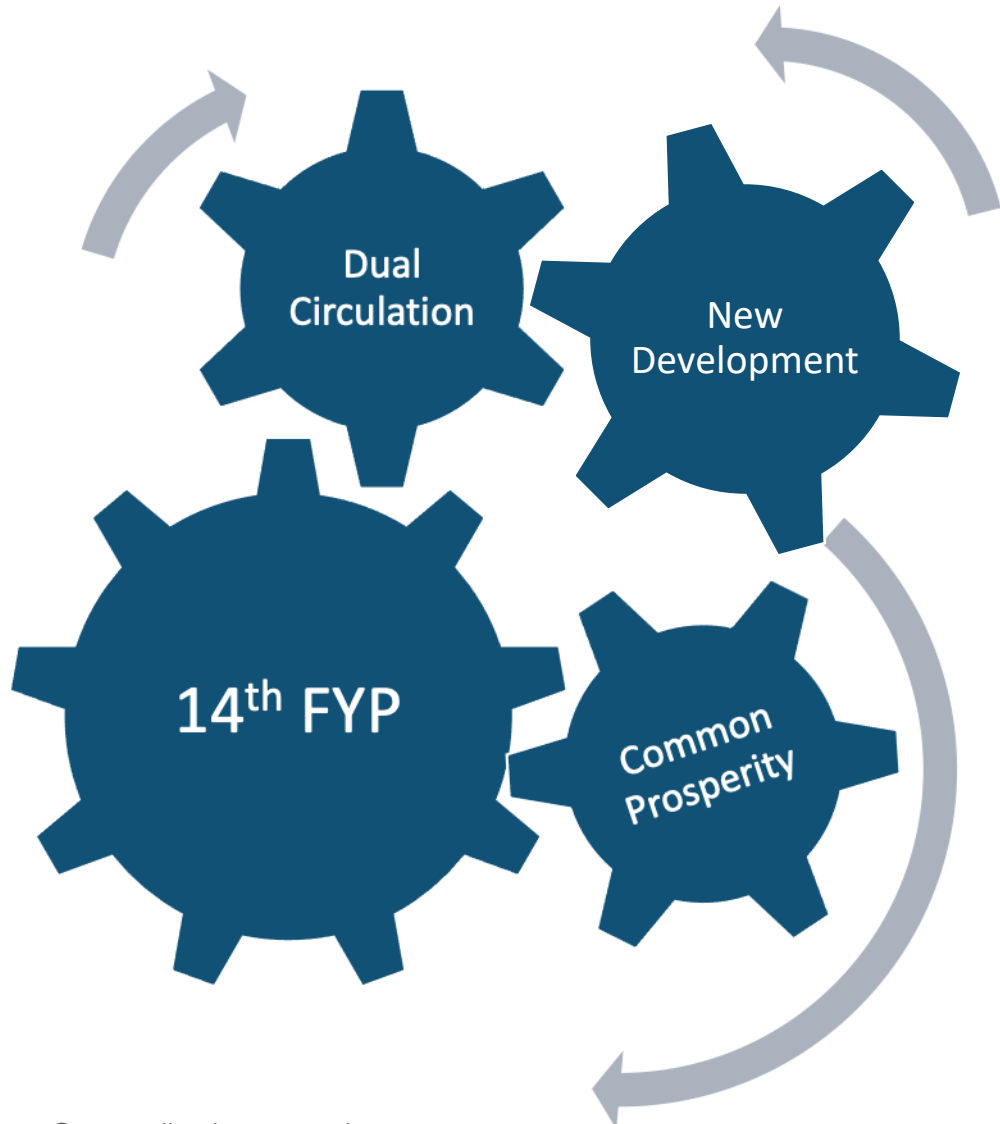
# Xi's Plan to Build PRC 3.0

- Strengthen the CCP to confront and overcome new and more complex threats;
- Address the new “principal contradiction” of “unbalanced and inadequate development and the people's ever-growing needs for a better life.”
- Tackle environmental degradation through technological innovation;
- Find new growth drivers to power through the middle-income trap;
- Blunt and reverse adverse demographic forces;
- Master and dominate general purpose technologies;
- Move away from provincial development fiefdoms and towards regional development blocs;
- Build a data governance regime for the 21<sup>st</sup> century;
- Forge domestic resilience in order to circumvent global supply chain choke-points.

# Xi's Core Assumptions

- With a weak Party, all roads lead to disaster;
- Capital markets are key fulcrums to boost preferred technologies and sectors;
- Technological innovation is the key to nearly all governance and economic challenges;
- The private sector is necessary, but needs to be more closely aligned with the national interest;
- The international investment environment is no longer benign. China's global integration must consider national security concerns;
- Proper data governance and control is essential to national security;
- Popular culture isn't a domain outside of the national interest.

# The Macro Policy Framework



**Common Prosperity**

“The rich and the poor in some countries are polarized with the collapse of the middle class. This has led to social disintegration, political polarization, and rampant populism — indeed, the lessons [for us] are profound!”

**New Development**

“I said that we needed to shift the focus to improving the quality and returns of economic growth, to promoting sustained and healthy economic development, and to pursuing genuine rather than inflated GDP growth and achieving high-quality, efficient, and sustainable development.”

**Dual Circulation**

“We should see that China's domestic circulation plays a stronger guiding role in dual-flow dynamics and foster new advantages for China's participation in international economic cooperation and competition.”

**14th FYP**

“[The Plan] emphasized that we should ensure security in all areas and throughout the entire process of China's development. If our underlying security foundations are not solid, the entire edifice of our development will come under threat.”

# Impacts of PRC 3.0

## Effects of new paradigm are already evident....

- Holding the line on deleveraging the real estate sector;
- Pilot programs on the property tax;
- De-emphasizing growth targets;
- Interventions into the cultural sphere to produce a more “healthy” entertainment ecosystem;
- Aggressive moves to “steer” capital away from platform companies.

## What might come next?

- Tax and fiscal reform?
- New data governance architecture?
- More aggressive measures to address environmental degradation?
- New sector openings?
- Nationalizations?

# Final Thoughts

- Xi is not looking over his shoulder to the past. He's not Mao 2.0. This is something new.
- The emerging policy framework is critical to understanding the next phase of China's development.
- Yet the framework is evolving. It will take time to get full clarity.
- And the path will be winding. Beijing has a plan, but it is not prescient. It is both reacting and adjusting to domestic and international change.
- Beijing might not fully succeed in all these endeavors, but even partial success (or failure) will have significant repercussions for the global economy and society more broadly.