

Key Takeaways from the 20th Party Congress

25 October 2022

President Xi Jinping delivered a wide-ranging speech, laying out the Communist Party's agenda for China over the next five years. This covered everything from Taiwan to tech policy. Here are the key takeaways:



New Politburo

The Politburo has been filled with close allies and protégés while President Xi has secured an unprecedented third term. There are no women in the Politburo for the first time since 1997. At least political uncertainties have been resolved.

The members of the Standing Committee of the Politburo

The members elected at the session are Xi Jinping, Li Qiang, Zhao Leji, Wang Huning, Cai Qi, Ding Xuexiang and Li Xi. Zhao and Wang were members of the Standing Committee of the Political Bureau of the 19th Communist Party of China (CPC) Central Committee. Li Qiang, Cai and Li Xi served as Party chiefs of municipal CPC committees in Shanghai, Beijing and the provincial CPC committee of Guangdong Province since 2017. Ding has been director of the General Office of the CPC Central Committee since 2017.

Long-term goal

Xi: *"2020–2035 will achieve basic modernisation of socialism; 2035–2050 will build China into a modern, strong socialist country with prosperity, democracy, harmony and beauty."*

Comments: China has set its GDP per capita to double by 2035, although the annual GDP growth target has been de-emphasised in the past five years. The key point here is that the CCP still cares about economic growth and its people's wellbeing.

Economy

Xi: *"High-quality development is the top priority for building a socialist modern country in all aspects. Development is the party's top priority in governing. It is impossible to build a strong, modern socialist country in all aspects without solid material and technology foundation."*

Comments: Some China observers had expected Xi to give equal weighting to security and development, a signal that Beijing could tolerate slower economic growth in order to meet other policy goals. But Xi repeated the line from previous Party Congress speeches that development is the party's "top priority". By sticking to the earlier language, Xi's speech suggested no real departure from economic goals. After the departure of most senior officials from the People's Bank of China and the China Banking Regulatory Commission, the identities of Xi's new national economic policy team will remain unclear until the National People's Congress in March.

Opening up: still the fundamental policy of China

Xi: *"China will stick with the fundamental state policy of opening up and embrace economic globalisation. China will promote the reform of global governance and is a power to push ahead real multilateralism."*

Comments: While emphasising development of domestic supply chains or circulation given additional sanctions imposed by the US, China will not close its door to foreign investors. We believe China's A-share markets will be opened up further to foreign investors.

Common prosperity

Xi: *"We will improve the system of income distribution. We will ensure more pay for more work and encourage people to achieve prosperity through hard work. We will promote equality of opportunity, increase the income of low-income earners and expand the size of the middle-income group. We will keep income distribution and the means of accumulating wealth well regulated."*

Comments: Xi elevated the "common prosperity" slogan last year amid crackdowns on big tech and the real estate sector, drawing unease from investors who saw heavy losses from Beijing's sudden policy shifts. Xi's new statement clarifies that "common prosperity" does NOT mean robbing the rich to give to the poor. The words have already been misunderstood by some abroad as a move to make China more socialist or have China go back to a planned economy.

Property policy

Xi: *"Housing is built for living in, not for speculation."*

Comments: The lack of any mention of future help for the property sector may have disappointed some investors, but the reality is that the property sector has not made too much contribution to GDP growth in the past few years and will likely make even less in the near future.

Zero-Covid policy

Xi: *“In responding to the sudden attack of Covid-19, we put the people and their lives above all else and tenaciously pursued a dynamic zero-Covid policy. We have protected the people's health and safety to the greatest extent possible and made tremendously encouraging achievements in both epidemic response and economic and social development.”*

Comments: China's zero-Covid strategy has kept the virus death toll in China low but is extracting a growing economic and social cost. The lack of mention of any future easing of Covid policy may disappoint some, but our baseline forecast is that restrictions may be eased significantly after the National People's Congress in March 2023 as more effective local vaccines and medicines are available. It may take longer for China to reopen its borders.

Green goals

Xi: *“We will work actively and prudently toward the goals of reaching peak carbon emissions and carbon neutrality. Based on China's energy and resource endowments, we will advance initiatives to reach peak carbon emissions in a well-planned and phased way, in line with the principle of getting the new before discarding the old.”*

Comments: More than any other leader of the Chinese Communist Party, Xi has sought to make the environment part of his lasting legacy. He has dramatically cut the air pollution that plagued urban residents and laid out ambitious goals for China, including a target to reach net-zero emissions within four decades. However, a spate of power shortages throughout the nation and global energy turmoil following Russia's war in Ukraine have shifted the focus back to energy security, with climate goals in second place.

Tech crackdown

Xi: *“In order to enhance the innovation capacity, China will move faster to launch a number of major national projects that are of strategic, big-picture and long-term importance. Efforts will be made to improve the new system for mobilising resources nationwide to make key technological breakthroughs and boost China's strength in strategic science and technology.”*

Comments: After China's crackdown on its once-swaggering tech giants, such as Alibaba and Tencent, there has been some let-up in pressure in recent months, including the conclusion of a data-security probe on Didi and the green-lighting of a new batch of video games.

Taiwan

Xi: *“We will continue to strive for peaceful reunification with the greatest sincerity and the utmost effort, but we will never promise to renounce the use of force, and we reserve the option of taking all measures necessary. The wheels of history are rolling on towards China's reunification and the rejuvenation of the Chinese nation. The complete reunification of our country must be realised, and it can without a doubt be realised.”*

Comments: Beijing sees the self-governing island as part of its territory and has ramped up military pressure on the island. Joe Biden, the US president, has repeatedly said the US would come to the democracy's aid if attacked, marking a shift in the policy of “strategic ambiguity” that guided US-China relations for decades – even as the White House insists that nothing has changed. The paramount need for stability will probably preclude action by China unless the economy deteriorates badly.

Hong Kong

Xi: *“In the face of turbulent developments in Hong Kong, the central government exercised its overall jurisdiction over the special administrative region as prescribed by China's Constitution and the Basic Law of the Hong Kong Special Administrative Region. It was ensured that Hong Kong is governed by patriots. Order has been restored in Hong Kong, marking a major turn for the better in the region.”*

Comments: In June 2020, Beijing imposed a national security law on Hong Kong that bans terrorism, secession, subversion and collusion with foreign forces to quell anti-government dissent, after city-wide protests erupted a year earlier. The initiatives just announced by John Lee seem unlikely to reverse recent trends.

Military

Xi: *“We will intensify military training under combat conditions across the board to see that our armed forces can fight. We will innovate new military strategic guidance and develop strategies and tactics for people's war, establish a strong system of strategic deterrence, increase the proportion of new domain forces with new combat capabilities, and intensify military training under combat conditions.”*

Comments: Xi has vowed to modernise the once infantry-dominated military by 2027. To achieve that goal, the People's Liberation Army has undergone tremendous organisational changes and hardware upgrades. The ground force has been trimmed while other services, including the navy and rocket force, have gained prominence.

Foreign policy

Xi: *“Confronted with drastic changes in the international landscape, we have maintained firm strategic resolve and shown a fighting spirit. Throughout these endeavours, we have safeguarded China's dignity and core interests and kept ourselves well positioned for pursuing development and ensuring security.”*

Comments: Xi declared that China was “standing tall and firm in the East” at the last congress in 2017, departing from former leader Deng Xiaoping's “hide and bide” strategy. That shift has put China on a collision course with the West. Foreign minister Wang Yi remains at the Politburo – the only member except for President Xi to have passed the unofficial retirement age of 68. This indicates that China will continue its “wolf warrior” foreign policy.

