

High-Quality Economic Development for Building a Modern Socialist Country in All Respects

Zhang Hui*, Wu Shang, and Wang Yihang

School of Economics, Peking University

Abstract: *Socialist modernization has been a consistent goal of the Communist Party of China (CPC). The success of socialist modernization is based on economic progress. In the face of changing primary social contradiction and constraints on economic growth, the Chinese economy will pursue a path of high-quality development long into the future, prioritizing qualitative improvement with a reasonable growth rate. Under the leadership of the CPC Central Committee, we have made exceptional progress in creating a socialist market economy and a modern industrial system, advancing rural vitalization, coordinating regional development and opening more broadly and at a higher level. Faced with new economic development expectations, opportunities, and challenges, we must deepen and accelerate development on the above fronts, eliminate development bottlenecks, and formulate new strategies to seek new breakthroughs. Achieving high-quality economic development will create the material and technological conditions for constructing a modern socialist country in all respects.*

Keywords: *Socialist modernization, Chinese modernization, high-quality development, economic modernization*

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1. Introduction

Chinese modernization is the socialist modernization under the leadership of the Communist Party of China (CPC)¹. Over the past century, the CPC has united and led the Chinese people in all their struggles to build a strong and modern country and achieve the great rejuvenation of the Chinese nation². The great practice of revolution, development, and reform by the Chinese people under the leadership of the CPC has led to the emergence of Chinese modernization, which has culminated in the new era of socialism with Chinese characteristics. Historical experience has shown that development should be at the top of the Party's agenda for state governance. Modernization encompasses economic, political, cultural, and ideological transformations; among which economic modernization comes first and foremost. Science-based development strategies, therefore, are crucial to bring Chinese modernization to its fruition.

Social productivity has increased rapidly, and people's living standards have improved significantly as a result of China's economic growth miracle since the reform and opening-up policy. In the new era

* CONTACT: Zhang Hui, email: nk94zhang@pku.edu.cn.

¹ See Xi Jinping, "Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects - Report to the 20th National Congress of the Communist Party of China", http://www.gov.cn/xinwen/2022-10/25/content_5721685.htm.

² See Xi Jinping, "The Implementation of the New Development Concept in the New Development Stage Necessarily Requires the Construction of a New Development Pattern", http://www.gov.cn/xinwen/2022-08/31/content_5707604.htm.

of socialism with Chinese characteristics, China's principal social contradiction has changed from that "between the ever-growing material and cultural needs of the people and backward social production" to one "between unbalanced and inadequate development and the people's ever-growing needs for a better life"³. In the new era, the Chinese economy faces weakening cost advantage, increasing resource and environmental constraints, and intensifying global technological competition. To navigate these challenges, China must adopt a new paradigm of high-quality development by optimizing economic structure and reviving growth dynamism, paving the way for building a modern socialist country at a higher level.

As mentioned in the Report to the 20th CPC National Congress, "To build a modern socialist country in all respects, we must assign the highest priority to achieving 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".⁴

As an integral component of Chinese modernization, high-quality development places a premium on qualitative improvement at a reasonable pace. According to Zhang et al. (2019), high-quality development means more efficient, fairer, greener, and more sustainable development to meet people's growing needs for a better life; it is not only a change in the approach to economic growth, but also a process of institutional reform and paradigm shift. High-quality development has implications in terms of systemic equilibrium, approach to economic development, and livelihoods, and should deliver better development results and improve welfare for all (Zhao, 2019). Rapid economic expansion and a rising GDP per capita are prerequisites (Liu and Chen, 2021) for the completion of the momentous task of socialist modernization. In pursuit of high-quality development, we should foster development strengths, take a pragmatic and distinctive approach, and meet people's growing and multifaceted needs effectively and sustainably (Hong et al., 2018).

In the new era of socialism with Chinese characteristics, the country's economic development is steered towards better quality and efficiency, equality, sustainability, and security. In many ways, building a modern socialist country has become contingent on achieving high-quality economic growth. In the research literature, the significance of high-quality development has been extensively shown. According to Ren (2018), China's economy has shifted from rapid growth to high-quality development, and due to the constraints of natural resources and environment, the emphasis on economic expansion should be abandoned in order to explore the path towards high-quality development.

Considering the shifting international power balance and great-power competition, Wang (2020) emphasized the importance of China's transition to high-quality development. The country must adopt this quality-oriented approach to seize the opportunities presented by a new round of technological and industrial revolutions, confront the backlash against economic globalization, and adapt to the changes in global industrial and supply chains. According to Xu et al., (2018), China's economy will be able to develop sustainably and with high quality and the "China's economic collapse" theory will be debunked so long as quality takes the center stage in economic growth targets and local governments use policy instruments to promote innovation-driven development.

There is no alternative to China's pursuit of high-quality development and comprehensive socioeconomic systemic transformations (Gao et al., 2019). This paper presents a comprehensive analysis of how the concept of high-quality development can be put into practice to serve China's goal of building a modern socialist country in all respects. Our discussion will echo the five pillars of

³ See Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Eras—Report to the 19th National Congress of the Communist Party of China", http://www.gov.cn/zhuanti/2017-10/27/content_5234876.htm.

⁴ See Xi Jinping, "Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects - Report to the 20th National Congress of the Communist Party of China", http://www.gov.cn/xinwen/2022-10/25/content_5721685.htm.

high-quality development identified in the Report to the 20th CPC National Congress, including the development of socialist market economic systems at a higher level, the creation of a modern industrial system, the vitalization of the countryside, the coordination of regional development, and the opening-up policy at a higher level.

In order to unleash its economic strength, China must intensify reforms, upgrade its market economic systems, and overcome institutional barriers. It must transition to a growth model driven by innovation, modernize its industrial systems, and rely on innovation and talent to propel economic growth.

In order to achieve its development goals, China must coordinate regional, urban, and rural development through rural vitalization to unleash domestic demand potentials and optimize the spatial distribution of economic resources.

In terms of development strategies, China must continue to open up to the rest of the world, cultivate new strengths for international cooperation and competition, and set favorable international market conditions to work for domestic social and economic development.

A closer look at China's historical achievements reveals the importance of the socialist market economic system as the country's institutional strength, the modern industrial system as its cornerstone, the vitalization of rural areas as its impetus, the coordination of regional development as its systematic policy, and opening up at a higher level as its driving force for high-quality development. It will be crucial on the new journey to develop new strategies based on past experiences and current circumstances. This paper provides some insights to China's ongoing socialist modernization and transformation into a modern socialist country through high-quality economic development.

2. Socialist Market Economic System: Institutional Strength for High-Quality Development

The socialist market economic system is a brilliant innovation that combines Marxist theory with China's national conditions. It rejects the tenet, held by both orthodox Marxist political economics and mainstream Western economics, that public ownership is incongruous with the market economy. This has made it possible for the socialist economy to thrive in a country with low productivity. Since the reform and open-up policy in 1978, China's impressive growth has been supported by the country's socialist market economy. It also creates the institutional conditions for the country's economic modernization and high-quality development under the new paradigm of "dual circulations." Since the 18th CPC National Congress, the CPC Central Committee with Xi Jinping at its core has given full play to the impetus of economic reforms and explored effective ways to combine an efficient market with an active government. As China's socialist market economy matures, great strides have been made in reforming market entities, market systems, and macroeconomic management.

2.1 Historic Accomplishments

First, reforms have unleashed great dynamism from market entities. Over the past decade, China pushed forward the reform of state-owned enterprises (SOEs), established the status of enterprises as independent market entities, and reformed labor, personnel, and the income distribution systems. As a result, SOEs have played a prominent role in supporting high-quality economic development. Between 2012 and 2021, China's state capital assets maintained an annual average growth rate of 15.4%. Specifically, central SOE assets and gross profits grew on an annual average basis 10.3% and 7.5%, respectively. Since 2013, China's central SOEs have cumulatively paid 17.6 trillion yuan in tax revenues, which made up roughly a quarter of the country's total tax revenues⁵.

China's state sector of the economy has made continuous structural improvements over the

⁵ Source: Official website of the State-owned Assets Supervision and Administration Commission of the State Council, <http://www.sasac.gov.cn/>.

past decade (see Figure 1). The number of central SOEs has decreased from 117 to 98 as a result of consolidation, and 70% of their business revenues came from sectors involving national security, economic lifelines, and people's livelihoods⁶. Competition has increased in critical industries such as oil and gas, railway, civil aviation, electric power, telecommunications, and defense. This has resulted in a more efficient distribution of state and private sectors between upstream and downstream sectors and monopolistic and competitive markets. In addition, progress has been made in the development of a mixed-ownership economy. Over 70% of central SOEs and 54% of local SOEs are of mixed ownership⁷.

China has consistently supported the development of the private sector economy over the past decade, leveling the playing field for private businesses. China's private enterprises have more than quadrupled from 10.85 million in 2012 to 44.57 million in 2021.

Second, continuous improvements have been made to the market systems. Over the past decade, the market-based price mechanism took hold. By the end of 2021, 97.5% of commodities and services were market-priced, centrally priced items decreased by 85%, and locally priced items fell by 70%⁸. Progress has been made in establishing price mechanisms to guarantee fair pricing in monopolized industries, support green development, and maintain price stability for key commodities. Consequently, China's overall price level has been stable. As shown in Figure 2, China's consumer price index (CPI) increased around 2% annually from 2012 to 2021. Despite the volatility of international commodity prices, China's domestic price stability has effectively supported a stable and healthy economic development.

In the past decade, great efforts have been made to eliminate policies that hinder a unified national market and disrupt fair competition. China has implemented the National List for Market Access, established legislative, law enforcement and judicial systems for the protection of intellectual property rights (IPRs), and adopted fair competition review and social credit systems.

Progress has been made in streamlining the government, delegating power, and improving government services. China has created an administrative service system with a broad coverage, and relentlessly improved its business environment by making government services more efficient. In 2020, China ranked 31st as the easiest country to do business, up from 96th in 2013⁹.

To cancel land price distortions and supply-demand mismatch, China has expanded reforms based

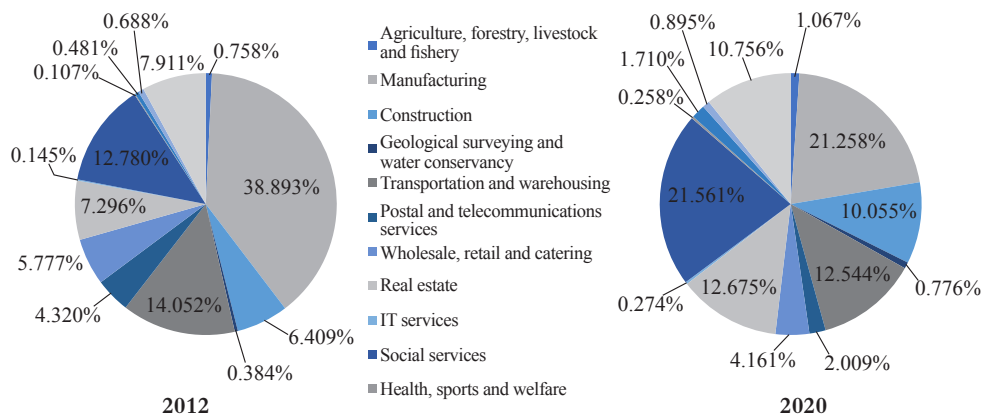


Figure 1: Sectoral Distribution of SOE Assets in 2012 and 2020

Source: China Fiscal Yearbook 2021.

⁶ Source: SASAC's *Report on the High-Quality Development of Central SOEs* (2022), <http://www.sasac.gov.cn/n2588020/n2877938/n2879671/n2879673/c26508617/content.html>.

⁷ Source: SASAC's official website: <http://www.sasac.gov.cn/>.

⁸ Source: The National Development and Reform Commission (NDRC), <https://www.ndrc.gov.cn/>.

⁹ Source: The World Bank Group's *Ease of Doing Business 2020*, <https://archive.doingbusiness.org/en/reports/global-reports/doing-business-2020>.

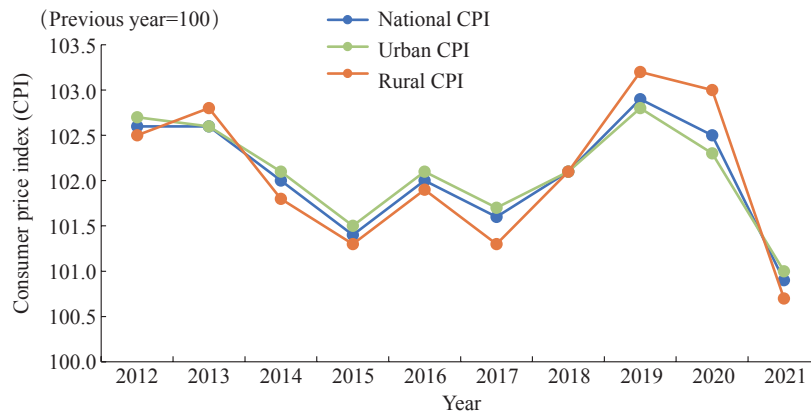


Figure 2: China's CPI Trends, 2012-2021

Source: The National Bureau of Statistics (NBS).

on allocating resources more efficiently through the market. It has improved fundamental capital market systems to better serve the real economy and reformed the household registration system to make it easier for workers to move around the country. It has adopted mechanisms for commercializing the results of research and development and improved protections for intellectual property rights and patents. Maintaining data privacy while also encouraging its free and open exchange have both been prioritized.

China has developed a sizeable domestic market worth around 100 trillion yuan. With a population of 1.4 billion, the country boasts a middle-income group of 400 million people and 160 million market entities. China's increasingly unified national market will create economies of scale, catalyze homegrown innovation, and attract factors of production from around the world.

Third, impressive progress has been made in the past decade thanks to reforms in macroeconomic governance. Considering the new realities and challenges facing China's economy in the "new normal," the CPC Central Committee has prioritized the quality and efficiency of economic development, achieving growth stability and structural improvement. Annual GDP growth in China between 2013 and 2021 averaged 6.6%, which was higher than both the global average of 2.6% and the average level of 3.7% for developing economies¹⁰. Judging by its economic structure, China is moving from the late-industrial stage to the post-industrial stage. For a considerable period, consumer spending has been more important than investment in driving China's economic growth, which is consistent with an endogenous growth model based on consumption typical of the late-industrial era.

The past decade has also seen continuous improvements in China's macroeconomic regulatory system; it has combined a focus on fiscal and monetary policies with a variety of industrial, technological, environmental, and social policies, guided by the strategic orientation of its mid- and long-term development plans. The country has enhanced economic governance with a comprehensive approach by coordinating manufacturing with distribution and consumption and pursuing a dynamic equilibrium among multiple policy objectives. The government has employed targeted, well-timed, countercyclical and cross-cyclical regulations in order to maintain various economic indicators within an appropriate range. Throughout the COVID-19 pandemic, many nations have experienced economic contractions or sluggish growth. Backed by China's macro-regulatory system, China's primary economic indicators began to recover in the second quarter of 2020 (as shown in Table 1), making it the only major economy with positive growth in 2020. China's economic growth significantly higher than world average in 2021 and maintained a 3% growth rate in 2022 against multiple unexpected factors. In the three years between 2020 and 2022, China remained one of the world's fastest-growing economies.

¹⁰ Source: Official website of the National Bureau of Statistics, http://www.stats.gov.cn/xxgk/jd/sjjd2020/202209/t20220913_1888196.html.

Table 1: Global Economic Performance amid the COVID-19 Pandemic (%)

Year	World average	Advanced economies	Developing economies	China	US	Eurozone	Japan	India	Five ASEAN countries
2020	-3.1	-4.5	-2.1	2.3	-3.4	-6.3	-4.6	-7.3	-3.4
2021	6.0	5.2	6.6	8.1	5.7	5.2	1.7	8.7	3.4
2022	3.4	2.7	3.9	3.0	2.0	3.5	1.4	6.8	5.2
Average for the three years	2.0	1.0	2.7	4.4	1.4	0.7	-0.5	2.5	1.7

Source: Data for 2020 and 2021 are from the International Monetary Fund (IMF).

Note: Data for 2022 are the latest estimated value from *World Economic Outlook Report* released on January 30, 2023 by IMF.

2.2 New Strategy for the New Journey

On the new path to building a modern socialist nation in all respects, we should be mindful about the arduous and long-term nature of reforming China's socialist market economic and property ownership system, developing a unified, open, and competitive market system, and restricting monopoly and disorderly capital expansion. "We must be audacious enough to break hard nuts and ford hazardous whitewater during reform and that only the daring will prevail at crucial stages of reform." First, we must continue to develop a high-standard market system. Policy guidance must be enhanced to combat monopoly. Positive and negative lists should be implemented to enhance market access. Capital flow and distribution should be brought under reasonable control. Government-market interaction platforms should be created to communicate regulatory policies and rules and increase fair competition awareness among companies. Regulatory mechanisms should be developed, and theories enriched to curb monopoly, including platform monopoly. Market regulation should be all-inclusive and integrated.¹¹

Second, we should fully give play to the institutional strength of an effective market and an effective government. The pervasiveness of digital economy has made the "invisible hand" of the market more effective and market failures less likely by reducing information asymmetry. Therefore, we should adhere to the market-oriented approach and the rule of law and maximize the market's decisive role in resource allocation. The government should promote fair market competition, strengthen the protection of intellectual property rights, and encourage the entrepreneurial spirit of market participants. We should strive resolutely to consolidate and expand the public sector, as well as to encourage, support, and direct the development of the private one. We should foster positive interactions between the state and private sectors of the economy and maintain the state dominance in critical sectors. SOEs should utilize their strong ties to the government to become more innovative; they should focus on leading fundamental and disruptive original innovations with a strong spillover effect.

3. Modern Industrial System: Cornerstone of High-Quality Economic Development

As the cornerstone of the new development paradigm of "dual circulations," the modern industrial system vigorously supports other components of the modern economic system and paves the way for high-quality development to make significant progress. Manufacturing is the foundation of the real economy that underpins the national economy. China has the world's largest and most comprehensive industrial system. Therefore, future advancement is contingent on innovation-driven industrial chain upgrade. Since the 18th CPC National Congress, the CPC Central Committee

¹¹ Xi Jinping's speech at a welcome banquet jointly hosted by Washington State government and friendly communities, http://www.gov.cn/xinwen/2015-09/23/content_2937427.htm.

with Xi Jinping at its core has made strategic decisions to establish a modern industrial system with an emphasis on manufacturing, resulting in watershed in the country's manufacturing growth and competitiveness.

3.1 Historic Accomplishments

First, China has created a complete and resilient manufacturing system with great economies of scale. From 2012 to 2021, China's industrial value-added increased from 20.9 trillion to 37.3 trillion yuan, up 6.63% annually, as shown in Figure 3. As the world's largest manufacturing powerhouse throughout the past decade¹², China saw its share of global industrial output rise from 18.3% to 24.7% and its share of global manufacturing output expand from 22.5% to nearly 30%. China is the only country that has all the economic activities listed in the industrial sections of the United Nations industry classification system.

China's diverse manufacturing structure enables it to make the most of its resources and compete in a changing market with great manufacturing efficiency. When market demand rises, China's complete manufacturing system can swiftly crank up capacity and avoid a shortage of supply. When the reverse occurs, it can flex down production to avoid losses from overcapacity. At similar levels of GDP per capita, China's per capita output of pig iron and crude steel is greater than those of the UK, the US, Germany, France, and Italy. In addition to the steel industry, the enormous potentials of China's economies of scale have been demonstrated in other sectors, such as machinery, electronics, and chemical engineering.

Second, China's industrial development has transitioned from a crude pattern of growth to a focus on quality and efficiency as evidenced by its improving industrial structure. R&D expenditure is a key driver of endogenous economic growth, and patents are the source of innovation in technology- and knowledge-intensive industries. The Chinese government's increased investment and guidance in technological research has resulted in a surge in patent applications and approvals. As shown in Figure 4, China's R&D expenditures increased from 1.03 trillion in 2012 to 2.80 trillion yuan in 2021, an increase of 11.7% per year. Specifically, R&D spending for high-tech sectors increased at an annual average rate of 13.4% from 0.15 trillion in 2012 to 0.46 trillion yuan in 2021, resulting in an increase of two percentage points in its share of total national R&D expenditures. The number of invention patents

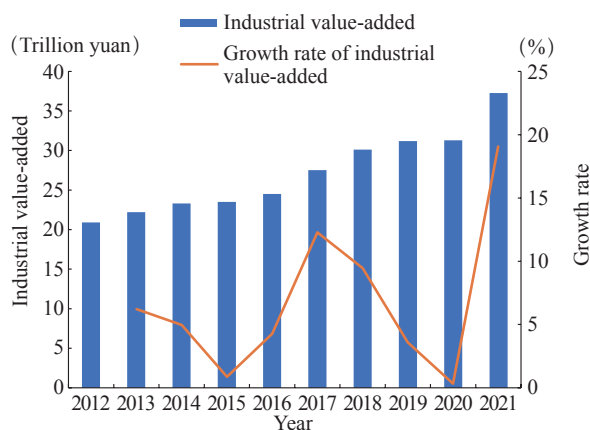


Figure 3: Growth of China's Industrial Value-Added, 2012-2021
Source: Data are compiled from the NBS.

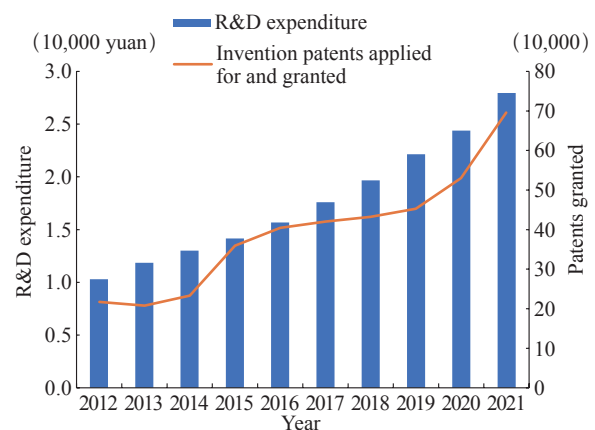


Figure 4: Growth in China's R&D Innovation, 2012-2021
Source: Data are compiled from the NBS.

¹² Source: The Ministry of Industry and Information Technology (MIIT), https://www.miit.gov.cn/xwdt/szyw/art/2022/art_73e8ef1b62b14926ae503f0bfe63b289.html.

applied for and granted increased by 13.8% annually from 217,000 in 2012 to 696,000 in 2021.¹³

China's strategic emerging industries, including new-generation information technology, bio-industry, new materials, and new energy, have flourished as a result of massive investments in R&D. China's output of chemical new materials increased by 11.55% per year between 2016 and 2021, from 15.36 million to 26.53 million tons. The growth of many high-tech industries has increased; they have grown significantly, underpinning the nation's modernization of the industrial system.

Third, China has nurtured advantageous industrial clusters that collaborate with each other to bring about constructive cooperation. According to China's import and export data at the industry level for 2021 from the UN Comtrade database¹⁴, the Lafay index is positive for 60% of China's industrial sectors, indicating competitive advantages. Among them, the Lafay index is greater than 1 for industrial sectors in Chapters 84, 94, 25, 73 and 61 of the customs code lists. In other words, the dominant sectors of China's industrial system include machinery, furniture and toys, iron and steel, and textile which derive new vitality from modern information technologies. In 2020, China's cloud computing market surpassed 200 billion yuan in 2020, providing digital infrastructure to support the growth of advantageous industries. In 2021, China's robotics industry generated more than 130 billion yuan in total business revenue and produced 366,000 industrial robots. Automation has boosted efficiency in advantageous industries.

According to data from the United Nations Statistics Division, labor productivity in China increased at an average annual rate of 9.57% in the textiles industry, 9.81% in the iron and steel industry, 5% in the machinery manufacturing industry, and 4.70% in the furniture manufacturing industry. Likewise, substantial progress has been made in other sectors. China's industrial system has become more efficient as a result of advanced technology and cost management. According to the Harvard Growth Lab, China was ranked among the top three nations in the Economic Complexity Indicator (ECI) thanks to significant improvements in its product diversity and technological sophistication.

Table 2: China's Sectoral Labor Productivity, 2012-2020

Sector	Annual average growth rate (%)	Sector	Annual average growth rate (%)
Food and beverage manufacturing	6.73	Rubber products	6.65
Tobacco products	6.81	Non-metal products	7.02
Textiles	9.57	Metal smelting and processing	9.81
Textiles and garments	8.66	Metal products	6.05
Leather products	6.93	Machinery manufacturing	5.00
Timber processing and products	9.32	Electronic equipment manufacturing	-15.51
Papermaking	8.49	Electrical machinery manufacturing	5.83
Printing	4.94	Transportation equipment manufacturing	7.23
Petroleum processing	5.83	Furniture manufacturing	4.70
Chemical products	6.71		

Source: Calculated based on UNSD data.

¹³ Source: NBS official website: <http://www.stats.gov.cn/>.

¹⁴ For calculation method, refer to LAFAY, G. "The measurement of revealed comparative advantages." In: DAGENAIS, M. G. & MUET, P.-A. (eds.) *International Trade Modelling*. London: Chapman & Hall, 1992.

3.2 New Strategy for the New Journey

China is rapidly shifting from factor-driven to innovation-driven economic growth as it develops a modern industrial system on its way to building a modern socialist nation. China is the world's largest manufacturing nation, but not the most advanced. Its manufacturing system is still "large but not robust, complete but not consummate." In the past, the country's advantageous industries flourished on their cost advantage, but now the industrial development is fueled by economies of scale. China should utilize its ultra-large market advantage to support manufacturing, intensify industrial division of labor, and seize the historic opportunity presented by the fourth Industrial Revolution.

First, reforms should be deepened to unleash China's industrial economies of scale. In developing the economy, the government should prioritize the promotion of advantageous industries as the locomotive of the new-type industrialization and expedite industrial transition and upgrade. In terms of institutional development, the government should establish a unified national market, strengthen market economic systems for the protection of property rights, market access, fair competition, and social credibility, and cultivate business champions by virtue of the ultra-large market. To avoid repetitive development, inefficiency, and waste, it is also important to transform the factor market, improve the business climate, implement national development strategies as guidance, and integrate resources for advantageous industries. Scale economies should result from China's manufacturing skills.

Second, cutting-edge technologies and outlook for them should help boost indigenous innovation and international competitiveness for advantageous industries, as well as grasp opportunities presented by a new round of technological and industrial revolutions. To promote industrial quality and efficiency, it is recommended to develop clusters of strategic emerging industries and empower traditional advantageous industries with new-generation information technologies for the development of a high-end, intelligent, and ecofriendly industries. The digital economy should be integrated with advantageous industries for new opportunities to arise from industrial integration and to harness the potential of China's advantageous industries. To ensure industrial security, it is crucial to acquire critical technologies and increase industrial and supply chain resilience in order to reduce reliance on others and strengthen China's competitive industries in all processes.

4. Comprehensive Countryside Vitalization: Strong Support for High-Quality Development

China's agriculture is the foundation of people's livelihoods and state governance. High-quality economic development cannot take place without addressing the problems affecting its agriculture, countryside, and farmers. The CPC Central Committee with Xi Jinping at its core has given top priority to addressing the problems of agriculture, countryside, and farmers, deepening rural reforms on all fronts, and overcoming poverty. After declaring a victory in eliminating absolute poverty, it has taken a host of initiatives for countryside vitalization, making agriculture stronger, countryside more beautiful, and farmers more affluent.

4.1 Historic Accomplishments

The eradication of absolute poverty is a significant landmark and the beginning of a new path towards common prosperity. Over the past decade, the Central Committee of the CPC has made poverty reduction a top priority of state governance. As depicted in Figure 5, between 2012 and 2020, China lifted more than 10 million people out of destitution annually, the equivalent of a medium-sized nation. There was a substantial increase in the incomes of poor populations. In poor regions, rural per capita disposable household income increased by 11.6% per year between 2013 and 2020, which is 2.3 percentage points higher than the national average rural income growth. People who have been lifted from poverty have no need to worry about food, clothing, safe drinking water, housing

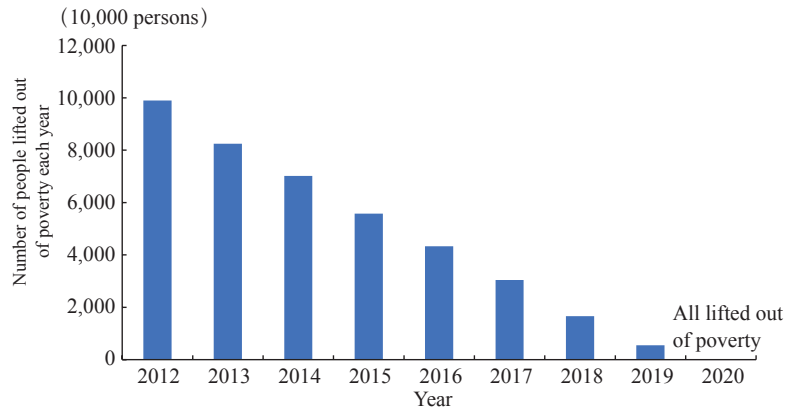


Figure 5: Change in China's Rural Poor Population, 2012-2020

Source: Data are compiled from the *Poverty Alleviation: China's Experience and Contribution* whitepaper.

security, compulsory education, or basic healthcare¹⁵. China lifted the final 98.99 million people from poverty by 2020 and removed 832 poor counties and 128,000 poor villages from the poverty list. It has resolved regional poverty and accomplished the arduous task of lifting nearly one-fifth of the world's population out of absolute poverty, which is an enormous contribution to global human development. Therefore, China's rural areas have officially embarked on a new path towards common prosperity.

Agricultural production has increased substantially to ensure grain security. Over the past decade, the CPC Central Committee has identified grain security as a top priority of state governance and has led the people to attain basic self-sufficiency in grains and absolute grain security. According to Table 3, China's grain output between 2012 and 2021 stayed above 650 billion kg for seven consecutive years, reaching a record high of 682.85 billion kg in 2021, or 483 kilograms per person, exceeding the international grain security threshold of 400 kilograms. As people's living standards have increased, consumer demand has shifted from eating enough to eating healthily. The variety of agricultural products has increased and quality improved. Over 97% of agricultural products have passed regular quality and safety inspections¹⁶.

Table 3: China's Grain Output and Sown Area, 2012-2021

Year	Grain output (100 million <i>jīn</i> ¹⁷)	Per capita grain output (kg)	Grain crop sown area (1,000 hectares)	Grain output per unit area (kg/hectare)
2012	122,45	452.1	114,368.04	5,208.8
2013	126,10	462.49	115,907.54	5,353.1
2014	127,93	466.26	117,455.18	5,445.9
2015	132,12	478.75	118,962.81	5,553.0
2016	132,09	475.89	119,230.06	5,539.2
2017	132,32	473.86	117,989.06	5,607.4
2018	131,58	469	117,038.21	5,621.2
2019	132,77	471.57	116,063.6	5,719.6
2020	133,90	474.45	116,768.17	5,733.5
2021	136,57	483.5	117,630.82	5,805.0

Source: Data are compiled from NBS official website.

¹⁵ Source: *Poverty Alleviation: China's Experience and Contribution* whitepaper, <http://www.scio.gov.cn/ztk/dtzt/44689/45216/index.htm>.

¹⁶ Source: The Ministry of Agriculture and Rural Affairs, <http://www.moa.gov.cn/>.

¹⁷ 1 *jīn* = 500 grams.

Innovations have brought agriculture modernization to a new stage. Over the past decade, the CPC Central Committee has called for self-reliance for agricultural technology, ameliorated agricultural infrastructure, and accelerated the research of critical agricultural technologies. China's national spending on agriculture, forestry and irrigation nearly doubled from 1,197.4 billion yuan in 2012 to 2,214.6 billion yuan in 2021, boosting agricultural production. By 2021, China's agricultural machinery reached 1.08 billion kW in total power, and the integrated mechanization rate for crop cultivation, sowing and harvesting exceeded 71%¹⁸. China has constructed 60 million hectares of high-standard farmland with modernized irrigation facilities and is shifting from traditional agriculture at the mercy of the elements to technology-empowered smart agriculture. As illustrated in Figure 6, China's agricultural technology advancement contributed 61.5% to output growth in 2021, up from 54.5% in 2012. The country's overall agrotechnology level rose from the second to the first tier of nations¹⁹.

Rural landscapes have been refreshed as a result of extensive efforts to build a beautiful countryside. The past ten years have seen steady improvements in public infrastructure, human habitat, and basic public services in countryside. By the end of 2021, China provided public transportation in 87.3% of villages, broadband internet access in 99.0% of villages, and cable television in 94.2% of villages²⁰. China's rural industries have flourished as rural infrastructure has improved, and new business models - such as e-commerce live streaming and leisure tourism - have emerged. By the end of 2021, more than 330,000 villages had e-commerce pick-up stations, and nearly 50,000 villages offered leisure agriculture and rural tourism services. Figure 7 shows more than a tenfold increase in China's rural e-commerce logistics index between January 2015 and the end of 2021. Rural e-commerce has become a new growth engine for countryside vitalization. The rural way of life is changing rapidly. By the end of 2021, the construction of sanitary toilets surpassed 70% in rural areas, 47.6% of villages had centralized or partially centralized domestic wastewater treatment facilities, and 90.8% of townships had health centers, with each village possessing at least one health clinic²¹. The countryside has become more attractive and inhabitable thanks to improving public services.

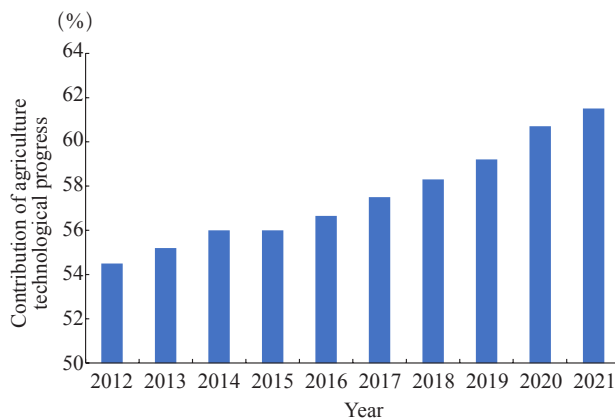


Figure 6: Contribution of National Agricultural Technological Progress, 2012-2021

Source: Data are compiled from the Ministry of Agriculture and Rural Affairs.

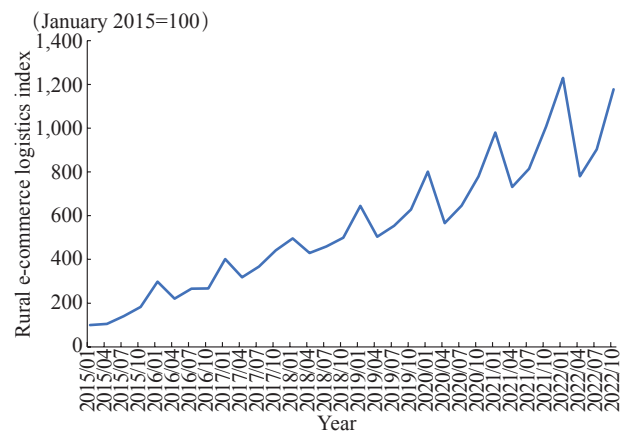


Figure 7: Growth in China's Rural E-Commerce Logistics Index, 2015-2022

Source: Data are compiled from the China Federation of Logistics & Purchasing.

¹⁸ Source: NBS official website, http://www.stats.gov.cn/xxgk/jd/sjjd2020/202209/t20220914_1888221.html.

¹⁹ Source: The Ministry of Agriculture and Rural Affairs, <http://www.moa.gov.cn/>.

²⁰ Source: NBS official website, http://www.stats.gov.cn/tjsj/tjgb/nypcgb/qgnypcgb/201712/t20171215_1563589.html.

²¹ Source: NBS official website, http://www.stats.gov.cn/tjsj/tjgb/nypcgb/qgnypcgb/201712/t20171215_1563589.html.

4.2 New Strategy for the New Journey

On the new journey of building a modern socialist country, the most arduous priorities remain in the countryside. The focus of work on agriculture, countryside and farmers has shifted to countryside vitalization. In this context, we should continue to prioritize agricultural and rural development, promote homegrown innovation for critical agricultural technologies, address the deficiencies in rural infrastructure and public services, and modernize agriculture and countryside.

First, we must pursue integrated urban and rural development, encourage the flow of factors between cities and the countryside, and create and replicate pilot programs in metropolitan circles. With China's urbanization entering an advanced stage, metropolitan core cities have experienced a growing preponderance of scientific research, innovation, management consulting, and financial and legal services. In the meantime, manufacturing and processing industries have relocated to the city's outskirts. We should attempt to integrate urban and rural development in the vicinity of metropolitan circles, focusing on factor flow, personnel exchange, and equity transfer, with the goal of removing institutional barriers to integrated urban and rural development and disseminating the best practices across the nation.

Second, we should strengthen food security and enhance agricultural technology and equipment to hold tight our rice bowl in our own hands. The strictest arable land policies should be implemented to maintain sufficient land reserves for grain production. From enforcing land use control to balancing land use with land compensation and supervising land transfer, every effort must be made to ensure that China's total arable land is no less than 1.8 billion *mu* (120 million hectares). Steps should be taken to construct 1.55 billion *mu* (103.33 million hectares) into high-standard farmland. Technology is another pillar for grain production. We should develop seed industry through innovation and research, collect, protect, and utilize seed resources, and commercialize seed cultivation.

Third, we should cultivate rural feature industries, expand opportunities for farmers to earn higher incomes, and build a job-generating, livable countryside. We should build on the progress made in reducing poverty and shift the focus of our efforts to fight relative poverty, sporadic poverty, accidental poverty, capacity poverty, and intergenerational poverty, as well as helping low-income individuals increase their incomes. It is important to consider resource endowment, location, industrial foundation, and market demand when developing a modern rural industrial system with distinct regional characteristics, thriving innovation and entrepreneurship, diverse business models, and shared interests. Farmers' income can be increased by extending agricultural industrial chains, integrating agriculture with culture and tourism, and developing agricultural deep processing.

Fourth, we should develop the new-type rural collective economy and press ahead with rural land reforms to better support Chinese modernization. Rural collective economic organizations should be established to pool fragmented resources in the countryside and engage professional operational teams for the efficient development and utilization of those resources, the proceeds of which should be distributed among villagers. In addition, rural land reforms should continue to be deepened. Major reforms - such as the separation of the ownership, contract, and operation rights of rural collective land, the collective property ownership system, and the rural housing allotment system - should be implemented on a case-by-case basis in accordance with local conditions. Farmers ought to be granted property rights to a fuller extent. Migrant farmers who have relocated in cities should have their legal land rights protected. These institutional arrangements lay the groundwork for China's rural and agricultural modernization.

5. Regional Coordination: Systematic Arrangement for High-Quality Economic Development

Because of its territorial size and enormous population, China faces the challenging task of coordinating regional development, given the exceptional regional diversity of its natural resources²².

²² See Xi Jinping, *Fostering the Regional Economic Layout with Complementary Advantages and High-Quality Development*, http://www.gov.cn/xinwen/2019-12/15/content_5461353.htm.

Coordination of regional development refers to the productive division of labor and interactions between regions. Regional cooperation and urban-rural integration are essential to high-quality economic development. Since the 18th CPC National Congress, the CPC Central Committee with Xi Jinping at its core has prioritized regional coordination and implemented a series of regional strategies with positive results.

5.1 Historic Accomplishments

First, the relative gaps of regional development have narrowed. Upon the founding of New China in 1949, the Chinese government followed a balanced regional development approach. In the early stage of reform and opening up in 1978, China's regional development policy began to prioritize efficiency, giving preference to coastal regions in the east to spearhead national development as a whole. In order to balance regional economic development and reduce regional gaps, the Chinese government has implemented strategies since the 1990s to develop the western region, revitalize the old industrial base in the northeast and promote the rise of the central region, which together with the leading position of the eastern region, comprise the "four segments" in China's overall layout of regional economic development.

Over the past decade, regional gaps in China have waned. China's central and western regions have outpaced the eastern region in terms of GDP growth rate, and their share of national total GDP increased from 21.3% and 19.6% in 2012 to 22% and 21.1% in 2021, respectively. The ratio of GDP per capita between the eastern region and the central and western regions has decreased from 1.69 and 1.87 in 2012 to 1.53 and 1.68 in 2021, respectively. Gaps between the eastern and western regions have continued to narrow, and regional development has become more balanced²³.

Second, the implementation of main regional strategies has also progressed steadily. Since the 18th CPC National Congress, the CPC Central Committee has implemented major regional development strategies, such as coordinated development in the Beijing-Tianjin-Hebei region, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, integrated development in the Yangtze River Delta Region, the development of the Yangtze River Economic Belt, ecological protection and high-quality development for the Yellow River Basin, and the comprehensive deepening of reform and opening up.

These regional development strategies encompass 24 provinces and the special administrative

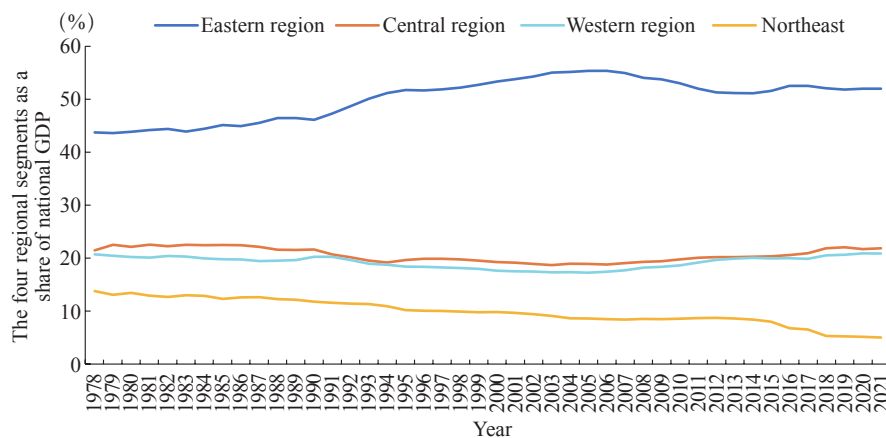


Figure 8: Share of China's Four Regional Segments in National GDP, 1978-2021

Source: Data are compiled from NBS provincial annual data.

²³ Source: The National Development and Reform Commission (NDRC), <https://www.ndrc.gov.cn/>.

regions of Hong Kong and Macao, which together account for 50% of China's land area and 80.4% of its permanent resident population²⁴. In China, the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Greater Bay Area of Guangdong-Hong Kong-Macao have emerged as the three principal locomotives of regional economic development. In 2021, the nine major cities in the Beijing-Tianjin-Hebei region, the Yangtze River Delta region, and the Guangdong-Hong Kong-Macao Greater Bay Area recorded a GDP of 9.6 trillion yuan, 27.6 trillion yuan, and 10.1 trillion yuan, respectively, accounting for 8.4%, 24.1%, and 8.8% of the national total, adding up to over 40% of the national total²⁵.

In an effort to promote green development, steady progress has also been made to safeguard ecosystems in the Yangtze and Yellow River basins. In 2021, 97.1% of cross sections under national monitoring in the Yangtze River Basin had excellent or good water quality, which was substantially higher than the national average of 84.1%. Class I-III (excellent and good) water quality comprised 81.9% of the Yellow River Basin, an increase of 21.2 percentage points since 2012, and the overall water quality changed from being slightly contaminated to good²⁶.

Hainan Province has explored a new model of opening up at a higher level. In 2021, Hainan's total imports and exports of commodities reached 147.68 billion yuan, an increase of 57.7% year-over-year and 36.3 percentage points above the national average, while its imports and exports of services reached 28.78 billion yuan, an increase of 55.5%. Hainan's trade in both goods and services reached new heights. Meanwhile, the Belt and Road Initiative (BRI) has been incorporated into key regional development strategies. The Silk Road Economic Belt has created new opportunities for China's northwestern and northeastern regions, while the Maritime Silk Road provides a platform for East China's coastal regions to open up at a more advanced level.

5.2 New Strategy for the New Journey

We must recognize the "universality of disequilibrium and strive to achieve relative equilibrium through development" as we embark on the new path towards building a modern socialist nation in all respects²⁷. Regional policy system should be adjusted and improved on the basis of a thorough knowledge of regional advantages and functions in order to create a regional economic structure with distinct primary functions and complementary advantages.

First, we must improve interregional planning coordination and regional policy framework. Local governments should coordinate with one another rather than competing for resources, talent, and business. There must be coordination for regional division of labor, infrastructure development, resource utilization, and environmental protection in order to avoid inefficiency and waste resulting from repetitive development across regions. Local governments should establish coordinated regional development as a policy objective, improve the regional policy framework in terms of design, implementation, and evaluation, and enhance interregional coordination of industrial, technological, and environmental protection policies.

Second, we must remove commodity and factor market barriers through institutional development, optimize resource allocation, and capitalize on regional competitive advantages. Land system should be reformed to promote the function of land as the means of production. The interregional transfer of land use quotas will contribute to the concentration of land in underdeveloped regions and alleviate the shortfall of construction land in prosperous regions. Reform of the household registration system should be accelerated in order to increase the flexibility of labor migration, boost labor productivity in regions with an excess of labor force, and encourage factor concentration for coordinated regional development.

Third, we should proactively explore pathways for coordinated urban and rural development and

²⁴ Source: NDRC, <https://www.ndrc.gov.cn/>.

²⁵ Source: NDRC, <https://www.ndrc.gov.cn/>.

²⁶ Source: The Ministry of Ecology and Environment, <https://www.mee.gov.cn/pc/>.

²⁷ See Xi Jinping, *Forming a Regional Economic Layout for Complementary Advantages and High-quality Development*, http://www.gov.cn/xinwen/2019-12/15/content_5461353.htm.

enhance the role of central cities and growth poles based on local conditions. We should encourage coordinated urban and rural development based on the resource endowments and development stages of cities and rural areas. Growth poles should aid in mitigating environmental issues caused by overpopulation in central cities, promote industry-city integration, and prevent sleep towns. In addition, central cities should have cascading effects on secondary cities and rural areas by spawning new industries and enhancing urban-rural development.

6. Opening Up at a Higher Level: Exogenous Impetus for High-Quality Economic Development

The opening up policy has been a crucial factor in China's economic ascent. Indisputably, China's economic development has been accomplished in an open environment. China must maintain a higher level of opening-up going forward and derive exogenous impetus for high-quality economic development. Since the 18th CPC National Congress, the CPC Central Committee with Xi Jinping at its the core has pursued a more proactive opening up strategy amid complex and volatile international situations, contributing to build an open global economy. Consequently, China's economic openness has undergone historically significant changes.

6.1 Historic Accomplishments

First, China has become the world's largest trading nation. As depicted in Figure 9, China's imports and exports of goods increased from 3.9 trillion US dollars to 6.1 trillion US dollars over the past decade from 2012 to 2021. China's imports and exports of goods increased by 1.9% in 2020, making it the only major economy with positive trade growth in that year. By 2021, China accounted for 15.1% of exports to the international market and 11.9% of imports from the international market, both of which were record highs²⁸.

Similarly, China's trade in services has exhibited consistent and positive growth. Figure 10 shows that China's imports and exports of services totaled 482.9 billion US dollars in 2012, accounting for 5.6% of the global total. China's imports and exports of services reached a record high of 821.2 billion US dollars in 2021, an increase of 24.1%, accounting for 13.5% of the global total. For eight years in a row, China ranked second in the world for trade in services²⁹.

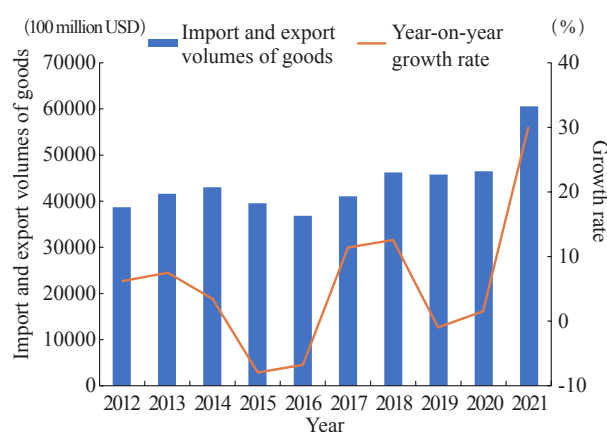


Figure 9: China's Trade in Goods, 2012-2021

Source: Data are compiled from the Ministry of Commerce.

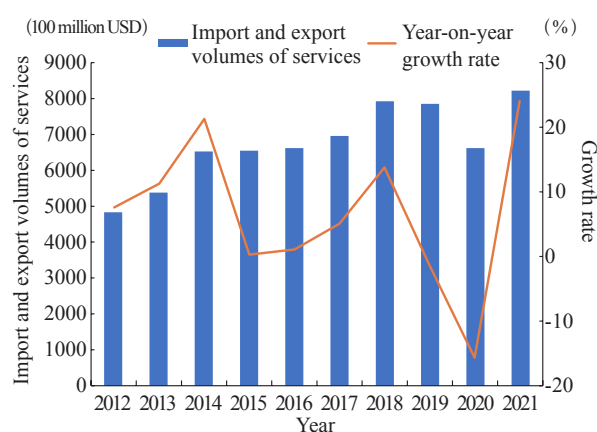


Figure 10: China's Trade in Services, 2012-2021

Source: Data are compiled from the Ministry of Commerce.

²⁸ Source: The Ministry of Commerce, <http://www.mofcom.gov.cn/>.

²⁹ Data source: The General Administration of Customs of China, <http://www.customs.gov.cn/>.

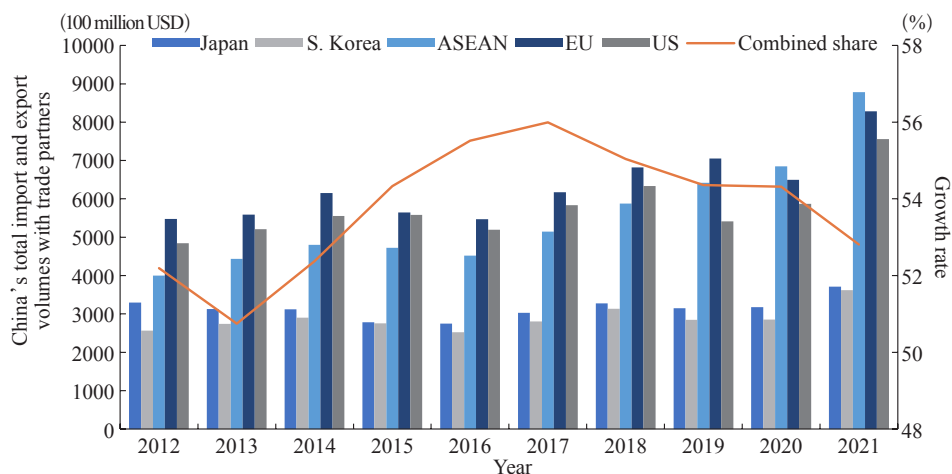


Figure 11: China's Two-Way Trade with Top Five Trading Partners, 2012-2021

Source: Data are compiled from the Ministry of Commerce.

Second, the regional layout of trade has become more balanced as a result of the diversification of international markets. China's top three trading partners over the past decade have been ASEAN, the EU, and the United States, accounting for approximately 40% of China's total import and export volumes. In particular, China's two-way trade with ASEAN has increased steadily, which surpassed the US in 2019 and the EU in 2020 to be China's largest trading partner. China's imports and exports with Belt and Road Initiative (BRI) countries increased by 7.5% annually from 2013 to 2021, from 6.5 trillion yuan to 11.6 trillion yuan; trade with BRI countries as a share of China's total trade volume rose by nearly 5 percentage points³⁰. The BRI has contributed positively to China's trade diversification and the exchange of goods and services between regions.

With improving infrastructure and business climate, China's central and western regions have increasingly opened up and served as destinations for the gradual relocation of processing trade. From 2012 to 2021, imports and exports in China's central and western regions increased from 236.4 billion US dollars to 1.1 trillion US dollars, a 4.7-fold increase or an annual increase of 18.6%. China's regional layout of opening up has become more balanced and resilient as the central and western regions outpace the eastern region in terms of trade growth.

Third, China has upgraded its trade structure and improved its position in the international division of labor. As shown in Figure 12, general trade accounted for 60.9% of China's total trade volume in 2021, up from 48.2% in 2012, while processing trade decreased from 42.2% in 2012 to 24.2%. Raising the value-added of export commodities is important for extending domestic industrial chains and fostering economic growth. In the meantime, new business models have emerged, such as cross-border e-commerce and market procurement. In 2021, China's cross-border e-commerce import and export volume approached 2 trillion yuan with an annual increase of 15%, and China's market procurement export reached 0.93 trillion yuan with a growth rate of 32.1%. These business models have become new driving forces behind China's higher-level opening-up, making it better prepared for global competition.

6.2 New Strategy for the New Journey

On the new journey towards building a modern socialist country in all respects, we should be

³⁰ Source: *Report on China's Foreign Trade Situation* from the Ministry of Commerce, <http://www.mofcom.gov.cn/>.

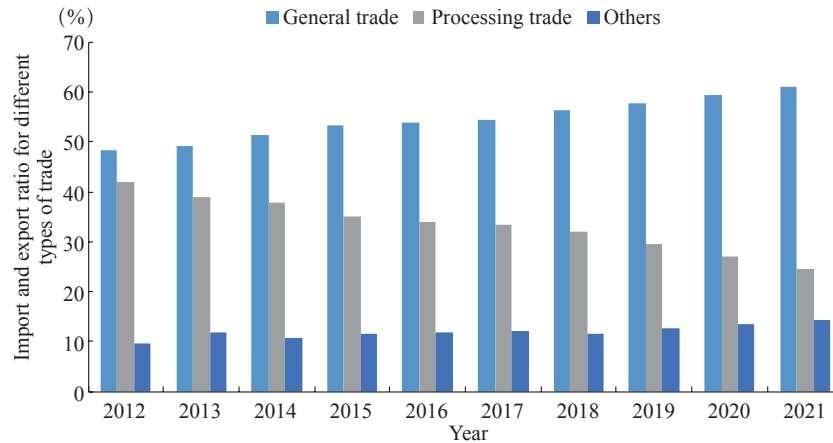


Figure 12: China's Trade Structure Adjustment, 2012-2021

Source: Data are compiled from the Ministry of Commerce.

mindful of turbulent changes in today's world unseen in a century and the growing instability and uncertainty in the international environment.

First, global supply chain recovery has slowed amid the COVID-19 pandemic and weak global demand. Second, intensifying geopolitical conflicts and persistent high inflation have dimmed global economic outlook. Third, global industrial and supply chains are restructuring at fast pace. It takes better interconnection between domestic and international markets and better use of domestic and international resources to seek development in a more volatile and uncertain world and foster new strengths for international cooperation and competition in the new situation. China should build partnerships and shared interests with all countries across the world and take an active part in reshaping the global governance system.

China should foster new comparative advantages with broad market potentials and a complete industrial supporting system to attract the concentration of global superior factor resources in China's economic sphere. It should broaden the global industrial chain division of labor through exports and lower the threshold of global industrial development throughout outbound investment.

Our country should bring innovation to global governance, deepen international cooperation, and increase its capacity and discourse power in setting international trade rules. It should give full play to the role of the BRICS, the Shanghai Cooperation Organization, the Asian Infrastructure Investment Bank (AIIB) and other new-type international organizations, form cooperation to drive change in international trade rules, and intensify exports according to our national capabilities.

7. Concluding Remarks

Under the CPC's strong leadership, China has created rapid economic development and long-term social stability. The success of Chinese modernization not only shows the way for the great rejuvenation of the Chinese nation but provides a reference for modernization in other developing economies. On the new journey of glory and dream, economic modernization is the material groundwork for socialist modernization, and high-quality development is the principal task for building a modern socialist country in all respects. In the face of new opportunities and challenges, China should expedite the creation of a socialist market economic system at a higher level, create a modern industrial system, advance countryside vitalization, coordinate regional development, and advance opening up at a higher level. High-quality economic development will create the material and technological conditions for building a modern socialist country in all respects. There is no doubt that by identifying and adapting to changes,

the CPC will make new historic progress in socialist modernization at a higher historical starting point and realize the centennial dream of the great rejuvenation of the Chinese nation. ■

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