

# Political economy: China's pursuit of 'high quality development' taking place amid six structural transitions

Key structural transitions	Key policy goals	Key issues	Key policies
<b>Economic transition and industrial upgrading</b>	<ul style="list-style-type: none"> <li>Transition to innovation-based economy</li> <li>Climb industrial value chain</li> <li>Digitalization and decarbonization</li> </ul>	<ul style="list-style-type: none"> <li>Service sector contribution to GDP low</li> <li>Manufacturing struggling at mid-end products, low industrial value-added</li> </ul>	<ul style="list-style-type: none"> <li><i>Made-in-China 2025</i></li> <li><i>Opinions on High-quality Development of Service Industry 2019</i></li> <li><i>14<sup>th</sup> FYP 2021 Ch. 8, 10.</i></li> </ul>
<b>Market-oriented reforms and market governance</b>	<ul style="list-style-type: none"> <li>Institutional transition, factor liberalization, SOE reform and "SSSR"</li> <li>Socialist market governance incl. anti-monopoly, / 'social credit'</li> </ul>	<ul style="list-style-type: none"> <li>Low TFP</li> <li>Lower efficiency of state capital</li> <li>Monopolies and overcapacity</li> <li>"Disorderly expansion of capital"</li> </ul>	<ul style="list-style-type: none"> <li><i>Building Market-Oriented System for Allocation of Factors 2020</i></li> <li><i>14<sup>th</sup> FYP 2021 Ch. 19-22.</i></li> </ul>
<b>Economic globalization</b>	<ul style="list-style-type: none"> <li>Integration into global flow of goods, services, capital, talent and ideas</li> <li>Continued opening-up</li> </ul>	<ul style="list-style-type: none"> <li>Comparatively weak trade of service</li> <li>Comparatively low outbound FDI stock</li> <li>Geopolitics and decoupling policies</li> </ul>	<ul style="list-style-type: none"> <li><i>14<sup>th</sup> FYP 2021 Ch. 40</i></li> <li><i>Opinion on Increasing Efforts to Attract Foreign Investment 2023</i></li> </ul>
<b>"Domestic demand system"</b>	<ul style="list-style-type: none"> <li>Consumption-boosting policies</li> <li>Rebalancing of public investments</li> <li>Business environment policy</li> </ul>	<ul style="list-style-type: none"> <li>Low consumption share to GDP</li> <li>Demographic shift to aging population</li> <li>Imperfect social security system</li> </ul>	<ul style="list-style-type: none"> <li><i>14<sup>th</sup> FYP 2021 Ch. 12-14.</i></li> <li><i>Strategic Plan for Fully Expanding Domestic Demand 2022</i></li> </ul>
<b>Social rebalancing</b>	<ul style="list-style-type: none"> <li>Equality and poverty reduction</li> <li>Social fairness and protection</li> <li>Balanced regional development</li> </ul>	<ul style="list-style-type: none"> <li>Inequality: top 1% holds 30% of wealth</li> <li>Vulnerability of social groups (e.g. youth)</li> </ul>	<ul style="list-style-type: none"> <li><i>14<sup>th</sup> FYP 2021 Ch. 23-32.</i></li> </ul>
<b>Economic security</b>	<ul style="list-style-type: none"> <li>"Coordinate development and security"</li> </ul>	<ul style="list-style-type: none"> <li>Import dependencies and perceived supply chain risks</li> <li>China's weaker geoeconomic power</li> </ul>	<ul style="list-style-type: none"> <li><i>14<sup>th</sup> FYP 2021 Ch. 41-42, 52-53</i></li> </ul>

Longer-term transitions

Trade-off / rebalancing processes



China moved from linear economic development model of reform and opening up under Deng to dealing with strategic trade-offs