

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

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