

“The principal goal of reform is to continue perfecting the socialist system with Chinese characteristics and realize the modernization of national governance”

--- ‘The Resolution’ paper of Third Plenum of CCP 20th Central Committee

Xi’s third ‘Third Plenum’ pivots to implementation doubling down on China’s industrial ambition

CMG Primer – understanding process and key outcomes of the 2024 ‘Third Plenum’ of 20th Central Committee

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China Macro Group (CMG) – a specialized European management consulting and research firm



Profile

- CMG is an agile, service-minded and innovative **management consulting and research firm**
- CMG serves European **corporate, investment and public sectors** on China related questions
- It specializes in aiding **strategic decision-making** of governance and executive bodies
- CMG contributes **content publicly** via various initiatives such as Primers and webinars
- CMG operates with presences in **Zurich, Munich and Beijing**

Our approach

Cross-cultural epistemic

Team dialectics, socio-economic grounded China analysis and accountable also to Chinese discourse

Interdisciplinarity

Business management/strategy, public policy, macroeconomy and geopolitics/geoeconomics

“Multipolar” analytics

For geopolitical/geoeconomic analysis actively use or seek expertise and views from respective “pole”

Research values

Original, fact-based and calibrated – plus extensive Chinese expert network

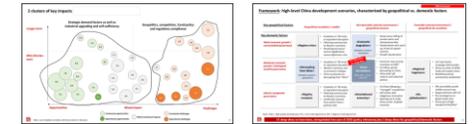
Professional services DNA

Listening, ownership and co-creation as foundation to build trusted and tailored collaborations

Our value proposition – 4 service areas

Consulting

- Strategy devising / review
- China development scenarios
- HQ-subsidary alignment



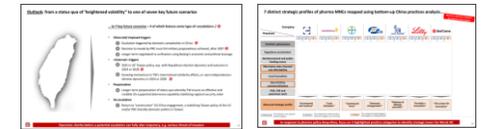
Briefing

- China’s development strategy
- Strategic business context
- Market/competitive trends



Monitoring

- Strategic business context
- Sector / market factors
- Geopolitical / risk factors



Curation

- Learning conference / training
- Event/webinar moderation
- Speaker/expert referrals



Agenda

1

Background and context for ‘2024 Third Plenum’

- Role of a ‘Third Plenum’ and past key meetings
- Key context of reform since 2020s

2

Reviewing the 2024 ‘Third Plenum’ of the 20th CCP Central Committee

- Process and key events
- “The resolution” (‘决定’) as key outcome – keyword and formal analysis
- “The resolution” (‘决定’) as key outcome – policy substance analysis
- Calibration: structural view

3

Key take-aways for foreign business in China

Referential CMG services and resources

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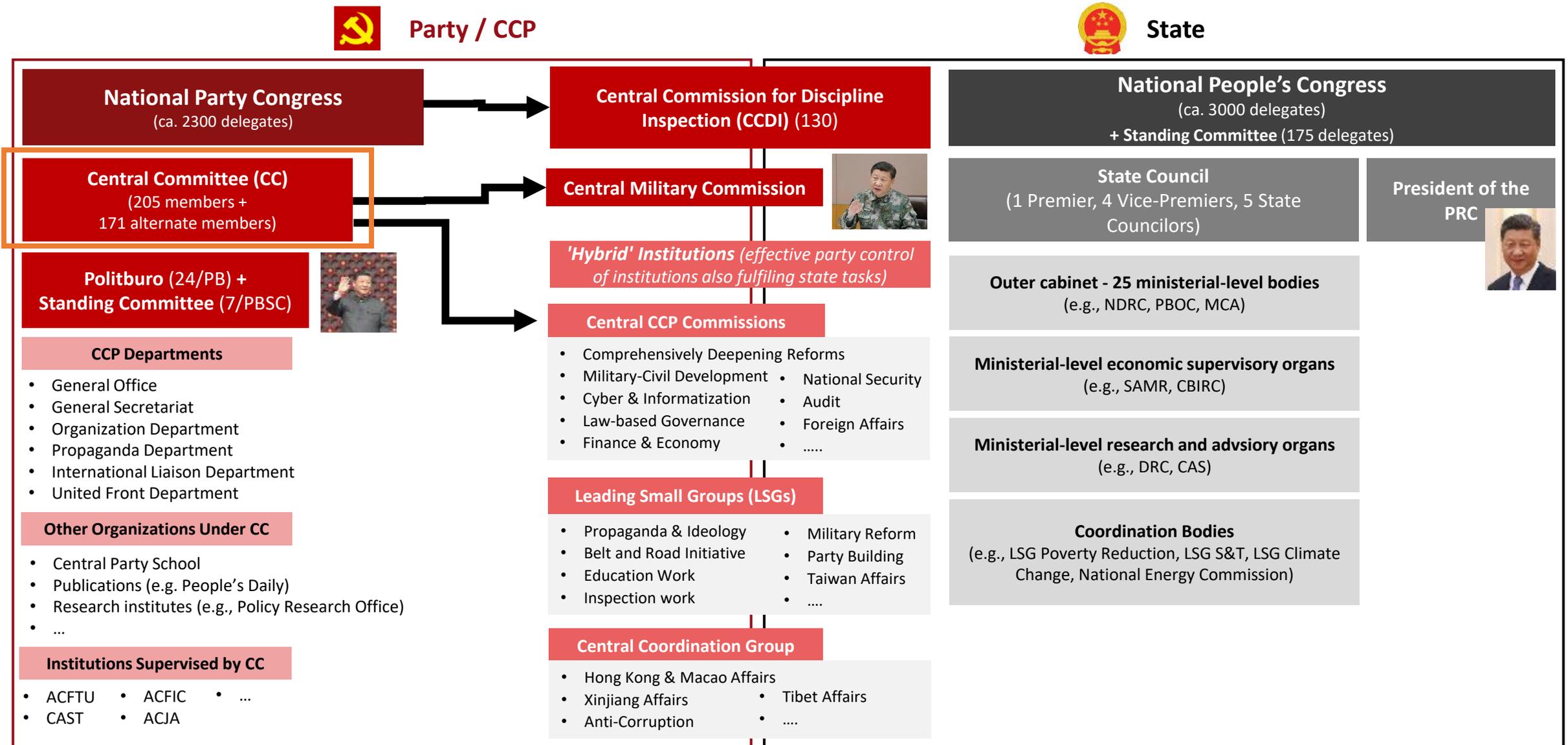
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Recap China's 'party-state': Central Committee (CC) is biggest regularly convening senior party body

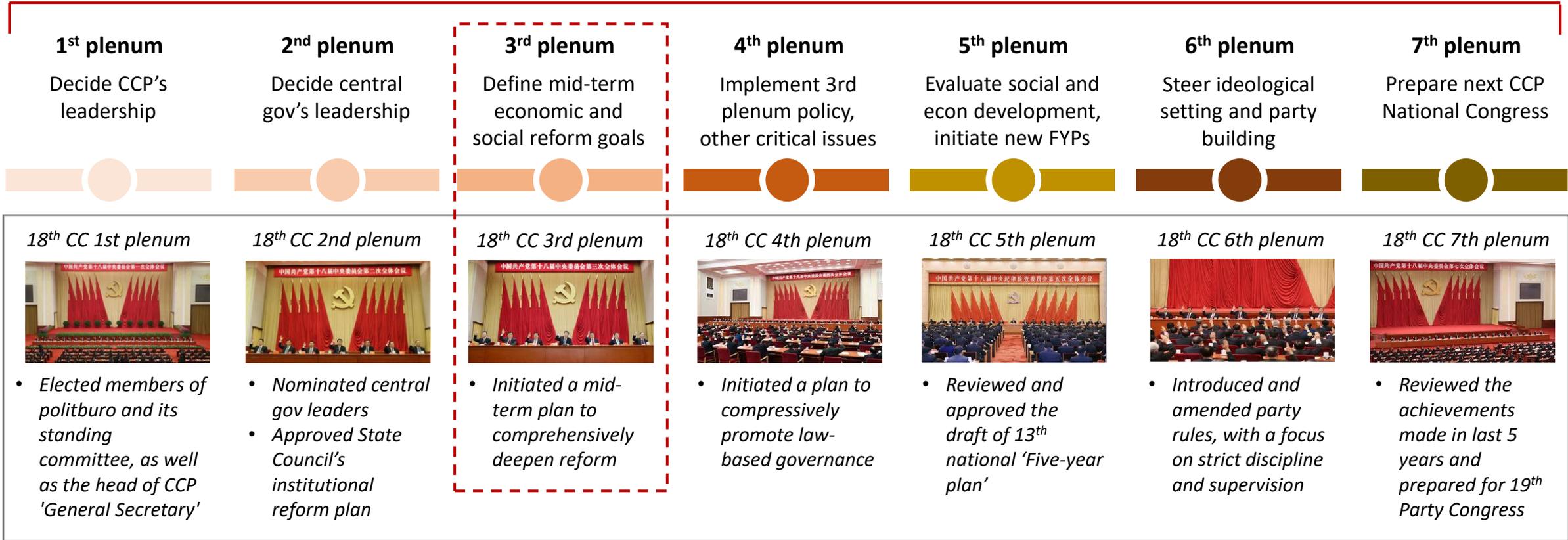


The CC holds 7 plenary meetings in each 5-year term, focused on top-level decisions on party and state affairs

Central Committee (CC)
(205 members + 171 alternate members)

... customarily holding 7 plenary meeting during a 5-year term

Customary focus of plenary meeting, 18th CC reference

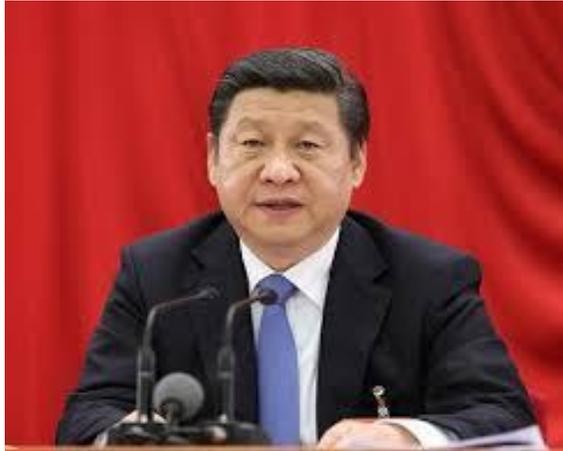


While all plenary meetings are important, the 'Third Plenum' focuses on top-level policymaking focused on structural reforms

Reviewing past Third Plena: 1978 and 1993 seen as historically most important in shaping China's development

	11 th CC Third Plenum (December 1978)	12 th CC Third Plenum (October 1984)	14 th CC Third Plenum (November 1993)	16 th CC Third Plenum (October 2003)	18 th CC Third Plenum (November 2013)
Party leadership	Led by Deng Xiaoping	Led by Deng Xiaoping	Chaired by Jiang Zemin	Chaired by Hu Jintao	Chaired by Xi Jinping
Key policy contribution	<ul style="list-style-type: none"> Start reforms in rural area by replacing 'collective farming' with 'household contract', stimulated food production 	<ul style="list-style-type: none"> Made firm decisions to proceed economic institutional reforms Guidance: multi-type (多种形式) economy and opening-up 	<ul style="list-style-type: none"> Set framework of building a 'socialist market economy', with market playing a "fundamental" role in resource allocation 	<ul style="list-style-type: none"> Set goals to further improve the 'socialist market economy' Stressed mixed-ownership, property right protection, etc. 	<ul style="list-style-type: none"> Coordinate market forces and government function, while market is given a "decisive" role in resource allocation
Significant outcome(s)	<ul style="list-style-type: none"> CCP's working focus shift from 'class struggle' to 'socialist modernization' China's shift towards economic reform and opening-up 	<ul style="list-style-type: none"> Reforms promoted nationwide with focus shifting from rural to urban areas 	<ul style="list-style-type: none"> After a decade of deliberation inside China, this plenum solidified the ideological and policy foundation for such market reforms 	<ul style="list-style-type: none"> Follow-through to enhance the building of China's 'socialist market economy' 	<ul style="list-style-type: none"> Broadened and deepened reforms to liberalize economy, strengthen rule of law and improve social welfare
Importance in CCP perception today	●	◐	●	◐	◐

Deep-dive: the 18th CC ‘Third Plenum’ held in 2013 put forward China’s latest top-level reform package



'There is no end of reform and opening-up ... in face of evolving situations and new tasks, and to address the significant issues of China's development, we must consistently improve our socialist system through comprehensively deepening reforms'

—Xi at the 18th CC Third Plenum

Faced by a host of perceived challenges...

Credibility of CCP leadership	<ul style="list-style-type: none"> Bureaucratism, hedonism, extravagance and corruption
Development dynamics	<ul style="list-style-type: none"> China still at early stage of socialism Problematic economic structure Unbalanced, uncoordinated, unsustainable development
China's political system	<ul style="list-style-type: none"> Lack of law-based governance Judicial injustice and unfairness
Social environment	<ul style="list-style-type: none"> Poverty, social inequity and inequality Problems in people's livelihood (e.g. food security, pollution, housing, healthcare) Moral decay of society (e.g. money worship, hedonism, egocentricity, historical nihilism)
National security	<ul style="list-style-type: none"> Lack of capability to protect security interest
Reform progress	<ul style="list-style-type: none"> Heightened reform complexity, as the reform has entered 'deep water zone'

... Xi introduces 336-measures strong reform package

Third Plenum guiding document included 336 reform measures across 7 dimensions (according to Xinhua):

Economy <i>(as prime reform focus)</i>	<ul style="list-style-type: none"> Market forces playing 'decisive' role in resource allocation Transition into open and innovation-based economy
Political system	<ul style="list-style-type: none"> Party leadership, socialist democracy and law- and rule-based governance system
Culture	<ul style="list-style-type: none"> Cultural prosperity on basis of 'core socialist value'
Society	<ul style="list-style-type: none"> Improve social security system, fairness and justice, common prosperity, scientific social governance
Ecology	<ul style="list-style-type: none"> Conservation and better utilization of resources, environmental protection
National defense	<ul style="list-style-type: none"> Party-led modernized military capabilities
Party leadership	<ul style="list-style-type: none"> Improving party's leadership and governance

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Context: 'Third Plenum' taking place amid major challenges – with China already proposing strategic responses

Key challenges in 2020s...

Geopolitics / global environment

- 'US suppression' is seen by China as a 'big threat', especially in trade and technology
- Increasing tensions in the **Taiwan Strait**
- 'De-risking' strategies taken by EU, US, Japan and some other countries



Economic situation

- **Covid situation** for 3 years, with local lockdowns and disruption of economic activities
- Sectoral challenges, esp. **real estate market**
- Increasing **local government debt**
- Lowered **household consumption** and "insufficient demand" (内需不足)



Social changes

- **Demographic challenges**, e.g., aging population, low birth rate, high dependency ratio*
- **Inequality**, e.g. income inequality, regional disparities and urban-rural divide



... and China's strategic responses with 14th Five-Year Plan

Governance

- 'Centralized and unified leadership' (集中统一领导)
- Adhere to 'the Party's original mission' (党坚守初心使命)



Dual Circulation

- 'New development pattern' (新发展格局)
- 'Domestic and international' circulations, domestic as mainstay



Economic

- Build a 'modernized industrial system' (现代产业体系)
- Expand market **demand**
- **Supply chain** resilience



Technology

- 'Technological self-reliance' (科技自立自强)
- Solving 'bottleneck technologies' (卡脖子技术)



Society

- 'Common prosperity' (共同富裕)
- 'Fertility support policy system' (生育支持政策体系)



National security

- 'Holistic national security' (总体国家安全观)
- 'PLA founding centenary goal' (建军百年奋斗目标)



*Note: Dependency ratio = dependent population (0-14 y/o and 65+) / labor population

China's 14th Five-Year-Plan is seen as of historic importance and 'strategic shift' by CCP

中共中央党校
Party School of the Central Committee of C.P.C



LI Junru

Former Vice-President of the Central Party School, in an interview with China News Service's "China focus face to face" (中国焦点面对面) on 26th October 2020

*"The core of the [14th Five-year] plan is to realize the **biggest strategic shift** since the Third Plenary Session of the 11th Central Committee [in 1978] and the establishment of a market economy system. [...]"*

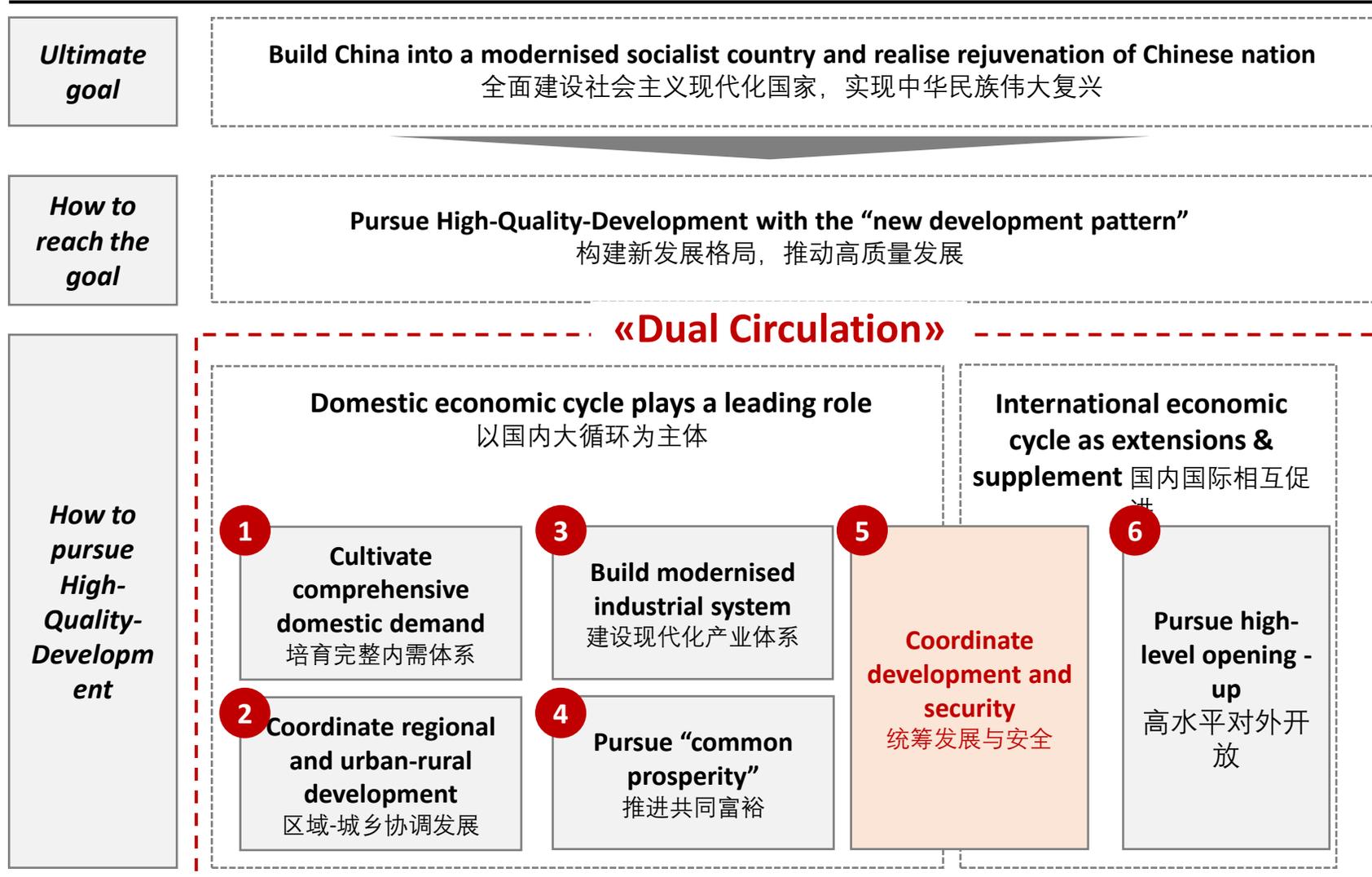
*Now China clearly wants to promote the transformation of the economy from high-speed growth to high-quality development in accordance with the **new development concept**.*

At the same time, the entire economic layout is a new development pattern with internal circulation as the main body and internal and external circulation reinforcing each other.. This pattern is formulated based on the major changes unseen in a century and the needs of the great rejuvenation of the Chinese nation."

"规划核心要义就是实现(十一届)三中全会以来、建立市场经济体制以来最大的一个战略转移[...] 现在中国明确要按照新发展理念推动经济从高速增长到高质量发展转变。与此同时, 整个经济布局是要以内循环为主体、内外循环相互促进的新发展格局。"

14th FYP: Dual Circulation at the core of 14th FYP's 'strategic shift' – with six strategic policy pillars...

Chinese policy view: Dual Circulation



... conceptualized as 6 'structural transitions' in China's political economy to pursue 'High-Quality Development'

Key structural transitions	Key policy goals	Key issues	Key policies
Economic transition and industrial upgrading	<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>
Market-oriented reforms and market governance	<ul style="list-style-type: none"> Institutional transition, factor liberalization, SOE reform and "SSSR" Socialist market governance incl. anti-monopoly, / 'social credit' 	<ul style="list-style-type: none"> Low TFP Lower efficiency of state capital Monopolies and overcapacity "Disorderly expansion of capital" 	<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>
Economic globalization	<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>
Social rebalancing	<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) 	<ul style="list-style-type: none"> <i>14th FYP 2021 Ch. 23-32.</i>
"Domestic demand system"	<ul style="list-style-type: none"> Consumption-boosting policies Rebalancing of public investments Business environment policy 	<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>
Economic security	<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



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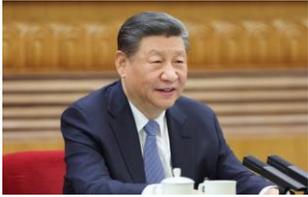
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Pre-'Third Plenum': 'document drafting group' led by Xi over period of 8 months – various consultations



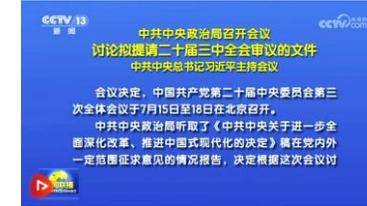
Nov. 2023 onwards



Nov. 27, 2023 – Dec. 7, 2023



Dec. 8, 2023 – May 6, 2023



May 7, 2024 – July 2024

July 15, 2024

Set up the “Third Plenum Document Drafting Group”
(文件起草组)

Consultations and deliberations – 1st round

First meeting of “Third Plenum Document Drafting Group”

Consultations and deliberations – 2nd round

>> Start of ‘Third Plenum’

Politburo decided to set up the “Third Plenum Document Drafting Group”, and **Xi Jinping personally acted as the “group leader”** of the Drafting Group; Wang Huning, Cai Qi and Ding Xuexiang serve as “deputy group leaders”

Local governments and “some cadres and general population” were consulted to gather opinions on the **general topic, framework, and important measures** of the ‘Third Plenum’ and “the resolution” (决定)*

The **first plenary meeting** of the “Third Plenum Document Drafting Group” was held on **Dec. 8, 2023**, marking the **official kick-off** of document drafting and preparation of the ‘Third Plenum’

The drafts of ‘Third Plenum’ documents were sent to “a certain range within the Party, leaders of other parties, All-China Chamber of Industry and Commerce, non-partisan persons, **companies, experts and scholars**”, and gathered **1911 suggestions, 221 changes** were made accordingly

>> During this drafting process, the **PBSC held 3 meetings** and **Politburo 2 meetings** to review and revise ‘Third Plenum’ documents

* Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization (中共中央关于进一步全面深化改革、推进中国式现代化的决定)

Deep-dive: as part 2nd round of consultations and deliberations, a diverse expert panel was held in May 2024

A key panel meeting held as 'preview' of 'Third Plenum'



Expert panel meeting held by Xi, on May 23th, in Jinan, Shandong province

- Purpose: expert opinion collection for the 'Third Plenum'
- One of the only three panel meetings ever held by Xi that hosts experts, from both private sector and academia
- Most comprehensive and diverse one in terms of scope of participants, covering all types of firms (SOEs, POEs, FIEs) across a variety of industries

Presentations during in meeting indicate key topics of 'Third Plenum'

Speakers	Topic per speaker	Anticipated key topics for 3 rd plenum
 Liu Mingsheng State Power Invst. Co.	• Deepen reform in electricity sector	• Green transition • Market-oriented reform in energy sector
 Zuo Ding SZ Capital Group	• Promote development of venture capital	• Cultivation of long-term 'patient' capital
 Ding Shizhong Anta Group	• Upgrading traditional sector with new tech	• Cultivation of new-quality productive force
 Xu Guanju Transfar Chemical	• Introduce and improve POE governance system	• Socialist market economy: care for POEs' interests
 Xu Daquan Bosch China	• Improve business environment for FIEs	• High-level opening-up: take care of FIE's interests
 Victor Fung Fung Group in HK	• Integration of HK into CN's new development pattern	• One country Two systems: 'rejuvenate' Hong Kong
 Zhou Qiren PKU	• Increase the fulfillment of people in reform	• People's livelihood (e.g. increase income)
 Huang Hanquan NDRC think tank	• Promote urban-rural coordinated development	• Urban-rural coordinated development • Common prosperity
 Zhang Bin CASS	• Improve macroeconomic governance system	• Visible hand: esp. counter-cyclical and cross-cyclical

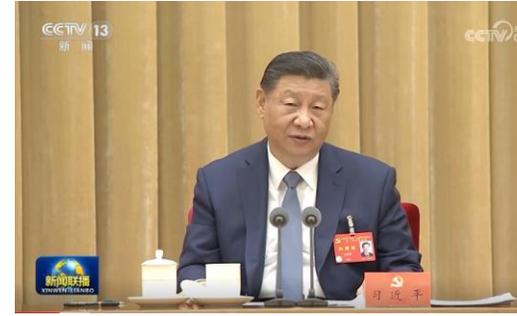
Key events of 4-days lasting ‘Third Plenum’ – followed by press conference and Politburo meeting



Xi Jinping, followed by Li Qiang, Zhao Leji, Wang Huning, etc. entered the **Opening Ceremony**



199 CC members, 165 CC alternate members, and around 140 other party members attended the Plenum



Xi Jinping made a speech on “**the explanation**” (说明) of the draft of “**the resolution**” (决定)



Attendees were **divided into 10 groups** to discuss “the resolution”, give their opinions and suggestions



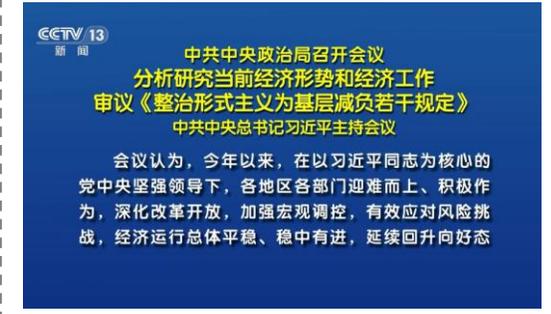
Attendees of ‘Third Plenum’ **formally passed** the final version of “the resolution” (决定) by raising hands



Vote to **accept** Qin Gang’s resignation, **confirm** to expel 3 PLA generals Li Shangfu, Li Yuchao, Sun Jinming



Press Conference of CC post-‘Third Plenum’ on July 19th by six minister-level policy makers



Politburo meeting on July 30th to **plan 2nd half year 2024 economic activities**, guided by ‘Third Plenum’

References: links for reading of original key documents and summarized key takeaways of the 'Third Plenum'

CGTN Europe: Key takeaways from China's 'Third Plenum'



Link to watch, in English: <https://www.youtube.com/watch?v=9BIPlcQOkY>

Three key documents produced by the 'Third Plenum'

中国共产党第二十届中央委员会第三次全体会议公报

中国共产党第二十届中央委员会第三次全体会议公报
(2024年7月18日中国共产党第二十届中央委员会第三次全体会议通过)
中国共产党第二十届中央委员会第三次全体会议，于2024年7月15日至18日在北京举行。出席这次全会的有，中央委员199人，候补中央委员165人，中央纪律检查委员会常务委员会委员和有关方面负责同志列席会议。党的二十大代表中部分基层同志和专家学者也列席了会议。全会由中央政治局主持，中央委员会总书记习近平作了重要讲话。

Communique (公报) of the Third Plenary Session of the 20th Central Committee of the Communist Party of China

Link to read (in Chinese): <https://www.12371.cn/2024/07/18/ARTI1721291343859528.shtml>

Link to read (in English): <https://en.theorychina.org.cn/c/2024-07-18/1506436.shtml>

中共中央关于进一步全面深化改革 推进中国式现代化的决定

中共中央关于进一步全面深化改革 推进中国式现代化的决定
(2024年7月18日中国共产党第二十届中央委员会第三次全体会议通过)
为贯彻落实党的二十大作出的战略部署，二十届中央委员会第三次全体会议研究了进一步全面深化改革、推进中国式现代化问题，作出如下决定。
一、进一步全面深化改革、推进中国式现代化的重大意义和总体要求

Resolution (决定) of CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernization

Link to read (in Chinese): <https://www.12371.cn/2024/07/18/ARTI1721291343859528.shtml>

Link to read (in English): <https://en.theorychina.org.cn/c/2024-07-21/1506669.shtml>

习近平：关于《中共中央关于进一步全面深化改革、推进中国式现代化的决定》的说明

关于《中共中央关于进一步全面深化改革、推进中国式现代化的决定》的说明
习近平
同志们：
受中央政治局委托，我就《中共中央关于进一步全面深化改革、推进中国式现代化的决定》起草的有关情况向全会作说明。

Explanation (说明) of resolution of CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernization

Link to read (in Chinese): <https://www.12371.cn/2024/07/21/ARTI1721551521177181.shtml>

Link to read (in English): <https://en.theorychina.org.cn/c/2024-07-21/1506669.shtml>

Reflection: CCP holds ‘roadshow’ for «international community» to understand outcomes of the ‘Third Plenum’



Key messages of CCP presenters

- Developing ‘new-quality productive forces’ will be the primary policy focus
- The core logic of developing ‘new-quality productive forces’ is to shift development pattern from adding input to increasing TFP*
- Reform measures presented in the ‘Third Plenum’ are of high feasibility
- Faced a series of risks and challenges, both domestic and external, China’s reform is to overcome unseen difficulties

“Hong Ting Forum” jointly held by CCP CC Institute of Party History and Literature and Xinhua News Agency, August 6th, Beijing, attended by 200+ diplomatic envoys to China

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Governance concepts: 'Third Plenum' doubles use of 'mechanisms/procedures' showing focus on effectiveness

Chinese reforms address three governance levels

> From concept to specific approach >

Fundamental system / rule (制度) ①

- Broadest governance term used in Chinese policymaking, focusing on abstract rules, principles and systems
E.g. Socialist System (社会主义制度)

Organization / functional framework (体制) ②

- Refers to organizations or functional frameworks that operate within/under a 'fundamental system' or 'rule'
E.g. Socialist Market Economy System (社会主义市场经济体制)

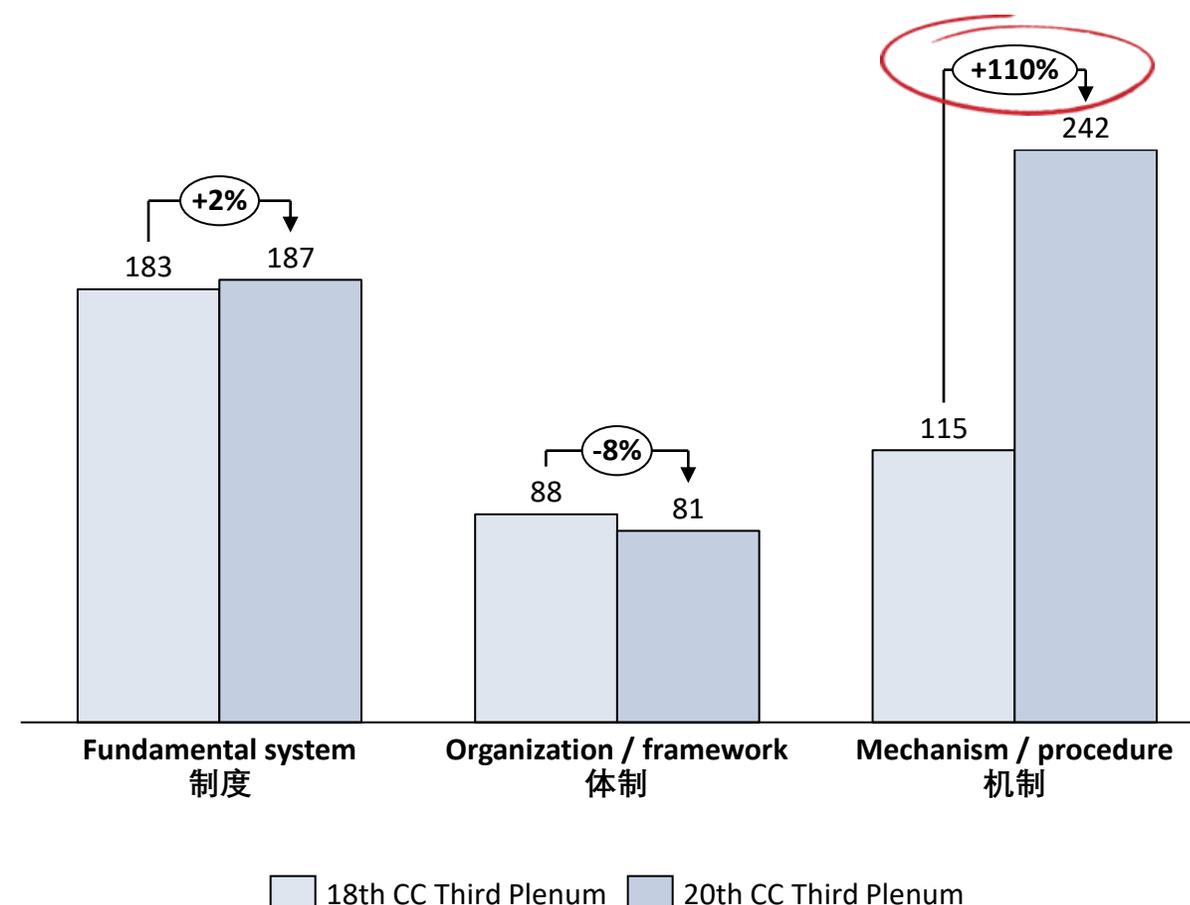
Mechanism / procedure (机制) ③

- Most granular governance level, focusing on functioning and effectiveness of organizations / functional frameworks
E.g. Data Cross-border Flow Mechanism (数据跨境流动机制)

- Governance concept of 'system' (体系) used inconsistently: sometimes narrowly and functionally (e.g., 民营企业信用评价体系, POE Credit Evaluation System) and sometimes more abstractly as a set of mechanisms / procedures (e.g., 国家治理体系, National Governance System)
- Thus, this governance concept is not considered in this analysis

Keyword frequency analysis of key Chinese governance terms

18th CC Third Plenum vs. 20th CC Third Plenum

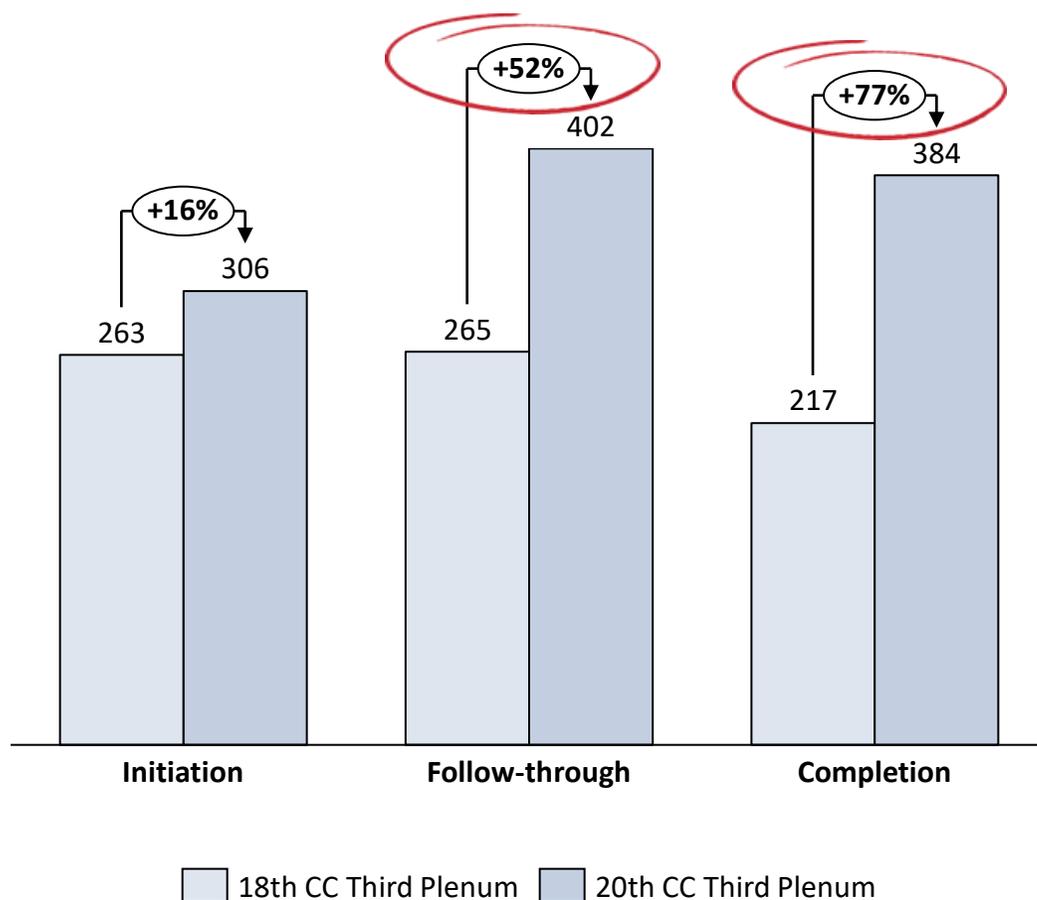


However, the "decision"-text's (total of 603 sentences) policy substance are mostly 'reform measures' (改革举措), estimated to be >300

Polymaking verbs: Third Plenum's key policymaking verbs indicate focus on 'follow-through' and 'completion'

Frequency of 19 key policymaking verbs across 3 life-cycle categories

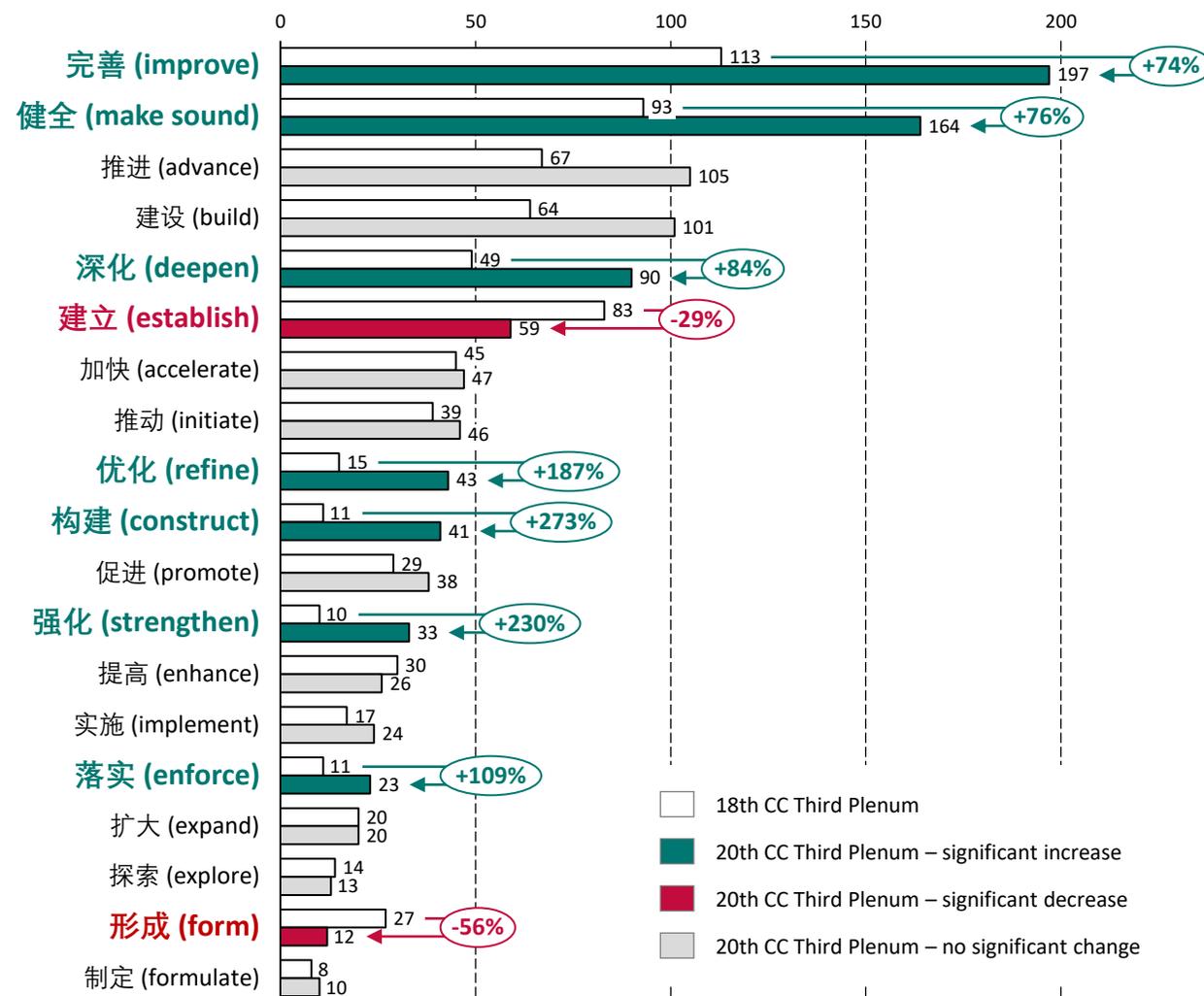
18th CC Third Plenum vs. 20th CC Third Plenum



Note: one-to-one mapping of 3 categories and 19 key policymaking verbs in next backup slide

Deep-dive: frequency of 19 key policymaking verbs

18th CC Third Plenum vs. 20th CC Third Plenum



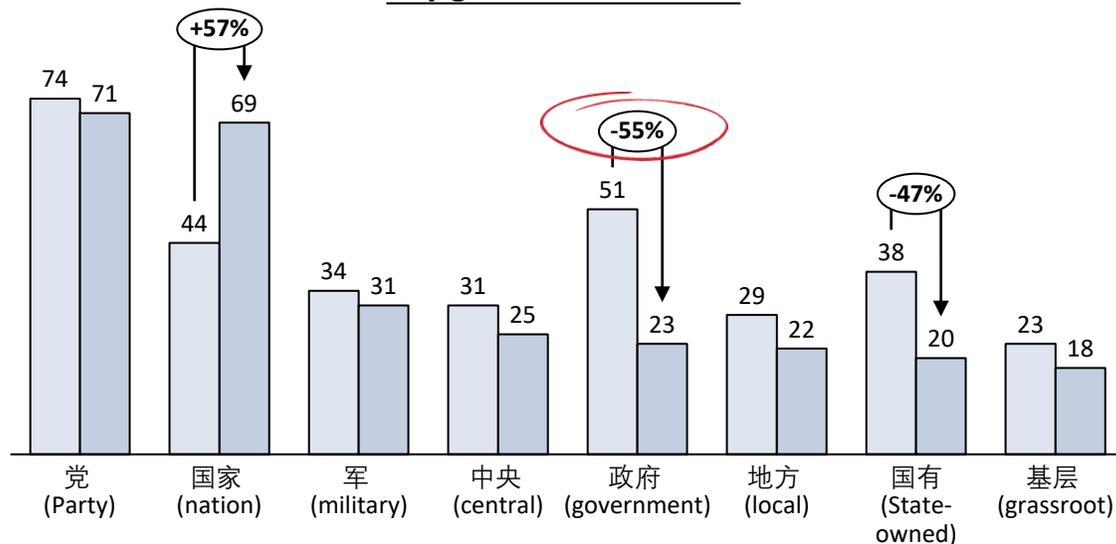
Mapping of 19 key policymaking verbs across 3 life-cycle categories: initiation, follow-through, completion

No.	Category	Key policymaking verb	18 th CC Third Plenum	20 th CC Third Plenum	Change
1	Initiation	探索 (explore)	14	13	-7%
		建设 (build)	64	101	58%
		建立 (establish)	83	59	-29%
		推动 (initiate)	39	46	18%
		构建 (construct)	11	41	273%
		实施 (implement)	17	24	41%
		行成 (form)	27	12	-56%
		制定 (formulate)	8	10	25%
2	Follow-through	推进 (advance)	67	105	57%
		深化 (deepen)	49	90	84%
		优化 (refine)	15	43	187%
		促进 (promote)	29	38	31%
		强化 (strengthen)	10	33	230%
		提高 (enhance)	30	26	-13%
		扩大 (expand)	20	20	0%
		加快 (accelerate)	45	47	4%
3	Completion	完善 (make it complete)	113	197	74%
		健全 (make sound)	93	164	76%
		落实 (enforce)	11	23	109%

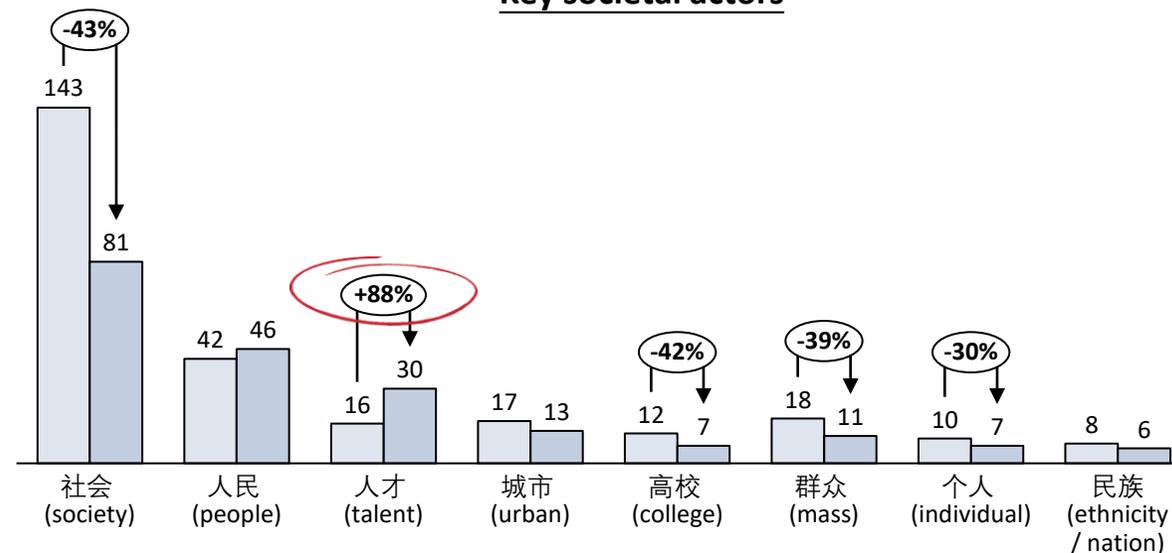
Actors/levers: keyword analysis reveals more emphasis on topics such as talent, finance, industry & technology

Keyword frequency analyses: 18th CC Third Plenum vs. 20th CC Third Plenum

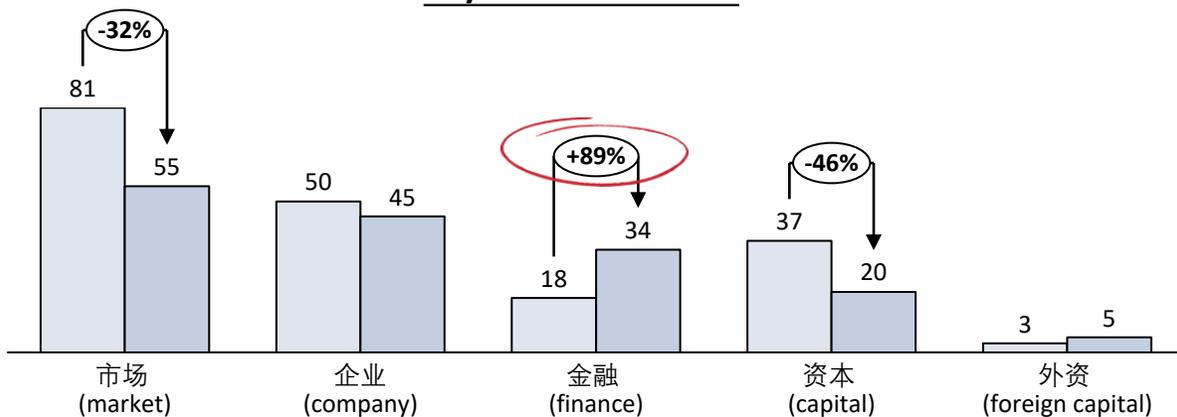
Key government actors



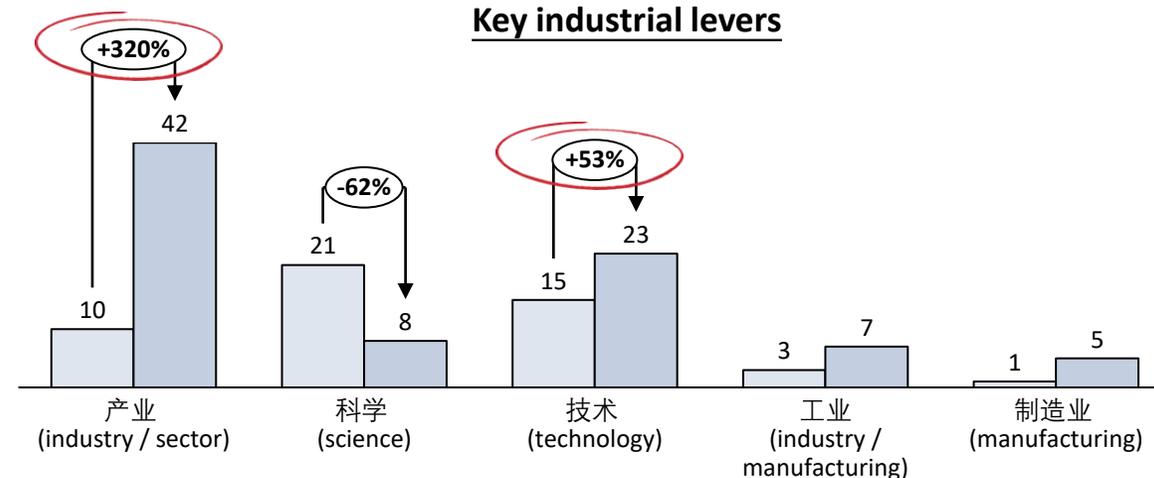
Key societal actors



Key economic actors



Key industrial levers



Chapter structure: compared to 2013, two chapters added on innovation and security, three chapters dropped

Topic	Chapter titles – 18 th CC Third Plenum Resolution	Chapter titles – 20 th CC Third Plenum Resolution	Change
Intro	Ch. 1: Significance and guiding ideology of comprehensively deepening reform	Ch. 1: Significance and overall requirements of further comprehensively deepening reform and promoting Chinese-style modernization	Minor
Economy	Ch. 2: Uphold and improve the Basic Economic System (基本经济制度) Ch. 3: Accelerate improvement of Modern Market System (现代市场体系)	Ch. 2: Build a High-level Socialist Market Economic System Ch. 3: Improve systems & mechanisms for High-quality Economic Development	Minor
Gov. function	Ch. 4: Accelerate transformation of government functions (转变政府职能)	N/A	Dropped
Innovation	N/A	Ch. 4: Systems & mechanisms to support comprehensive innovation (全面创新)	New
Macroecon. gov.	Ch. 5: Deepen the reform of fiscal and taxation system	Ch. 5: Improve the macroeconomic governance system (宏观经济治理体系)	Material
Urban/rural	Ch. 6: Improve systems and mechanisms of urban & rural integration	Ch. 6: Improve systems & mechanisms of integrated urban & rural development	Minor
Opening-up	Ch. 7: Build a New Open Economic System (开放性经济新体制)	Ch. 7: Improve high-level systems and mechanisms for opening up to the outside world (高水平对外开放)	Material
Political system	Ch. 8: Strengthen the Socialist Democratic Political System	Ch. 8: improve the Whole-process People's Democratic System (全过程人民民主)	Minor
Legal system	Ch. 9: promote Rule of Law China (法治中国)	Ch. 9: Improve the Socialist Legal System with Chinese Characteristics	Material
Supervision	Ch. 10: Strengthen restriction and supervision system of power and execution	N/A	Dropped
Culture	Ch. 11: Promote innovation in cultural systems and mechanisms	Ch. 10: Deepen the reform of cultural institutions and mechanisms	Minor
People	Ch. 12: Advance reform and innovation in social undertakings (社会事业)	Ch. 11: Improve the institutions to protect and improve people's livelihood	Material
Social governance	Ch. 13: Innovate social governance (社会治理) system	N/A	Dropped
Environment	Ch. 14: Accelerate the construction of ecological civilization (生态文明) system	Ch. 12: Deepen the reform of ecological civilization system	Minor
Security	N/A	Ch. 13: Advance the modernization of national security systems and capabilities	New
Defense	Ch. 15: deepen national defense and military reform	Ch. 14: Continue to deepen national defense and military reforms	Minor
Party	Ch. 16: Strengthen and improve the Party's leadership in comprehensively deepening reforms	Ch. 15: Improve the Party's leadership in further comprehensively deepening reforms and promoting Chinese-style modernization	Minor

Agenda

1

Background and context for '2024 Third Plenum'

- Role of a 'Third Plenum' and past key meetings
- Key context of reform since 2020s

2

Reviewing the 2024 'Third Plenum' of the 20th CCP Central Committee

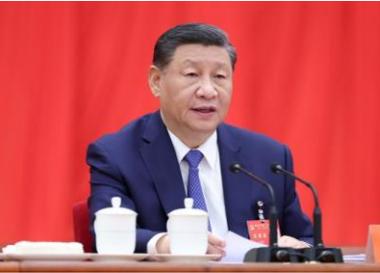
- Process and key events
- "The resolution" ('决定') as key outcome – keyword and formal analysis
- **"The resolution" ('决定') as key outcome – policy substance analysis**
- Calibration: structural view

3

Key take-aways for foreign business in China

Referential CMG services and resources

Baseline analysis: in "explanation" (说明), Xi assesses key internal and external factors faced by China today



Xi Jinping speaking at the 20th CC Third Plenum

In the "explanation" (说明), he stated in the beginning of the document considerations, internal and external factors constituting where China stands now

Xi's "explanation" addresses a series of internal factors...

There's a need to improve China's socialist system

- China's socialist system is not perfect, and it's a **"dynamic process"** to improve the **socialist system** and adapt to new changes
- With this dynamic improvement, CN can transform its **institutional advantages (制度优势)** to **effectiveness of governance**

China's current development is unbalanced and inadequate

- The **Principal Contradiction (主要矛盾)** facing the Chinese society today has changed
- China's current status of development is **unbalanced and inadequate (发展不平衡不充分)**

China faces nine key development issues

- Xi Jinping listed **nine key development issues** China faces today:
 - 1) **market system** not robust and not fully developed
 - 2) relation between **government and market** not yet sorted out
 - 3) **innovation** capabilities not yet sound
 - 4) **industrial system** "big but not strong, complete but not refined" (大而不强、全而不精)
 - 5) **bottleneck** technologies
 - 6) **agricultural** foundation not strong enough
 - 7) urban / rural / regional **imbalance**
 - 8) **social security** still has shortcomings
 - 9) **environmental** problems still not fully solved

... and diagnoses a worsened external environment

The world is undergoing major changes unseen in a century

- China face **"major changes unseen in a century"** (百年未有之大变局), and these changes are "accelerating their evolution"
- Frequent regional conflicts and unrest, with **increasing global problems** taking place around the world

More suppression and containment from outside

- The **"suppression and containment"** (打压遏制) from the outside world continues to escalate
- There are increasing uncertainties, with **"black swan"** (黑天鹅) and **"grey rhino"** (灰犀牛) events possibly occurring at any time

Opportunities, risks and challenges co-exist

- China is in a time that "strategic opportunities, risks and challenges coexist" (战略机遇和风险挑战并存)
- China needs to further deepen reforms, using its sound systems to prevent and resolve risks, eventually **"creating new opportunities among crises, and opening up new prospects among changes"** (在危机中育新机、于变局中开新局)

Note: words in "x" are direct quotes/use of wordings by Xi Jinping in his "explanation"

Principles: compared to 2013, 'Third Plenum' uses eight evolved reform principles, shaping reform measures

01 Evolved "purpose" of China's reforms



- "Reform is necessary for China to **gain competitive advantages** in a situation with **100-year unseen changes**"
- "A **critical time to build China into a major power**" (强国建设)
 - Key policy examples: *innovation, macro governance, trade policy, etc.*

02 Expectation management – to sustain reform determination



- "The **reform and opening-up is a continuous process** and there is **no definitive end**" (改革开放只有进行时, 没有完成时)
- "All party members should **prioritize reforms**"
 - Key policy examples: *innovation, high-level opening-up, party system improvement*

03 More systemic approach in reforms



- "The reform should be made in a way of **system integration**" (系统集成)
 - Key policy examples: *innovation, macro governance, coordinated urban-rural development, etc.*

04 Policy coordination and effective implementation



- "Coordinate the **policymaking** (政策统筹协调)"
- "Pay more attention to **results and effectiveness**" (更加注重改革实效)
 - Key policy examples: *innovation, fertility support system, national security system, etc.*

05 Cultivate new growth momentum through reforms



- "High-quality development (高质量发展)"
- Institutional support to cultivation of "**new-quality productive forces**" esp. disruptive technologies like AI, quantum, bio, etc.
 - Key policy examples: *'patient capital', tax system reform, coordinated/balanced regional development, etc.*

06 External pressure as driving force for reforms



- "Complicated international and domestic environment (纷繁复杂的国际国内形势)"
- "Tech and industrial revolution" (科技与产业革命)
 - Key policy examples: *technological self-reliance, trade risk monitoring, anti-foreign sanction, etc.*

07 Security interests pervasively shaping reforms



- "Coordinate high-quality development and high-level security" (统筹高质量发展与高水平安全)
- "National security system" (国家安全体系)
 - Key policy examples: *macro governance, cross-boarder data transfer, state capital management, etc.*

08 More centralized party leadership in reforms



- "The **party makes decisions** related to all aspects of reforms" (党的领导贯穿改革的各方面全过程)
- Enhanced **ideological education** for party leadership in reforms
 - Key policy examples: *law making, ideological work responsibility, social governance, etc.*

Key policy changes: compared to NPC 2024, 30 entirely new ‘reform measures’ across 8 reform areas identified

‘Third Plenum’ addresses key reform areas with select entirely new reform measures — as compared to NPC 2024

Economic reforms		Socialist market economy <i>Cf. deep-dive 1</i>	<ul style="list-style-type: none"> • Improve equal treatment between state-owned and private economy, esp. regarding access to factors of production, market access and legal protection • Defined more SOE responsibilities in innovation, industrial upgrading and national security
		Innovation policy <i>Cf. deep-dive 2</i>	<ul style="list-style-type: none"> • Expanding innovative talent supply, e.g. via promoting international knowledge exchange • Effective policy coordination – vertically between central and local governments • Ensuring financing of innovation, e.g. via foreign VC/PEs
		Industrial policy <i>Cf. deep-dive 3</i>	<ul style="list-style-type: none"> • Refined industrial upgrading blueprint: upgrade traditional industries (via standards), cultivate strategic emerging industries (via policy system), and build early leading position in future industries (via fundraising mechanism)
		Macro-economic governance	<ul style="list-style-type: none"> • Systemic policy design and effective policy coordination – horizontally among ministries • Improve financial capability and granting more financial autonomy for local governments
		Opening-up	<ul style="list-style-type: none"> • Proactive alignment (主动对接) with global economic standards • Unilateral opening-up to least developed economies • “Systemic trade policy making (贸易强国制度支撑和政策支持体系)”
Social and cultural reforms		Urban-rural development and social security	<ul style="list-style-type: none"> • Further equal treatment to rural immigrants, esp. for access to public service based on long-term residency • Measures to restore population growth, e.g. birth-giving subsidy and public childcare service
		Media governance	<ul style="list-style-type: none"> • More effective governance on all-media channels and (esp. online) public opinion
Security reforms		Coordinate development and security	<ul style="list-style-type: none"> • Ensuring China’s security interest, mainly—supply-chain resilience, technological self-reliance, risk-responding mechanism for trade activities • Special focus on holistically coordinating supply chain of strategic minerals

Reform measures (1/3): 30 entirely new 'reform measures' across 8 areas compared to NPC 2024

Reform area	New reform measures as per 2024 'Third Plenum'	Significance	Structural transition
Economic reforms Socialist market economy	1 Market governance : improve market information disclosure, seen as “basic institutional need of a market economy” (市场经济基础制度), beyond previously only for capital market		Market-oriented reforms and market governance
	2 'Unified market' : develop a unified national market for technology factors e.g. cross-region tech transfer, cross-region commercialization of innovative technology		Market-oriented reforms and market governance
	3 SOE reforms : direct investment by state-owned capital into key areas including national security, public service, strategic emerging industries, etc.		Market-oriented reforms and market governance
	4 SOE reforms : improve the institutions for SOEs to make “original innovation” (原始创新)		Economic transition and industrial upgrading
	5 POE support : ensure equal treatment to all types of market entities, in terms of access to factors of production, market competition, and legal protection		Market-oriented reforms and market governance
	6 Government investment : develop a long-term mechanism for government to invest in projects with basic social function, public welfare, and long-term utility		Domestic demand system
	7 New business : proactively promote the “first-mover economy (首发经济)” — to encourage the introduction of new products and new business models		Domestic demand system
Innovation policy	8 Talent supply : dynamically adjust discipline settings and talent cultivation methods to meet the needs of S&T development and national strategic interests		Economic transition and industrial upgrading
	9 Talent supply : encourage foreign universities with strong S&T programs to operate in China and help cultivate local talents		Economic transition and industrial upgrading
	10 Talent supply : develop immigration policies for attracting high-tech talents		Economic transition and industrial upgrading

Reform measures (2/3): 30 entirely new 'reform measures' across 8 areas compared to NPC 2024

Reform area		New reform measures as per 2024 'Third Plenum'	Significance	Structural transition
Economic reforms	Innovation policy	11 Policy coordination : foster collaboration and coordination among the central and local governments in promoting technological innovation	●	Economic transition and industrial upgrading
		12 International knowledge exchange : encourage establishment of international S&T organizations in China	●	Economic transition and industrial upgrading
		13 Financial support : establish a mechanism to effectively diffuse and manage (financial) risks inherent to significant tech innovation endeavors (重大技术攻关风险分散机制)	●	Economic transition and industrial upgrading
		14 Financial support : provide more convenience (便利) for foreign VC/PEs to invest in China	●	Economic globalization
	Industrial policy	15 Emerging industries : ensure availability of institutional arrangements (制度供给) to develop emerging industries	●	Economic transition and industrial upgrading
		16 Future industries : establish a mechanism to incentivize investment into future industries (未来产业投入增长机制)	●	Economic transition and industrial upgrading
		17 Traditional industries : upgrade traditional industries by adopting higher national standards	●	Economic transition and industrial upgrading
	Macro-economic governance	18 Policy coordination : enhance systemic strategic planning and more effectively coordinate policies (e.g. fiscal, monetary, industrial, etc.) to materialize strategic planning	●	N/A
		19 Tax system reform : study and potentially implement tax policies that are coordinated with new business trends and models	●	Economic transition and industrial upgrading
		20 Tax system reform : strengthen financial autonomy (自主财力) of local governments with broader local revenue sources and granting more authority to manage tax collection	●	N/A

New reform measures focus on economy attaching priority to pursuit of economic transition and industrial upgrading

Reform measures (3/3): 30 entirely new 'reform measures' across 8 areas compared to NPC 2024

Reform area		New reform measures as per 2024 'Third Plenum'	Significance	Structural transition
Economic reforms	Opening-up	21 Institutional opening-up : proactively align with international norms and practices in global economic activities e.g. in IP protection, subsidy, environment protection, etc.		Economic globalization
		22 Trade liberalization : unilateral opening-up to the least developed countries		Economic globalization
		23 Trade policy : develop a set of institutional arrangements and policies to support building China into a global trading power (贸易强国)		Economic globalization
Social reforms	Urban-rural development	24 Public service : ensure provision of basic public service offering based on long-term residency (different from <i>hukou</i> , which is the permanent residency)		Social rebalancing
	Social security	25 Fertility : improve supportive policies and services to sustain population growth e.g. maternity subsidies, public childcare service, etc.		Domestic demand system
Cultural reforms	Media governance	26 Media communication : improve media communication mechanism to coordinate governance of all media channels in terms of content creation, dissemination and feedback collection		N/A
		27 Public opinion governance : coordinate governance of news propaganda and online public opinions e.g. customized propaganda for specific targeted groups		N/A
Security-oriented reforms	Coordinate development and security	28 Supply-chain security : focus on ensuring alternative supply of critical industrial inputs of strategic sectors; holistically coordinate exploitation, production, supply and use of strategic critical minerals		Coordinate development and security
		29 S&T security : establish risk monitoring- and response-mechanism to safeguard access to technologies critical to China's industrial development		Coordinate development and security
		30 Trade security : improve risk-prevention and risk-control mechanisms for trade, e.g. monitoring on regional political turmoil and economic crisis		Coordinate development and security

Deep-dive 1: in pursuit of China's goals, 'Third Plenum' vows to treat different ownership forms more equally

Third Plenum reform priorities across three types of market entities

	State-owned enterprises	Privately-owned enterprises	Foreign-owned enterprises
Access to factors of production	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Easier financing for POEs, e.g. lower borrowing cost 	<ul style="list-style-type: none"> Ensure national treatment for FIEs regarding access to factors of production
Market access	<ul style="list-style-type: none"> Promote market-oriented reforms in competitive segments of sectors, e.g. in energy, railway, telecom and public utilities 	<ul style="list-style-type: none"> Remove market access barriers for POEs to e.g. infrastructure construction and other types of large public projects 	<ul style="list-style-type: none"> Shorten FDI negative list Remove FDI restrictions in manufacturing sector Gradually open market of finance, telco, healthcare...
Legal protection	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> <i>Private Economy Promotion Law</i> Supervision on fee over-charging and overdue/late payments to POEs (by SOEs) 	<ul style="list-style-type: none"> Build a market-oriented, rule-based, international business environment Ensure legal rights and interests of FIEs in China
Governance	<ul style="list-style-type: none"> More effective evaluation of SOE performance incl. how SOEs contribute to national strategic goals 	<ul style="list-style-type: none"> POE credit evaluation Guide POEs to improve self-governance, enhance compliance and risk control 	<ul style="list-style-type: none"> n/a
Function	<ul style="list-style-type: none"> Direct state-owned capital to sectors of public interest, e.g. security and public service, plus to strategic emerging industries 	<ul style="list-style-type: none"> Allow POEs to lead major national S&T projects Open public research resources and facilities to POEs 	<ul style="list-style-type: none"> Support FIE in cooperation along the supply chain

Red = new measure

CMG assessment

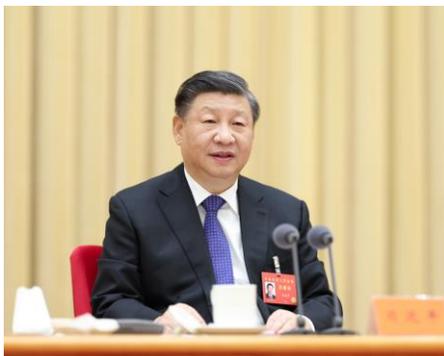
- The 2024 reform plan symbolically **gives up** the long-lasting “**main body position**” (主体地位) **of the public economy**, which is a political signal that China wants to **further raise the position of the private sector** and increase reliance of GDP growth on private economy
- Equal treatment of all types of market entities** stressed broadly regarding access to factors of production, fair competition, and legal protection; more measures to improve overall business environment can be expected
- By making equal treatment, China wants to **take advantage of different market entities** and **promote synergies** among them; **SOEs, POEs and FIEs** shall all be included in a **unified framework to support China's overarching national interests**, most importantly in areas of technological breakthroughs, industrial upgrading and supply-chain resilience

Deep-dive 2: 'Third Plenum' vows to deepen integration of industry-academic-research (产学研) value chain

	Talent cultivation	Basic research	Need identification	Applied research	Product/tech R&D	Commercial application	Market feedback				
Universities	<ul style="list-style-type: none"> Targeted scientific talent cultivation General knowledge 	<ul style="list-style-type: none"> Increase the share of S&T expenditure on basic research, especially subjects with "urgent national needs" 	<ul style="list-style-type: none"> Encourage research with "high risk and high value" Encourage diversification of research topics 	<ul style="list-style-type: none"> Give scientists greater flexibility and power to self-decide directions Improve research result transfer to industries 	<ul style="list-style-type: none"> Conduct joint researches, guided by practical needs of companies (企业主导的产学研深度融合) 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 				
Research institutes	<ul style="list-style-type: none"> N/A 										
SOEs	<ul style="list-style-type: none"> N/A 							<ul style="list-style-type: none"> Conduct "original Innovation" (原始创新) 	<ul style="list-style-type: none"> Emphasize research serving national strategic needs 	<ul style="list-style-type: none"> Focus on forward-looking, strategic, and emerging industries (前瞻性战略性新兴产业) 	<ul style="list-style-type: none"> Evaluate SOEs not only from market success but also their "strategic missions" (国有企业履行战略使命评价制度)
POEs	<ul style="list-style-type: none"> N/A 							<ul style="list-style-type: none"> Encourage capable POEs to lead national research projects Further open-up major scientific research infrastr. (国家重大科研基础设施) to POEs 	<ul style="list-style-type: none"> Both R&D for the market as well as encouraging capable POEs to develop cutting-edge technologies 	<ul style="list-style-type: none"> Mostly market-oriented commercialization and product feedback 	
FIEs	<ul style="list-style-type: none"> N/A (no specific mentioning in industry-academic-research cooperation, regarding early-phase innovation) 				<ul style="list-style-type: none"> Expand the catalog of industries that encourage foreign investment and reasonably reduce the negative list for foreign investment access Improve FIE market access with "national/local treatment" (国民待遇) 						
Finance	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Strengthen financial support for national projects and tech-SMEs Encourage more long-term investment in early-phase innovations, especially in "hard technologies" (硬科技) 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 					
International cooperation	<ul style="list-style-type: none"> Encourage foreign high-level science and engineering universities to open campus in China Promote international S&T exchanges, and encourage international S&T organizations to establish offices in China 			<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 					

Red = new measure

Deep-dive 3: Third Plenum previews emerging industrial blueprint focused on “new quality productive forces”



Xi at Central Economic Work Conference (CEWC)

“The industrial policy making shall concern both development and security needs of China”

“产业政策要发展和安全并举”

	Top-level industrial policy efforts...	... key related policy enablers
High-Quality Development	<p>Developing ‘new-quality productive forces’</p> <ul style="list-style-type: none"> • Cultivate high-tech emerging industries ● • Build early leading edges in future industries ● • Upgrade traditional industries with new techs ● 	<p>New system of mobilizing national S&T resources</p> <ul style="list-style-type: none"> • Make disruptive tech innovation and tech breakthroughs with public facilities/programs ● • Organize research activities in frontier areas ●
	<p>Integration of real and digital economy</p> <ul style="list-style-type: none"> • Promote digitalization in manufacturing to raise efficiency and supply high-end products ● • Develop a robust digital economy ● 	<p>Talent cultivation and incentivization</p> <ul style="list-style-type: none"> • Expand supply of high-tech talents ● • Improve evaluation of research outcome and incentivize S&T talents with higher income ●
	<p>Leveraging growth potential of service sector</p> <ul style="list-style-type: none"> • Accelerate standard setting of service provision ● • Cultivate producer services (生产性服务) and diversify consumer services (生活性服务) ● 	<p>Leverage market forces to support innovation</p> <ul style="list-style-type: none"> • Allow POEs to lead major S&T projects ● • Promote commercialization of R&D outcome ●
	<p>Building modernized infrastructure</p> <ul style="list-style-type: none"> • Improve standard setting of new infrastructure construction e.g. digital, industrial, logistics ● • Digitalization of traditional infrastructure ● 	<p>Financial resource guarantee</p> <ul style="list-style-type: none"> • Fiscal guarantee for major S&T projects ● • Ensure financing of tech innovation incl. via VC ●
High-level security	<p>Enhancing supply-chain resilience and security</p> <ul style="list-style-type: none"> • Develop self-reliant and controllable supply chains, ensuring alternative supplies and storage ● 	<p>National security system</p> <ul style="list-style-type: none"> • Risk monitoring: supply chain, tech bottlenecks ● • Technological self-reliance ●
	<p>Enhancing data security</p> <ul style="list-style-type: none"> • Data governance incl. cross-border data transfer ● 	<p>Opening-up</p> <ul style="list-style-type: none"> • Encourage setting-up of intl. S&T orgs/facilities ● • Foster intl. innovation cooperation e.g. via BRI ●

● = significance



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Key take-aways for foreign business in China

Referential CMG services and resources

Calibration: 2024 presents the broadest reform package to date, dealing with all six structural transitions

Structural transitions	16th CC Third Plenum (2003)	18 th CC Third Plenum (2013)	20 th CC Third Plenum (2024)
<i>Economic transition and industrial upgrading</i>	<ul style="list-style-type: none"> Enterprise-centered innovation system Talent pool 	<ul style="list-style-type: none"> Innovation incentives, IP protection Gov support to S&T development 	<ul style="list-style-type: none"> New-quality productive forces SSSR, climb industrial value chain Digitalization and decarbonization Growth of service sector
<i>Market-oriented reforms and market governance</i>	<ul style="list-style-type: none"> POE market access, property rights SOE reform, open monopolistic sectors Unified market, market of factors Economic legal framework 	<ul style="list-style-type: none"> Property rights SOE reform esp. "mixed ownership" "Modern market system" 	<ul style="list-style-type: none"> High-level socialist market economy: <i>more equal public vs private economy, unified market, factor liberalization, improved governance, anti-monopoly</i>
<i>Economic globalization</i>	<ul style="list-style-type: none"> Institutional framework for opening-up Introduction of foreign tech and talents Outbound investment support <p>Core: market- and institutional reforms</p>	<ul style="list-style-type: none"> Relaxing FDI restrictions Free-trade zones Expanding in-land opening-up 	<ul style="list-style-type: none"> High-level opening-up Alignment w/ global economic standards Improve business environment for FIEs Engage in global economic governance
<i>Social rebalancing</i>	<ul style="list-style-type: none"> Fair and inclusive income distribution 	<ul style="list-style-type: none"> Transfer payment Urban-rural integration Well-structured income distribution <p>Initial comprehensive reform</p>	<ul style="list-style-type: none"> Coordinated regional development New urbanization and rural rejuvenation "Common Prosperity" New development model of real estate
<i>'Domestic demand system'</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Domestic demand expansion Long-term pro-consumption Public investment as lever Fertility support system
<i>Economic security</i>	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Coordinate development and security Technological self-reliance Supply-chain resilience <p>Full-scale reform efforts</p>

Longer-term transitions

Trade-off / rebalancing processes

 Size of harvey ball indicates progress since 2013



Weakest progress observed for 'domestic demand system' likely due to goeconomic focus on industrial upgrading/security since 14FYP

Progress (1/3): reform performance along 6 structural transitions against goals stated at 'Third Plenum' in 2013

Structural transition	Key policy goals and efforts since 2013	Performance per metric (2013 – 2023)	CMG evaluation – reform progress
Economic transition and industrial upgrading	<p>Goals</p> <ul style="list-style-type: none"> Transition to innovation-based economy Climb industrial value chain Digitalization and decarbonization <hr/> <p>Efforts</p> <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> 	<ul style="list-style-type: none"> Service sector contribution to GDP: increased rapidly from 46% to 55% (2013 – 2023) R&D expenditure to GDP: increased from 2.0% to 2.6% (2013 – 2023), higher than EU (2.2%) High-tech manufacturing value added: increased by 11.6% (2013 – 2021), especially in aerospace and electronics Unicorn company: new unicorn reduced sharply, only 15 new in 2023, whereas US had 179 new 	<ul style="list-style-type: none"> Albeit service sector grows fast, its share of GDP is still relatively low, compared to EU's which is ~75% High R&D investment relative to GDP Growth in some high-tech sectors' value add, but overall still mid- to low-end in the global manufacturing value chain Difficulties in nurturing new unicorns
Market-oriented reforms and market governance	<p>Goals</p> <ul style="list-style-type: none"> Institutional transition, factor liberalization, SOE reform and 'SSSR' Socialist market governance incl. anti-monopoly, / 'social credit' <hr/> <p>Efforts</p> <ul style="list-style-type: none"> <i>Building Market-Oriented System for Allocation of Factors 2020</i> <i>Opinions on improving socialist market economy system in New Era 2020</i> <i>14th FYP 2021 Ch. 19-22</i> 	<ul style="list-style-type: none"> TFP: TFP has lowered to <1% since end of 2010s SOE size: SOEs' total profit grew 1.8 times from 2.6T RMB (~362 B USD) in 2013 to 4.6 T RMB in 2023 (~640 B USD), while SOEs' total asset grew 3 times from 104 T RMB (~14 T USD) in 2013 to 317 T RMB in 2023 (~44 T USD) Antimonopoly: total antimonopoly fines peaked in 2021 at 23.6 B RMB (~3B USD), and reduced largely in 2023 to 2.2 B RMB (~303 M USD) 	<ul style="list-style-type: none"> Low TFP shows the need for driving for new levers of productivity growth SOE has grown significantly in size (total asset), but its profitability has not grown as much Smaller antimonopoly fines and case numbers since 2021 shows a shift with less policy focus in the short-term

Progress (2/3): reform performance along 6 structural transitions against goals stated at ‘Third Plenum’ in 2013

Structural transition	Key policy goals and efforts since 2013	Performance per metric (2013 – 2023)	CMG evaluation – reform progress
Economic globalization	<p>Goals</p> <ul style="list-style-type: none"> • Integration into global flow of good, services, capital, talent and ideas • Continued opening-up <hr/> <p>Efforts</p> <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>RCEP 2020</i> 	<ul style="list-style-type: none"> • Inbound FDI: FDI to China has been continuously increasing between 2013 – 2022, but declined in 2023 (-13.7%) • Outbound FDI: peaked in 2016 at 196 B USD, then decreased until 2020, now increased back to 148 B USD in 2023 • Export: total export increased from 2.2 T USD in 2013 to 3.3 T USD in 2023 • Global Value Chain (GVC): moving up global value train, GVC exports increased from 6% in 2000s to 28% in 2021 	<ul style="list-style-type: none"> • With backdrop of global FDI decline, China also faces similar challenges with declining FDI • Increasing outbound FDI with more Chinese companies going out, e.g., going out to BRI countries • Continued increase of total export • China is climbing the global value chain, with increasingly more exports with higher added value
‘Domestic demand system’	<p>Goals</p> <ul style="list-style-type: none"> • Consumption-boosting policies • Rebalancing of public investments • Business environment policy <hr/> <p>Efforts</p> <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>Regulations on optimizing the business environment 2019</i> 	<ul style="list-style-type: none"> • Consumption to GDP: consumption share to GDP remains at a low level ~53% in 2023, lower than developed countries, e.g., US is at 68% • Fertility: very low at 1.0 birth per woman in 2023 • Aging: 60 years old and above increased from 14.9% to 21.1% (2013 – 2023) • Fixed Asset Investment (FAI): all society fixed asset investment (firms, gov., etc.) ~51 T RMB (~7 T USD), FAI share of GDP decreases from 79% to 40% (2013 – 2023) 	<ul style="list-style-type: none"> • Currently consumption’s share to GDP is still at a low level, need to boost household income and consumption • Improve birth / child-care support • Aging population demands more care support, delaying retirement age, etc. • Move away from investment-driven economic growth model

Progress (3/3): reform performance along 6 structural transitions against goals stated at ‘Third Plenum’ in 2013

Structural transition	Key policy goals and efforts since 2013	Performance per metric (2013 – 2023)	CMG evaluation – reform progress
Social rebalancing	Goals <ul style="list-style-type: none"> Equality and poverty reduction Social fairness and protection Balanced regional development 	<ul style="list-style-type: none"> Poverty alleviation: after 8-year of National Poverty Alleviation Campaign, China declared that “absolute poverty has been basically eliminated” in 2022 Social protection: almost full-coverage (97.4% of all population) of basic social protection Youth: higher youth unemployment post-Covid period, at 15.3% for 16 – 24 y/o in Feb. 2024, higher than the 5.3% overall unemployment rate in the same period of time 	<ul style="list-style-type: none"> China has achieved success in formal absolute poverty alleviation, which aligns with Rural Revitalization goal Basic social protection coverage is achieved for a wide group of Chinese population Factors such as skill-mismatch, time for economic recovery, sectoral challenges, etc. contribute to the youth unemployment
	Efforts <ul style="list-style-type: none"> 14th FYP 2021 Ch. 23-32 <i>Opinions on supporting high-quality dev. and building a Common Prosperity Demonstration Zone in Zhejiang 2021</i> 		
Economic security	Goals <ul style="list-style-type: none"> “Coordinate development and security” 	<ul style="list-style-type: none"> Import dependency: import / GDP dropped from 20% to 15% (2013 – 2023), less dependency and more diversified import, especially diversification in origins and imported goods Trade dependency: (import + export) / GDP dropped from 46% in 2013 to 33% in 2023 Military budget: increase by 2.2 times from 720 B RMB (~100 B USD) in 2013 to 1.58 T RMB (~218 B USD) in 2023; after inflation adjustment, increase by 1.8 times 	<ul style="list-style-type: none"> Observe less import dependency, more diversified and resilient import Less dependency on foreign trade, e.g., in 2003 trade dependency was as high as 60%, now ~half at 30% In comparison, US increased military budget by 1.5 times 2013 - 2023, and 4 times larger than China, at 916 B USD in 2023
	Efforts <ul style="list-style-type: none"> 14th FYP 2021 Ch. 41-42, 52-53 		

Agenda

1

Background and context for ‘2024 Third Plenum’

- Role of a ‘Third Plenum’ and past key meetings
- Key context of reform since 2020s

2

Reviewing the 2024 ‘Third Plenum’ of the 20th CCP Central Committee

- Process and key events
- “The resolution” (‘决定’) as key outcome – keyword and formal analysis
- “The resolution” (‘决定’) as key outcome – policy substance analysis
- Calibration: structural view

3

Key take-aways for foreign business in China

Referential CMG services and resources

Key take-aways for foreign business operating in China

20th CC ‘Third Plenum’

- Policy substance of ‘Third Plenum’ stays on **policy trajectory** China embarked on with the 14th Five-Year-Plan (2021-2025) and the 20th Party Congress
 - This third ‘Third Plenum’ under the leadership of Xi focuses more on **implementation** – thus no major new concepts or policy shifts
- Compared to 2013, 8 **reform principles**, the logic of why and how China reforms, have been adjusted, which in turn shape the concrete **reform measures**
 - Across the 30 entirely new **reform measures** identified, a strong emphasis lies on China’s **industrial ambitions**, followed by **market-oriented reforms**
 - While **‘domestic demand system’** only addressed as part of ‘unified market’, putting it at much lower position than supply side (in line with CEWC 2023)
 - Particularly noteworthy is that China’s policy commitment to provide for **more equal treatment** across SOEs, POEs and FIEs reaches a new height
- Overall, 2024 presents China’s broadest **reform package** to date, dealing with all structural transitions
 - Reforms face **complex trade-offs** requiring coordination between ministries and between central and local governments, plus systemic policy design

Key to-dos for foreign business

- Synchronizing **interpretation** of this ‘Third Plenum’ between your China subsidiary and global headquarters
- Check if any of the new concrete **reform measures** are relevant for your specific business and sector
- Analyze **implications** on your own business and sector (e.g. cooperation opportunities or new network formations) from below two key policy changes:
 - (1) Deeper integration of China’s **industry-academic-research (产学研) value chain**
 - (2) An emerging holistic **industrial policy blueprint** based on “new quality productive forces”
- Use processes at your company (e.g. ‘China strategy review’) to incorporate **updated view** of China’s overall policy framework and macro-economic conditions
 - Use **CMG’s political economy framework** to track ongoing reforms to keep an informed structural view of China’s business environment

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Key take-aways for foreign business in China

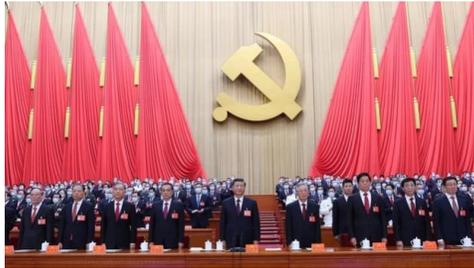
Referential CMG services and resources

CMG services: overview of six key service types, corresponding credentials available upon request

<p>Strategic support</p> <p>With our policy and market analysis expertise and strategic thinking, we help you augment, refine and challenge your business strategy.</p>	<p>In-depth thematic studies & policy analysis</p> <p>In-depth analyses on key political initiatives, policy and market themes, emerging trends or specific policy areas of interest for you.</p>	<p>Briefings and intelligence for ad-hoc needs</p> <p>Briefings and intelligence to help you better navigate the landscape of public and private actors in China's policy and business environment</p>	<p>Enablement and operational support</p> <p>Highly tailored enablement services for your China-related meeting, business trip or negotiation as observer, facilitator, mediator or expert.</p>	<p>Curation Services</p> <p>Tailored curation services for your China-related events, roundtables and other services offerings vis-à-vis your stakeholders.</p>	<p>Monitoring Services</p> <p>Tailored monitorings for you to stay on top of relevant macro and sectoral policy, macro-economic, market/demand, competitive and geopolitical developments.</p>
<p>Referential use-cases:</p> <ul style="list-style-type: none"> ▪ BoD updates ▪ Review of your corporate / BU China strategy ▪ Strategic decisions, and cooperation and negotiations concepts ▪ PGA strategies ▪ Corporate communications, CSR and investor relations strategies and campaigns 	<p>Referential use-cases:</p> <ul style="list-style-type: none"> ▪ Analysis of emerging trends in China (e.g. green finance) ▪ Assessment of policy or regulatory reform effectiveness (e.g. IP regime) ▪ Local context mapping (e.g. innovation resources for foreign companies) ▪ Analysis of evolving foreign policy initiatives such as the Belt and Road Initiative 	<p>Referential use-cases:</p> <ul style="list-style-type: none"> ▪ Regular policy/regulatory or market related monitoring (e.g. decarbonization policy actions) ▪ Executive briefings (e.g. on industrial and localization policy for a machinery technology) ▪ Stakeholder analysis (e.g. role of Torch Center under the MOST) 	<p>Referential use-cases:</p> <ul style="list-style-type: none"> ▪ Facilitation and research input for roundtable on China (e.g. trends in China's IP regime) ▪ Curating and briefing for business meeting (e.g. with Chinese delegation in Europe) ▪ Mediating on complex or intercultural issues (e.g. between HQ and subsidiaries) ▪ Delivering training(s) (e.g. on China's DevCo practices) 	<p>Referential use-cases:</p> <ul style="list-style-type: none"> ▪ Strategic advisory on China-related service offering (e.g. moderated, closed-door and issue-driven roundtables for XY's stakeholders) ▪ Curating, organizing and moderating China-related events incl. post-event reporting for clients' stakeholders (e.g. public event series on China) 	<p>Our main 4 monitoring service types</p> <ul style="list-style-type: none"> ▪ Strategic business context monitoring ▪ Sector/market monitoring ▪ Econ/political economy monitoring ▪ Geopolitical monitoring

CMG Primers: CMG's in-depth analyses of key political and economic events and topics related to China

Understanding process and key outcomes of China's **20th Party Congress**



Understanding the "**Taiwan issue**" – context, influencing factors and outlook



Chinese government remodeled at the **Two Sessions 2023** – policy, people and structure



Understanding supply chain distortions of **critical minerals** powering the green energy transition



EU-China relations – from economic integration to EU's strategic autonomy and 'de-risking'



Sino-Swiss – from honing a "special relationship" to balancing new geopolitical complexities



Understanding process and influencing factors of **Taiwan's 2024 presidential election**



Two Sessions 2024 – Strengthening proactive and better coordinated economic policy



China's risk management – '**Coordinate development and security**'



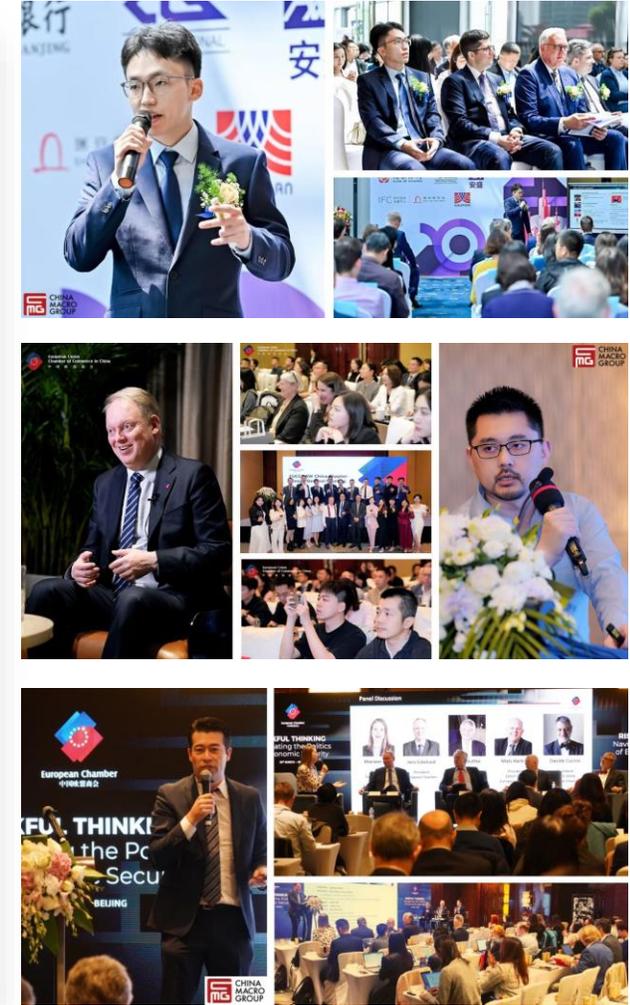
New **EUCCC-CMG report** "Riskful thinking – navigating the politics of economic security"



Recent publication: EUCCC-CMG report “Riskful thinking – navigating the politics of economic security”



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Webinar series: “Staying in dialogue with China”, 2024 edition



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WEBINAR SERIES 2024

«STAYING IN DIALOGUE WITH CHINA»



5th April, 2024
9-945am CET | 3-345pm CST
Economic Transition and Industrial Upgrading

WANG Yong, Academic Deputy Dean of the Institute of New Structural Economics, Peking University



11 September 2024
9-945am CET | 3-345pm CST
Social Rebalancing and Market Governance

LI Shi, Dean of Institute for Common Prosperity and Development, Zhejiang University



15th May 2024
9-945am CET | 3-345pm CST
Market-oriented Reforms

LU Feng, Emeritus Professor of Economics and former Deputy Dean of the National School of Development, Peking University



23rd October, 2024
9-945am CET | 3-345pm CST
Economic Globalization

YU Miaojie, President and University Chair Professor of Liaoning University, and Liberal-Art Chair Professor of Peking University



19th June 2024
9-945am CET | 3-345pm CST
Economic Security

WANG Zhengxu, Professor at Department of Political Science, School of Public Affairs, Zhejiang University



xx xxxx 2024
9-945am CET | 3-345pm CST
'Domestic Demand System'

HUANG Yiping, Sinar Mas Chair Professor of Finance/Economics, Dean National School of Development, Peking University



Host and moderator
Markus HERRMANN CHEN
Co-Founder and Managing Director, China Macro Group (CMG)

CET: Central European Time | CST: China Standard Time

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CMG Insight: CMG's monthly newsletter targeting "China practitioners" and focusing on strategic topics

"Questions to..."



Tuesday, 28th November 2023

CHINA MACRO GROUP | policy · market · strategy
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CMG INSIGHTS

Dear Michael Settelen

After China's leadership dropped all Covid-related restrictions in late 2022, everybody expected a rapid V-shaped economic recovery, which, however, did not materialize to date. As China's economic woes are top of mind, we dedicate this 15th edition of CMG Insights to China's sluggish recovery and the upcoming so-called "Third Plenum", the meeting of the CCP Central Committee that usually focuses on economic matters and in the past has often brought forward consequential policy adjustments.

Beijing's rigid "zero-Covid" policy is likely to stay – possibly until early 2023

Can China keep the "around 5.5%" growth target?

China clarifies its data security regulation to govern cross-border data flows

Is China circumventing Western sanctions to support Russia?

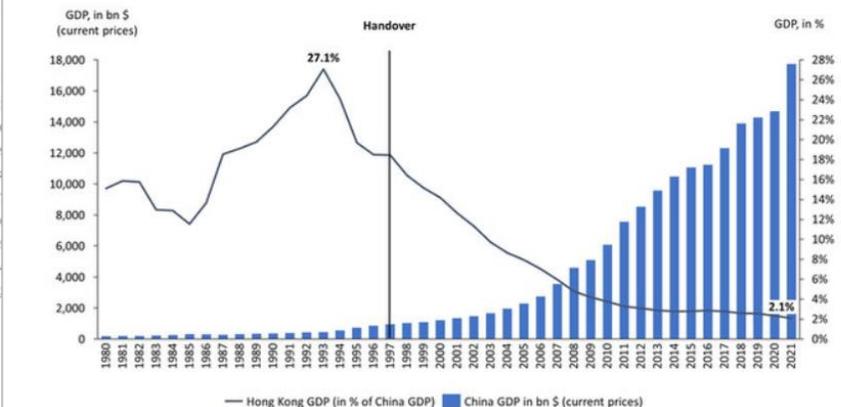
Hong Kong: The Making of a new Tier-1 Metropolis in China

In early 2023, John Lee Ka-chiu (李家超), the new leader of the Hong Kong Special Administrative Region (HKSAR), was **sworn into office on July 1st**, on the occasion of the 25th anniversary of the handover of Hong Kong to the People's Republic of China. Xi Jinping took this opportunity to leave mainland China for the first time since early 2020.

Lee, the former policeman turned security chief, in his inauguration statement laid out his **vision for a "new chapter for Hong Kong"** and vowed to continue the city's development, putting particular emphasis on the greater integration with mainland China.

Continue reading (link to website)

Hong Kong's economy is quickly losing ground to China in GDP terms: from 27.1% in 1993 to 2.1% today



Year	Hong Kong GDP (in % of China GDP)
1980	10.0
1981	10.0
1982	10.0
1983	10.0
1984	10.0
1985	10.0
1986	10.0
1987	10.0
1988	10.0
1989	10.0
1990	10.0
1991	10.0
1992	10.0
1993	27.1
1994	20.0
1995	15.0
1996	12.0
1997	10.0
1998	8.0
1999	7.0
2000	6.0
2001	5.0
2002	4.0
2003	3.0
2004	2.5
2005	2.2
2006	2.1
2007	2.1
2008	2.1
2009	2.1
2010	2.1
2011	2.1
2012	2.1
2013	2.1
2014	2.1
2015	2.1
2016	2.1
2017	2.1
2018	2.1
2019	2.1
2020	2.1
2021	2.1

WEF Horizon Scan: Corporate strategy-making in China, six building blocks

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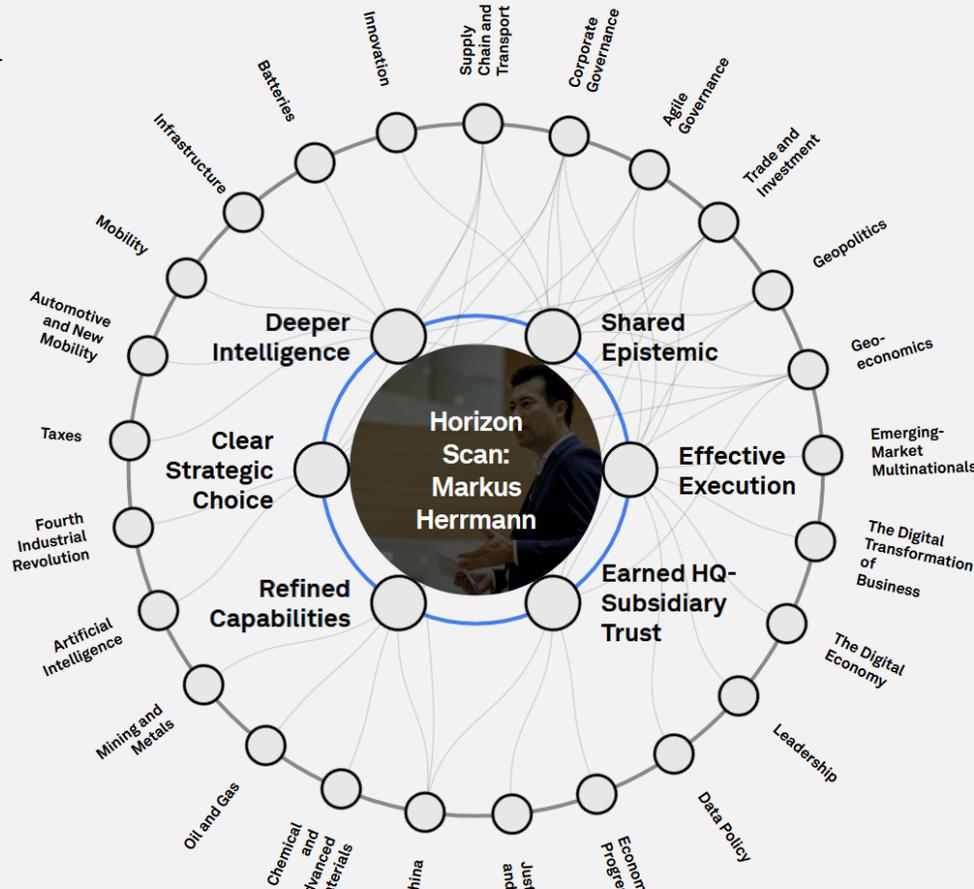
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Horizon Scan: Markus Herrmann

Foreign businesses should be able to approach corporate strategy-making in the rapidly evolving, competitive Chinese market by factoring in domestic policy, geo-economic forces, and geopolitics. Some tried-and-tested strategies have emerged. They

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