

—The macroeconomy—

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Summary

Though China's real GDP growth rate slowed slightly to +6.8% y-o-y in July–September, it remained above the 2017 government's target of 'around +6.5%.' Xi Jinping unveiled his 'Thought on Socialism with Chinese Characteristics for a New Era' at the 19th National Congress of the Communist Party of China. In his report, Xi Jinping said that after the Party had finished building a moderately prosperous society in all respects by 2020, a two-step approach should be taken (the first step from 2020 to 2035 and the second step from 2035 onwards) to build China into a 'great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful' by the middle of the century.

1. September's economic indicators improved on the previous month

- **Growth slowed to +6.8% over July–September**
- **Production, investment and consumption all accelerated**
- **The floor space of residential buildings sold grew at a slower y-o-y pace for the first time since March 2015**
- **Imports and exports both improved**
- **CPI growth slowed while PPI growth accelerated**
- **Net new loans and total social financing both increased**

2. Topics: The economic policy position revealed at the National Congress

- **A change in the 'principal contradiction facing Chinese society'**
- **Building a 'great modern socialist country' by the middle of the century**

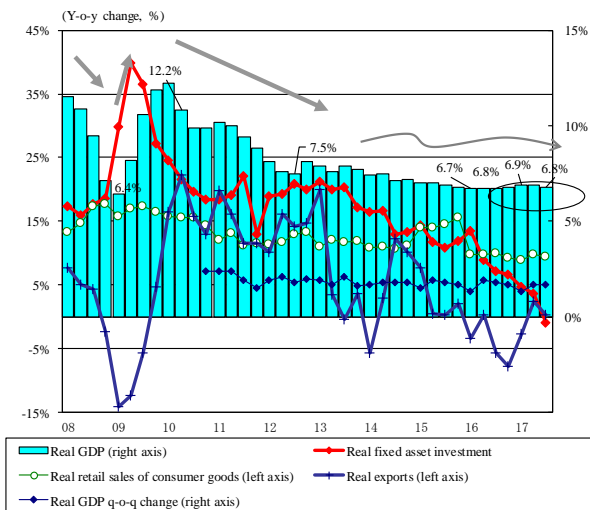
1. September’s economic indicators improved on the previous month

•Growth slowed to +6.8% over July–September

On October 19, the National Bureau of Statistics (NBS) announced that China’s real GDP growth rate had hit +6.8% in July–September, down from the +6.9% recorded in April–June (from here on, all figures refer to ‘same-period previous-year’ growth unless otherwise specified). At +6.9%, the figure for January–September was unchanged from January–June. The economy grew by +1.7% on a quarter-on-quarter basis¹ (Fig.1).

A glance at contribution levels by demand item over January–September shows the contribution of final consumption expenditure hitting +4.5%Pt, up on January–June’s figure of +4.4%Pt. At +0.2%Pt, the contribution of net exports was down slightly from January–June’s figure of +0.3%Pt. At +2.3%Pt, the contribution of gross capital formation was unchanged on January–June (Fig.2).

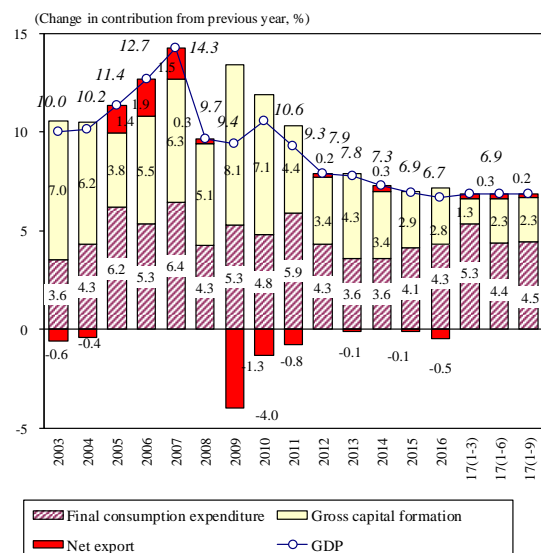
Fig. 1: GDP and major economic indicators (quarterly)



Note: The real RMB value of exports is indexed using the production price index (PPI) ; the real value of fixed asset investments is indexed using the price index of investment in fixed assets; and the real value of retail sales of consumer goods is indexed using the retail price index (RPI) .

Source: National Bureau of Statistics of China, CEIC

Fig. 2: Breakdown of GDP by demand item



Source: National Bureau of Statistics of China, CEIC

•Production, investment and consumption all accelerated

September’s economic indicators improved on the previous month. At +6.6%, September’s value-added industrial production figure was up on August’s +6.0% (the m-o-m figure was +0.6%) (Fig. 3). At +6.7%, the aggregate figure for January–September was up on 2016’s figure of +6.0%.

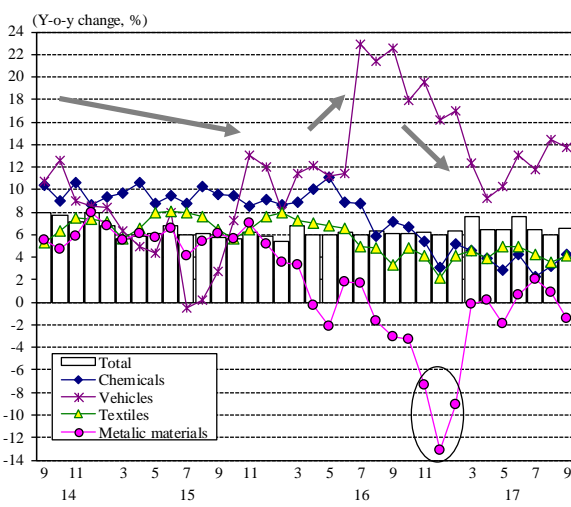
The NBS pointed to three particular production trends in January–September: (1) growth in the equipment manufacturing industry and the hi-tech sector accelerated by 2.5%Pt and 2.8%Pt on the same period last year to hit

¹ China Net, October 19, 2017, 新闻办就前三季度国民经济运行情况举行发布会 (The State Council Information Office Holds a Briefing on China’s Economic Performance in the Third Quarter) http://www.gov.cn/xinwen/2017-10/19/content_5232969.htm#allContent

+11.6% and +13.4%, respectively, with growth also up by +0.1Pt and +0.3Pt on January–June; (2) emerging-industry products grew at a fast clip; (3) mining and resource-intensive industry saw negative or slower growth².

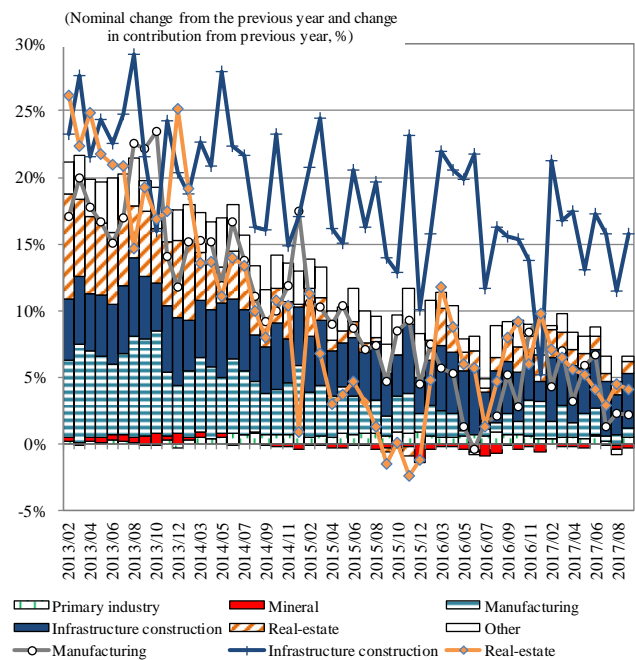
Nominal fixed asset investment grew by +6.2%³ in September (January–September: +7.5%), up on August’s figure of +3.8% (the m-o-m figure was +0.6%). Investment in real-estate development accelerated by a cumulative +8.1% until September, up on January–August’s figure of +7.9% (Fig. 4). At +15.8%, though, investment in infrastructure construction in January–September was at the same level as 2016’s figure of +15.8%, with manufacturing investment growth in January–September also unchanged on 2016 at +4.1%. The technology upgrading and manufacturing industry grew by +12.8% and the equipment manufacturing industry by +8.3%, but the energy and consumables manufacturing sector continued to contract at -1.9%⁴.

Fig. 3: Value-added industrial production



Note: The value-added industrial production amount. The figure for January shows the aggregate year-on-year change for the period January–February.
Source: CEIC

Fig. 4: Fixed asset investment by sector



Source: National Bureau of Statistics of China, CEIC

Nominal retail sales of consumer goods grew by +10.3% in September, up on the +10.1% recorded in August, with the real figure (discounting inflationary factors) also hitting +9.3%, up on August’s +8.9% (the m-o-m figure was +0.9%) (Fig 5). At 10.4%, the cumulative figure for January–September was the same as 2016’s +10.4%. In

² NBS, October 20, 2017, 文兼武: 工业生产稳定增长 质量效益明显提高 (Wen Jianwu: Industrial production grew stably with noteworthy improvements in quality and efficiency). Wen Jianwu is the Director-General of the NBS’s Department of Energy Statistics. Examples of (2) emerging-industry products: lithium ion batteries (+36.5%), photovoltaic cells (+24.6%), private drones (+102.8%), IC (+22.1%), industrial robots (+69.4%), urban rail vehicles (+45.5%), and new-energy vehicles (+30.8%). As for (3), mining fell by -1.6% and resource-intensive industries grew by +3.1% (y-o-y rate of change).

http://www.stats.gov.cn/tjsj/sjjd/201710/t20171020_1544402.html

³ Calculated by the author from the cumulative data.

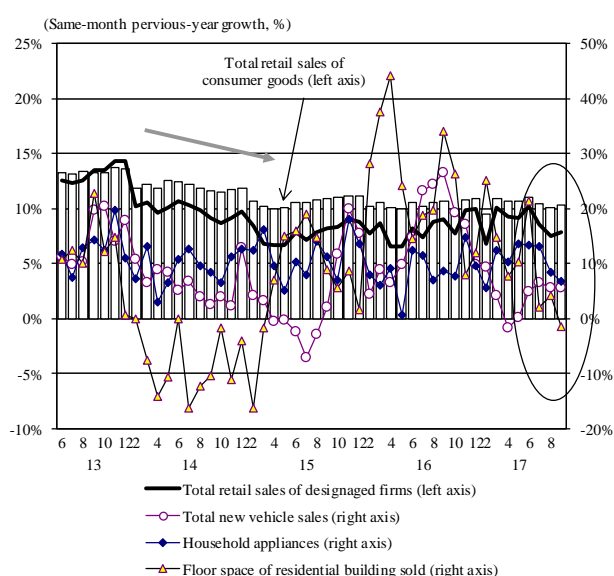
⁴ NBS, October 20, 2017: 赵培亚: 上半年固定资产投资平稳增长 结构更趋优化 (Zhao Peiya: Fixed asset investment grew in an even more stable manner in the first half year; structure is more improved).

Zhao Peiya is an inspector with Department of Investment of the NBS
http://www.stats.gov.cn/tjsj/sjjd/201710/t20171020_1544403.html

January–September internet retail sales of goods and services grew by 34.2% to hit RMB 4,878.7 billion (goods: RMB 3,682.6 billion; services: RMB 1,196.1 billion), with net shopping accounting for 18.5% of total retail sales of consumer goods (RMB 26,317.8 billion). Goods related to ‘consumption upgrading’ grew at a fast clip, up on the same period last year (education and entertainment goods (+17.4%), cultural and office appliances (+9.9%), home electric appliances and audio equipment (+10.1%), and cosmetics products, (+12.1%) for example⁵.

2.709 million new vehicles were sold in September (+5.7%), an improvement on August’s figure of 2.186 million (+5.6%) (Fig. 6). The cumulative figure for January–September was 20.22 million (+4.8%), with growth slowing on 2016’s figure of 27.939 million (+13.7%). Sales had been boosted by a tax break on purchases of small vehicles, instituted in October 2015. This slowdown seems to be a reaction to the flurry of buying that occurred before the government announced it would be extending the program⁶ on December 15, 2016.

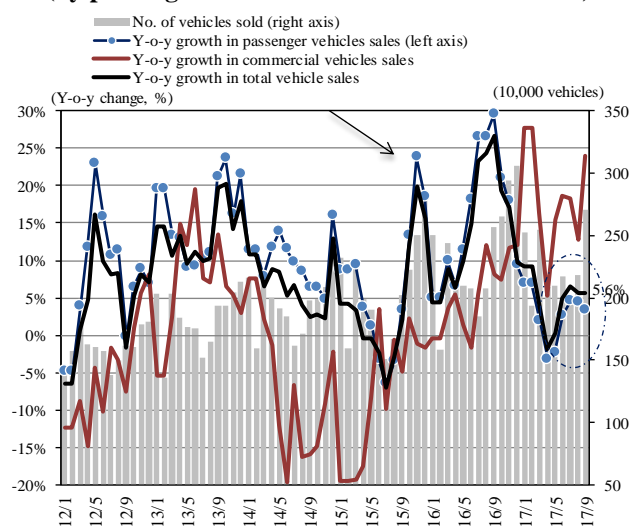
Fig. 5: Retail sales of consumer goods; retail sales by item; floor space of residential building sold



Note: Designated firms: firms with an annual turnover of RMB 5 million or over; the household appliance data also refers to sales by these designated companies; February = the cumulative results for January–February.

Source: CEIC

Fig. 6: Number of vehicles sold (by passenger vehicles and commercial vehicles)



Note: The figure for January and February shows cumulative y-o-y growth for the period January–February.

Source: China Association of Automobile Manufacturers, CEIC

⁵ NBS, October 20, 2017: 孟庆欣:消费品市场继续保持平稳较快增长(Meng Qingxin: The consumer products market continues to enjoy strong and stable growth). Meng Qingxin is the Director-General of the Department of Trade and External Economic Relations Statistics of NBS. http://www.stats.gov.cn/tjsj/sjjd/201710/t20171020_1544405.html

⁶ On December 15, the Finance Ministry and the State Administration of Taxation announced that the tax cut on purchases of new vehicles with low emissions would be extended one year to the end of 2017. However, the tax rate will rise from 5% to 7.5%, so the size of the cut (compared to the normal tax rate of 10%) will be halved in 2017 (2.5%).

Finance Ministry: 关于减征1.6升及以下排量乘用车车辆购置税的通知 (Circular on the Lowering of the Purchase Tax on Passenger Vehicles with Emissions of 1,600cc or Less)

http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201612/t20161215_2483048.html

On September 29, 2015, the State Administration of Taxation issued Notice No. 104 [2015]. This announced that the purchase tax on passenger vehicles with emissions of 1,600cc or less would be lowered from 10% to 5% from October 1, 2015 to the end of 2016.

<http://www.chinatax.gov.cn/n810341/n810755/c1827947/content.html>

• **The floor space of residential buildings sold shrunk y-o-y pace for the first time since March 2015**

The floor space of residential buildings sold grew by 10.3% (1,160.06 million m²) in January–September. This was down on 2016's figure of +22.5% and January–August's figure of +12.7%. At -1.5%, the data fell on a monthly basis in September for the first time since March 2015 (-1.6%)⁷. Housing sales bottomed out and began recovering in April 2015 following measures by the authorities to prop up the real-estate market. The People's Bank of China (PBOC) lowered deposit and lending rates six times from November 2014, for instance, while the (lowest) down payment rate for second homebuyers was cut from 60% to 40% (March 30, 2015) and the down payment rate for first-time homebuyers was also lowered to 25% (September 30, 2015). Thereafter, buying restrictions pioneering in Shanghai and Shenzhen⁸ subsequently spread to other cities with surging house prices⁹. These restrictions are now being tightened further¹⁰.

In September, 67 cities saw the price of new homes rising on the previous year, down from 68 cities in August. However, prices in Shanghai and Shenzhen only grew by +0.0% and -3.7% respectively in September, down from the April 2016 peak of +28.0% and +62.4% respectively. This reflected a policy shift in these cities away from stimulus measures to tightening measures. At +5.5%, the growth rate in second-tier cities continued to slide from the +13.8% peak recorded in November 2016. At +7.8%, the figure for third-tier cities continued sliding from July's peak of +9.2% (August: +8.8%) (Fig. 7)¹¹.

On a monthly basis, 44 of the 70 cities surveyed saw the price of new homes rising, down two cities from 46 cities in August. Eight cities saw prices moving flatly on the previous month, up two from six cities in August, while 18 cities saw prices falling on the previous month, the same in August (Fig. 8)¹².

⁷ The floor space of residential buildings grew at a slower y-o-y pace for 13 successive months from February 2014 to March 2015 before the impact of measures to stimulate homebuying were introduced.

⁸ On March 25, 2016, the down payment rate for second homebuyers was lifted from 40% to 50–70% in Shanghai. Shenzhen has lifted the down payment rate for second homebuyers from 30% to 40%. Both moves represent a tightening of restrictions on purchases by non-resident buyers.

⁹ Similar tightening measures have also spread to cities with conspicuous house price inflation, with Xiamen, Nanjing and Hefei introducing similar regulations from the end of April to mid-July 2016, for example. Source: Economic Information Daily, July 14, 2016 -*房地产现严重分化因城施策将是下半年楼市政策主线* (China's acute property price bifurcation problem: Metropolitan real-estate measures in 2H influenced by the regional policies)

http://www.china.com.cn/shehui/2016-07/14/content_38877726.htm

According to an article in the People's Daily on October 11, 2016 entitled *限购、限贷,近期已有20城市推出新举措楼市调控因城施策* (Restrictions on housing purchases and loans recently introduced in 20 cities: Restrictions geared to meet the circumstances of each city), restrictions on housing purchases were introduced in 20 cities at the time the article was written.

<http://www.fangchan.com/news/6/2016-10-11/6191397283909931925.html>

¹⁰ According to an article in the 21st Century Business Herald on March 20, 2017, entitled *北京最严楼市调控“认房又认贷” 下半年全国楼市降温可期* ('Checks on housing and loan records': Beijing's strictest real estate controls set to chill housing markets nationwide in 2H), Beijing has introduced 'the toughest controls in history'. It lifted the down payment rate for second home purchases to at least 60 percent on March 17, for instance, with the rate lifted to at least 80% for buyers who will not be living at the property.

Furthermore, the city has also suspended issuances of mortgage loans for individuals with maturities of 25 years or more, while homes bought by companies cannot be resold for at least three years.

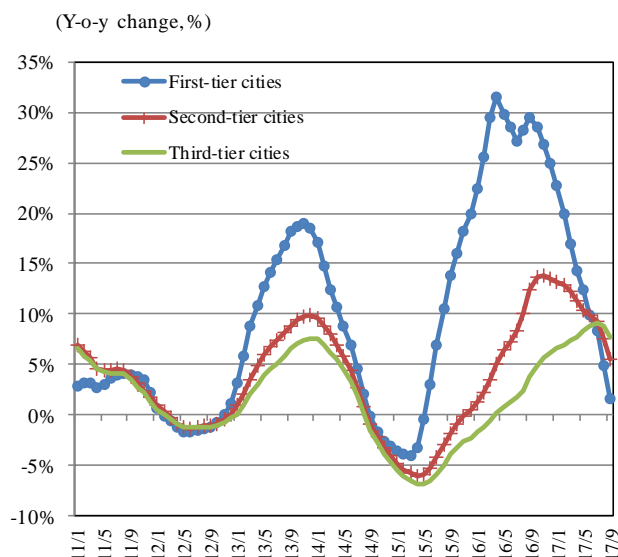
http://epaper.21jingji.com/html/2017-03/20/content_58356.htm

¹¹ Of the 70 cities surveyed, the following three cities saw the fastest home price growth: Beihai+14.1%, Xian+13.6% and Yangzhou+13.3% (September).

¹² NBS, October 23, 2017: *2017年9月份70个大中城市住宅销售价格变动情况* (Sales Prices of Residential Buildings in 70 Medium and Large-sized Cities in September 2017)

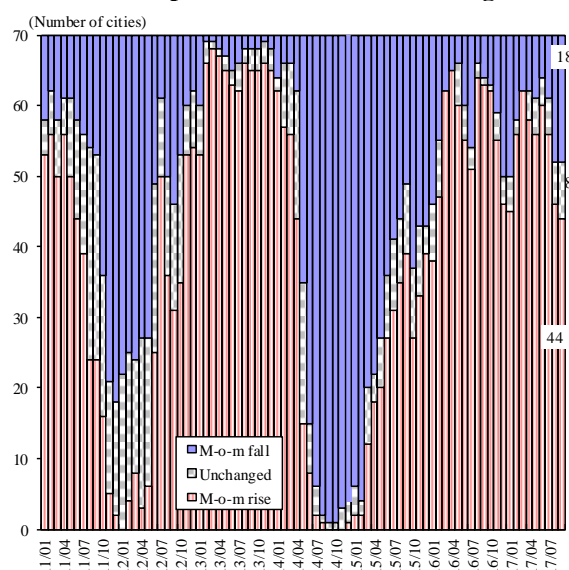
http://www.stats.gov.cn/tjsj/zxfb/201710/t20171023_1545010.html

Fig. 7: New-homes prices (Y-o-y)



Note: First-tier cities: Beijing, Shanghai, Guangzhou and Shenzhen
 Second-tier cities: Capitals other than first-tier cities (municipality), capitals of autonomous regions, Dalian, Qingdao, Ningbo, and Xiamen.
 Third-tier cities: Cities other than first-tier and second-tier cities (35 of the 70 cities surveyed)
 Source: CEIC

Fig. 8: Number of cities recording m-o-m changes in sales prices of residential buildings



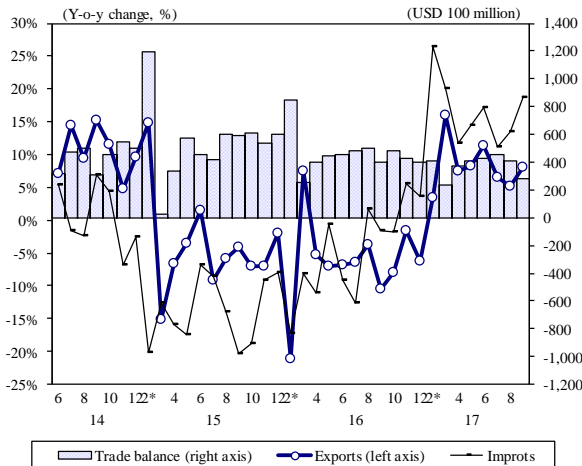
Source: National Bureau of Statistics of China, CEIC

• Imports and exports both improved

Exports were up +8.1% in September (\$198.26 billion), while imports rose by +18.7% (\$169.79 billion), with the trade surplus hitting \$28.47 billion (Figs. 9, 11 and 12). In January–September, exports increased by +7.5% and imports by +17.3% (trade surplus: \$295.58 billion), with the total amount of trade hitting \$2,969.33 billion, slightly up +11.7% (January–August: +11.6%). Imports of iron ore topped 100 million tons for the first time in September to hit 103 million tons, a record for a single month. However, the authorities said that China’s domestic blast furnaces were scaling up and demand for high-grade iron ore imports had subsequently risen sharply, with iron ore purchases rising to meet a flurry of production before rules to curb production come into effect following the introduction of environmental regulations in September¹³.

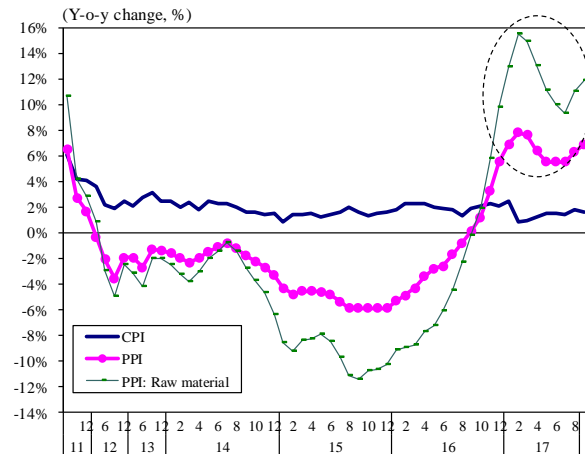
¹³ China Securities Journal, October 19, 2017, 大宗商品再现“中国时刻” (A ‘China Moment’ reappears in commodities) http://www.cs.com.cn/zzqh/201710/t20171019_5521862.html

Fig. 9: Imports/exports; trade balance



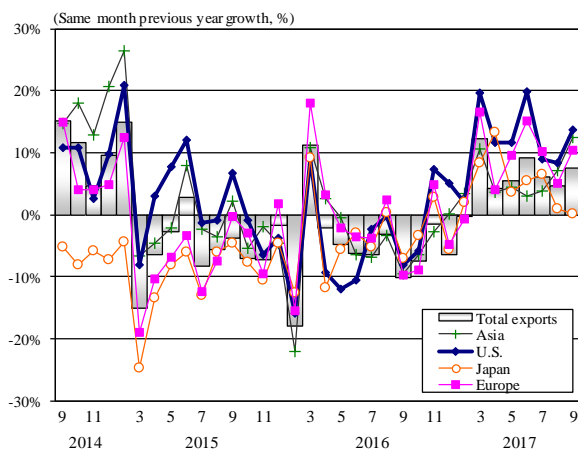
Note: * Same-period previous-year growth and cumulative figures for January–February.
Source: China Customs Statistics

Fig. 10: CPI, PPI



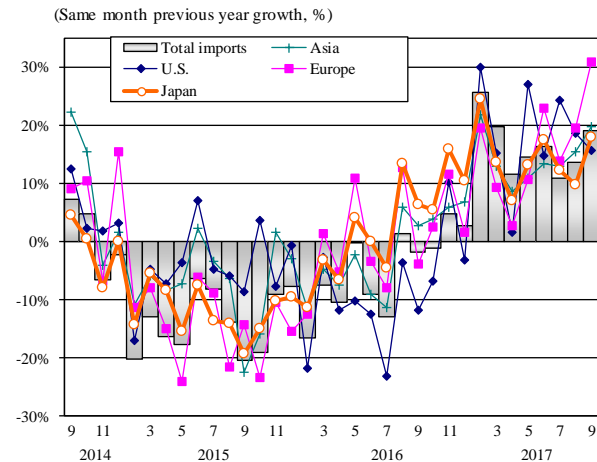
Note: The data from July 2011 to 2013 only shows the quarterly (March, June, September and December) figures. The data from 2014 onwards shows the monthly figures.
Source: National Bureau of Statistics of China, CEIC

Fig. 11: Exports by major region



Note: The figure for February shows a same-period previous-year comparison of the cumulative results for January–February.
Source: China Customs Statistics, CEIC

Fig. 12: Imports by major region



Note: The figure for February shows a same-period previous-year comparison of the cumulative results for January–February.
Source: China Customs Statistics, CEIC

• CPI growth slowed while PPI growth accelerated

In September, CPI (Consumer Price Index) growth stood at +1.6%, down on August’s figure of +1.8% (Fig. 10). At +0.5%, CPI growth was up on a monthly basis (August: +0.4%). At +1.5%, the average figure for January–September was significantly below the government’s target of +3.0%.

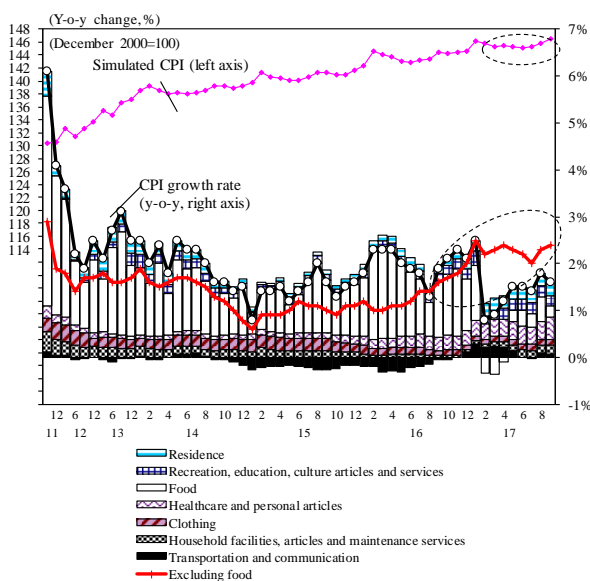
A breakdown of the CPI data shows food price inflation falling further into negative territories in September at -1.4% (August: -0.2%). At -12.4%, though, pork prices contracted at a slower pace compared to August’s figure of -13.4% (Fig.13 and 14). At 52.99 million tons, pork output dipped by -3.4% in 2016. This followed on from similar dips in 2007, 2011 and 2015, though the impact of the pork cycle¹⁴ has continued to wane since a peak in May 2016.

¹⁴ This is a cycle whereby: farmers respond to lower pork prices by raising fewer pigs→supply falls and prices rise→farmers increase output→supply

At -1.0%, vegetable prices slipped from positive to negative growth (August: +9.7%). At +2.4%, non-food prices rose at a faster pace in September (August: +2.3%).

In September, PPI (Producer Price Index) growth accelerated to +6.9% (August: +6.3%) (Fig. 10). On a year-on-year basis, in September prices rose at a faster pace in four sectors: The Manufacture and Processing of Ferrous Metals sector (+31.5%), the Manufacture and Processing of Non-Ferrous Metals sector (+20.2%), the Manufacture of Chemical Raw Material and Chemical Products sector (+10.0%), and the Nonmetallic Mineral Products sector (+9.8%). Growth slowed in three sectors: The Mining and Washing of Coal sector (+28.6%), the Processing of Petroleum sector (+16.4%), and the Extraction of Petroleum and Natural Gas sector (+14.2%). The contribution of these seven sectors to PPI growth rose by +5.6%Pt to hit 81.2% (NBS)¹⁵.

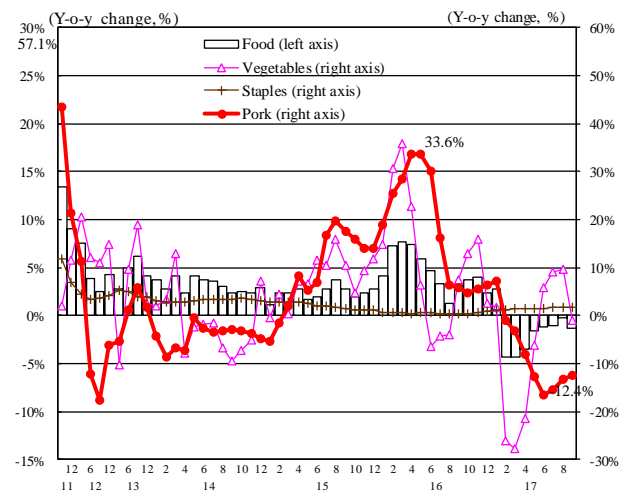
Fig. 13: CPI; Growth contribution by item



Note: The contribution rate by item is calculated by Mizuho Bank (China) based on the y-o-y growth rate and consumption expenditure statistics for each item. The simulated CPI data is calculated by Mizuho Bank (China) based on the m-o-m growth rate for each month, with December 2000 as the base month. The data from July 2011 to 2013 only shows the quarterly (March, June, September and December) figures. The data from 2014 onwards shows the monthly figures.

Source: National Bureau of Statistics of China, CEIC

Fig. 14: Food prices



Note: The data from July 2011 to 2013 only shows the quarterly (March, June, September and December) figures. The data from 2014 onwards shows the monthly figures.

Source: National Bureau of Statistics of China, CEIC

• Net new loans and total social financing both increased

According to the PBOC, new bank loans increased by a net RMB 1,540 billion in September, up on August's figure of RMB 1,110 billion. At +9.2%, M2 money supply growth in September was also up on August's figure of +8.9%, though it was below the government's target (2017: +12.0%) (Fig. 15).

Total social financing, which includes funds procured from non-bank sources, increased by a net RMB 1,820

increases and prices stabilize→farmers raise fewer pigs.

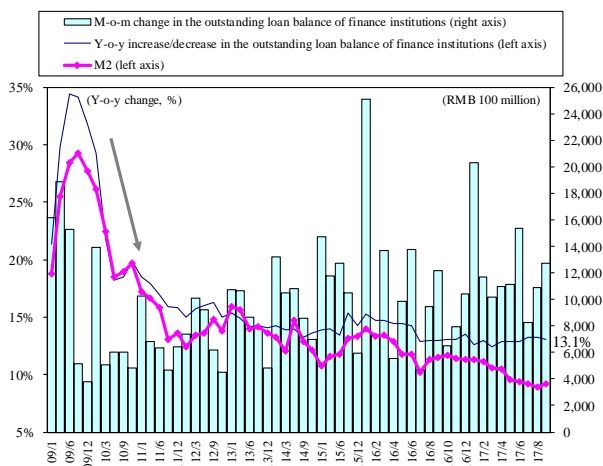
¹⁵ NBS, October 16, 2017 国家统计局城市司高级统计师绳国庆解读 2017 年 9 月份 CPI、PPI 数据 (NBS statistician Sheng Guoqing deciphers the September 2017 CPI and PPI data)

http://www.stats.gov.cn/tjsj/sjjd/201710/t20171016_1542493.html

billion in September, up on August's figure of RMB 1,479.1 billion. A glance at the details reveals that: RMB loans, trust loans, banker's acceptances and corporate bonds grew at a faster pace; non-financial-institution equity issuances grew at a slower pace; entrusted loans switched from contraction to expansion; and foreign currency loans continued to contract, though at a slower pace (Fig. 16).

Foreign exchange reserves stood at \$3,108.5 billion at the end of September, up \$16.98 billion on August, with the figure rising on the previous month for the eighth successive month (Fig. 17).

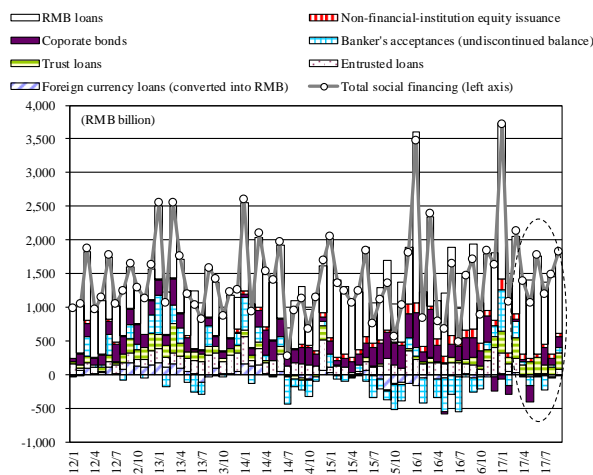
Fig. 15: Financial institution lending; the money supply



Note: The graph shows January and end-of-quarter figures up until 2015. The figure in the graph shows the y-o-y change in the outstanding loan balance for the most recent month.

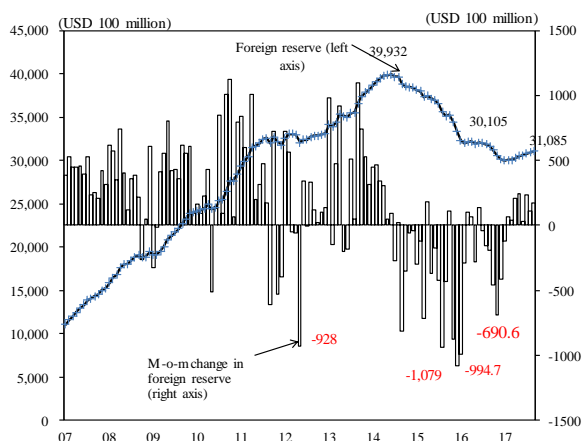
Source: PBOC, CEIC

Fig. 16: Total social financing (net increase and decrease)



Source: PBOC, CEIC

Fig. 17: Foreign exchange reserves



Note: The foreign reserve data shows the June 2014 at peak, end of 2016, and the latest monthly figure.

Source: People's Bank of China, CEIC

2. Topics: The economic policy position revealed at the National Congress

•A change in the ‘principal contradiction facing Chinese society’

The 19th National Congress of the Communist Party of China (the 19th National Congress) was held over October 18–24. The 19th Central Committee of the Communist Party of China also met on October 25 (the Central Committee meeting). These events signaled the launch of the new structure for general secretary Xi Jinping’s second term. According to the Chinese constitution, the State Council and the National People’s Congress (the bodies equivalent to the cabinet and parliament) both operate under the leadership of the Communist Party, so the personnel and policy decisions made at the 5-yearly National Congress are crucial for gauging the direction of politics and the economy from here on.

In his work report at the opening ceremony of the 19th National Congress¹⁶, general secretary Xi Jinping outlined his ‘Thought on Socialism with Chinese Characteristics for a New Era.’ These were incorporated into the party’s constitution as ‘Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era.’

Xi Jinping’s report said the principal contradiction facing Chinese society was no longer about the contradiction between “the ever-growing material and cultural needs of the people and backward social production” but had instead now shifted to the contradiction between “unbalanced and inadequate development and the people’s ever-growing needs for a better life.” “The needs to be met for people to live a better life are increasingly broad. Not only have their material and cultural needs grown; their demands for democracy, rule of law, fairness and justice, security, and a better environment are increasing,” Xi Jinping continued. Now that people’s material needs had been met by rising incomes, the report recognized that the Communist Party would need to meet new needs, such as demands for income distribution, social security, and a better environment (including better air, water and soil).

The previous ‘principal contradiction facing Chinese society’ had been recognized in a ‘historic resolution’ made at the sixth plenary session of the 11th Central Committee in 1981. The wording had remained unchanged right up until the 18th National Congress in 2012, so this recent shift was a sign that China had indeed entered a ‘New Era.’¹⁷

•Building a ‘great modern socialist country’ by the middle of the century

Xi Jinping’s work report said the ‘Thought on Socialism with Chinese Characteristics for a New Era’ made eight things clear. One of these was that “the overarching goal of upholding and developing socialism with Chinese characteristics is to realize socialist modernization and national rejuvenation, and, that on the basis of finishing the building of a moderately prosperous society in all respects, a two-step approach should be taken to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful by the middle of the century.”

Yang Weimin, deputy director of the Central Leading Group on Financial and Economic Affairs, outlined the timetable for building a modern socialist society from the time since China first opened up to the world (Fig. 18). This sets out the goals for the fourth and fifth stages, after the next National Congress in 2021.

¹⁶ China Net, October 18, 2017: 十九回党大会习近平報告, 决胜全面建成小康社会, 夺取新时代中国特色社会主义伟大胜利 (*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 Era.*)
<http://www.gov.cn/zhuanti/19thcpckms/kms.html>

¹⁷ The phrase ‘New Era’ appeared 36 times in Xi Jinping’s report. It only appeared once in Hu Jintao’s report at the 18th National Congress in 2012.

Fig.18: Timetable for building a modern socialist society

The timetable for building a modern socialist society from the time since the period of reform and opening-up

State	Period		Details
First	1978–1990*	Problem of food and clothing	○ Solve the problem of food and clothing
Second	1991–2000	Moderately Prosperous society	○ Reach a moderately prosperous standard of living
Third	2001–2020	Moderately Prosperous society	○ Complete the building of a moderately prosperous society in all respects Take tough steps to tackle the three major issues: (1) Forestall and defuse major risks, (2) carry out targeted poverty alleviation, and (3) prevent and control pollution
Fourth	2021–2035	Modernization	○ See that socialist modernization is basically realized
Fifth	2036–2050	Build a strong nation	○ Develop China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful.; turn China into a global leader in terms of composite national strength and international influence; achieve common prosperity for everyone

Note: *Original text 改革開放初-1990 年

Source: Xi Jinping's Report to the 19th National Congress of the Communist Party of China; Xinhua, October 26, 2017: 解读十九大报告专题新闻发布会

<http://www.xinhuanet.com/politics/19cpcnc/zb/gov4/wzsl.htm>

In his report, Xi Jinping said that during the ‘decisive stage in building a moderately prosperous society in all respects,’ up until 2020, the Communist Party should “promote coordinated economic, political, cultural, social and ecological advancement [and] must show firm resolve in implementing the strategy of invigorating China through science and education, the strategy on developing a quality workforce, the innovation-driven development strategy, the rural vitalization strategy, the coordinated regional development strategy, the sustainable development strategy, and the military-civilian integration strategy.” Xi Jinping stressed the need to take tough steps to “(1) forestall and defuse major risks, (2) carry out targeted poverty alleviation, and (3) prevent and control pollution.”

Up until the 18th National Congress, the Communist Party had set numerical targets for economic development (such as ‘doubling GDP in ten years’), but the 19th National Congress set no such targets (Fig. 19). Deputy secretary Yang Weimin said this was because the principal contradiction facing Chinese society had changed and China was no longer going through a high-growth phase and had instead transitioned to a stage of qualitative economic development. He added that productive capacity shortfalls were no longer a major obstacle to economic growth and the main problem now was the low quality of development. At this stage, he continued, though fast growth was important, the party was now focusing on solving the problems of unbalanced and inadequate development by achieving better quality, higher efficiency, and more robust drivers of growth through reform. He finished by saying that the 19th National Congress had not mentioned the goal of doubling GDP because it wanted to focus more on achieving its new development vision¹⁸.

As for the basic policy of the ‘Thought on Socialism with Chinese Characteristics for a New Era,’ Chapter 2 of Xi Jinping’s report listed 8 things that the thought ‘makes clear,’ while Chapter 3 outlined 14 points that form the

¹⁸ Xinhua, October 26, 2017: 解读十九大报告专题新闻发布会 (Specific Briefing on the Themes of the 19th National Congress Report) <http://www.xinhuanet.com/politics/19cpcnc/zb/gov4/wzsl.htm>

basic policy (Fig. 20 and 21). Point 4 of the latter 14 points is ‘Adopting a new vision for development.’ This point talks about the vision of ‘innovative, coordinated, green and open development for everyone.’ These mirror the five focus areas in the 13th Five Year Plan (13th Plan). Poverty alleviation in Point 8 (‘Ensuring and improving living standards through development’) and Point 9 (‘Ensuring harmony between humans and nature’) also chime with the goals set down on the 13th Plan¹⁹.

Fig. 1: Economic development goals, results and forecasts at the National Congress

Period	Goal	Year	Nominal GDP RMB 100 million (times bigger)	Increase	Real GDP Annual average %	Per capita		Per capita income	
						GDP RMB Compared to 2000	RMB	Compared to 2000	RMB
16th National Congress (2002)	Quadruple the GDP of the year 2000 by 2020	2000	100,280			7,942		Urban 6,280 Rural 2,253	
17th National Congress (2007)	Quadruple per capita GDP of the year 2000 by 2020	2010	413,030	4.1	(00-10 average) 10.6%	30,876	3.9	Urban 19,109 Rural 5,919	
		2011				36,403	4.6	Urban 21,810 Rural 6,977	3.5 3.1
18th National Congress (2012)	Double GDP and per capita incomes of 2010 by 2020	2020			6.5% (The minimum average growth rate line needed over 16-20 to achieve the goal of doubling GDP)				
19th National Congress (2017)		<ul style="list-style-type: none"> ○ Finish the building of a moderately prosperous society in all respects in 2020 and then ensure that socialist modernization is basically realized, so that by 2035: <ul style="list-style-type: none"> ▪ China’s economic and technological strength has increased significantly. China has become a global leader in innovation. ▪ The rights of the people to participate and to develop as equals are adequately protected. The rule of law for the country, the government, and society is basically in place. Institutions in all fields are further improved; the modernization of China's system and capacity for governance is basically achieved. ▪ Social etiquette and civility are significantly enhanced. China's cultural soft power has grown much stronger; Chinese culture has greater appeal. ▪ People are leading more comfortable lives, and the size of the middle-income group has grown considerably. Disparities in urban-rural development, in development between regions, and in living standards are significantly reduced; equitable access to basic public services is basically ensured; and solid progress has been made toward prosperity for everyone. ▪ A modern social governance system has basically taken shape, and society is full of vitality, harmonious, and orderly. ▪ There is a fundamental improvement in the environment; the goal of building a Beautiful China is basically attained. ○ Work hard in the 15 years from 2035 to develop China into a great modern socialist country that is prosperous, strong, democratic, culturally-advanced, harmonious and beautiful. Turn China into a global leader in terms of composite national strength and international influence; basically achieve common prosperity for everyone. 							

Note: The average growth rate until 2020 is calculated by the author of this report based on the results up until 2016 and the forecast for 2017. Urban per-capita income = per-capita living expenses/income for households in urban areas; Rural per-capita income = net per-capita income for households in rural areas.

Source: China Securities Journal, November 9, 2012: 两个“翻一番”意味着甚麽 (What would two ‘doublings’ mean?). NBS, CEIC, October 18, 2017: Chapter 5 of Xi Jinping’s Report to the 19th National Congress of the Communist Party of China, etc.

¹⁹ There were 55.75 million people living in poverty as of 2015; the aim is to reduce this to zero by the time the 13th Five Year Plan ends in 2020. Poverty level: Net per-capita annual income of RMB 2,800 (2014) and RMB 4,000 (2020). Xinhua, November 3, 2015: 关于《中共中央关于制定国民经济和社会发展第十三个五年规划的建议》的说明 http://news.xinhuanet.com/politics/2015-11/03/c_1117029621.htm

Fig. 2: Xi Jinping’s report: A change in the ‘principal contradiction’ and the 8 things made clear

○ A change in the principal contradiction facing China

Until the 18th National Congress*	· The contradiction between the ever-growing material and cultural needs of the people and backward social production
19th National Congress	· The contradiction between unbalanced and inadequate development and the people’s ever-growing needs for a better life

○ The 8 things made clear by the ‘Thought on Socialism with Chinese Characteristics for a New Era’

1	The overarching goal of upholding and developing socialism with Chinese characteristics is to realize socialist modernization and national rejuvenation, and, that on the basis of finishing the building of a moderately prosperous society in all aspects, a two-step approach should be taken to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful by the middle of the century.
2	The principal contradiction facing Chinese society in the new era is that between unbalanced and inadequate development and the people’s ever-growing needs for a better life. We must therefore continue commitment to our people-centered philosophy of development , and work to promote well-rounded human development and common prosperity for everyone.
3	The overall plan for building socialism with Chinese characteristics is the five-sphere integrated plan**, and the overall strategy is the four-pronged comprehensive strategy***. [The Thought] highlights the importance of fostering stronger confidence in the path, theory, system, and culture of socialism with Chinese characteristics.
4	The overall goal of deepening reform in every field is to improve and develop the system of socialism with Chinese characteristics and modernize China’s system and capacity for governance.
5	The overall goal of comprehensively advancing law-based governance is to establish a system of socialist rule of law with Chinese characteristics and build a country of socialist rule of law.
6	The Party’s goal of building a strong military in the new era is to build the people’s forces into world-class forces that obey the Party’s command, can fight and win, and maintain excellent conduct.
7	Major country diplomacy with Chinese characteristics aims to foster a new type of international relations and build a community with a shared future for mankind.
8	The defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China; the greatest strength of the system of socialism with Chinese characteristics is the leadership of the Communist Party of China; the Party is the highest force for political leadership. The Thought sets forth the general requirements for Party building in the new era and underlines the importance of political work in Party building.

Note: *From the ‘historic resolution’ made at the 11th Central Committee meeting in 1981 to the 18th National Congress in 2012.

**The ‘five-sphere integrated plan’ involves promoting coordinated (1) economic, (2) political, (3) cultural, (4) social and (5) ecological advancement.

***The ‘four-pronged comprehensive strategy’ aims to make comprehensive moves to finish building a moderately prosperous society in all respects, deepen reforms, advance law-based governance, and strengthen Party self-governance.

Source: Chapter 2 of Xi Jinping’s Report to the 19th National Congress of the Communist Party of China

Fig. 3: The ‘14 points’ in Xi Jinping’s report

The 14 basic policy points

1	Ensuring Party leadership over all work. Strengthen our consciousness of the need to maintain political integrity, think in big-picture terms, follow the leadership core, and keep in alignment
2	Committing to a people-centered approach. Observe the Party’s fundamental purpose of wholeheartedly serving the people
3	Continuing to comprehensively deepen reform. Develop a set of institutions that are well conceived, fully built, procedure based, and efficiently functioning
4	Adopting a new vision for development. Pursue with firmness of purpose the vision of innovative, coordinated, green, and open development that is for everyone
5	Seeing that the people run the country. Uphold and improve the system of people’s congresses, etc.; develop socialist consultative democracy; improve our democratic institutions
6	Ensuring every dimension of governance is law-based. Further the reform of the judicial system, and strengthen rule of law awareness among all our people while also enhancing their moral integrity.
7	Upholding core socialist values. Uphold Marxism, firm up and further build the ideal of Communism and a shared ideal of socialism with Chinese characteristics

8	Ensuring and improving living standards through development. Promote social fairness and justice; make steady progress in ensuring people's access to <u>childcare, education, employment, medical services, elderly care, housing, and social assistance</u> ; intensify poverty alleviation
9	Ensuring harmony between humans and nature. Realize that lucid waters and lush mountains are invaluable assets and act on this understanding; implement our fundamental national policy of conserving resources and protecting the environment,
10	Pursuing a holistic approach to national security. Put national interests first, take protecting our people's security as our mission; safeguard China's sovereignty, security, and development interests
11	Upholding absolute Party leadership over the people's armed forces. Build people's forces that obey the Party's command; strengthen the armed forces through reform and technology; place greater focus on combat
12	Upholding the principle of "one country, two systems" and promoting national reunification. Ensure both the central government's overall jurisdiction over the Hong Kong and Macao special administrative regions and a high degree of autonomy in the two regions; uphold the 1992 Consensus; oppose all separatist activities
13	Promoting the building of a community with a shared future for mankind. Stay on the path of peaceful development
14	Exercising full and rigorous governance over the Party. Resolutely correct misconduct in all its forms

Source: Chapter 3 of Xi Jinping's Report to the 19th National Congress of the Communist Party of China

As outlined in Fig. 23, of the 13 chapters of Xi Jinping's report, Chapters 5, 8 and 9 discuss policy positions related to the economy and public welfare, for example. These basically follow the policy positions already outlined in the five-year plans and so on.

As for which concrete policies will emerge from these positions, the details will become clearer at mid-December's Central Economic Working Conference (a body that meets every year to set the direction of policy for the following year) and next March's National People's Congress (China's parliament).

Finally, Fig. 22 lists the members selected at the National Congress to stand on the Standing Committee of the Central Politburo of the Communist Party of China and members selected for the Central Politburo itself. These are listed alongside the members selected for these bodies as the previous National Congress. From the perspective of their personal histories and their pecking order within the Communist Party, it seems Standing Committee members Li Keqiang, Wang Yang, Han Zheng and Central Politburo member Lui He will wield considerable influence when it comes to formulating economic policy.

Fig. 4: Members of the Standing Committee of the Central Politburo of the Communist Party of China/Members of the Central Politburo

Standing Committee of the Central Politburo of the Communist Party of China

	19th NCCPC (Oct. 2017)	Year of birth	Age (As of end of 2017)	State position (previous position)
General Secretary	Xi Jinping	1953	(64)	President (Secretary of the CPC Shanghai Committee)
	Li Keqiang	1955	(62)	Premier of the State Council (Secretary of the CPC Liaoning Provincial Committee)
	○ Li Zhanshu	1950	(67)	Director of the General Office of the Central Committee of the CPC (Secretary of the CPC Guizhou Provincial Committee)
	○ Wang Yang	1955	(62)	Vice Premier (Secretary of the CPC Guangdong Provincial and Chongqing Committee)
	○ Wang Huning	1955	(62)	Secretary of the Secretariat of the CPC Central Committee (Professor at Fudan University)
	○ Zhao Leji	1957	(60)	Director of the Organization Department of the CPC Central Committee, Secretary of the CPC Shaanxi Provincial Committee
	○ Han Zheng	1954	(63)	Secretary of the CPC Shanghai Committee, (Mayor of Shanghai)

	18th NCCPC (Nov. 2012)	Year of birth	Age (As of end of 2012)	State position (previous position)
	Xi Jinping	1953	(59)	President (Secretary of the CPC Shanghai Committee)
	Li Keqiang	1955	(57)	Premier of the State Council (Secretary of the CPC Liaoning Provincial Committee)
	○ Zhang DeJiang	1946	(66)	National People's Congress (Vice Premier and Secretary of the CPC Chongqing Committee)
	○ Yu Zhengsheng	1945	(67)	Chairman of the Standing Committee of the Chinese People's Political Consultative Conference (Secretary of the CPC Shanghai Committee)
	○ Liu Yunshan	1947	(65)	President of the Party School of the Central Committee of the CPC (Head of the Publicity Department of the CPC)
	○ Wang Qishan	1948	(64)	Secretary of the Central Commission for Discipline Inspection (Vice Premier of the State Council)
	○ Zhang Gaoli	1946	(66)	Vice Premier of the State Council (Secretary of the CPC Tianjin Committee)

Members of the Central Politburo

(Except standing committee members)	○ Ding Xuexiang	1962	(55)	Secretary of the Secretariat of the CPC Central Committee, Executive Deputy Director of the General Office of the Central Committee of the CPC (Secretary of the Committee of Political and Legal Affairs under the CPC Shanghai Municipal Committee)
	○ Wang Chen	1950	(67)	Vice Chairman of the Standing Committee of the National People's Congress (Director of State Council Information Office)
	○ Liu He	1952	(65)	Director of the Communist Party's general office of the Central Leading Group for Financial and Economic, Vice chairman of the National Development and Reform Commission
	Xu Qiliang	1950	(67)	Vice chairman of the CPC Central Military Commission
	Sun Chunlan	1950	(67)	Head of the United Front Work Department of the Central Committee of the CPC (Secretary of the CPC Tianjin and Fujian Committee, First Secretary of All-China Federation of Trade Unions)
	○ Li Xi	1956	(61)	Secretary of the CPC Liaoning Provincial Committee (Deputy Secretary of the CPC Shanghai Committee)
	○ Li Qiang	1959	(58)	Secretary of the CPC Jiangsu Provincial Committee (Mayor of Zhejiang Province)
	○ Li Hongzhong	1956	(61)	Secretary of the CPC Tianjin Municipal Committee (Secretary of the CPC Hubei Provincial Committee)
	○ Yang Jiechi	1950	(67)	State Councilor (Foreign Minister)
	○ Yang Xiaodu	1953	(64)	Secretary of the Secretariat of the CPC Central Committee, Minister of Supervision (Deputy Secretary of the Central Commission for Discipline Inspection)
	○ Zhang Youxia	1950	(67)	Vice Chairman of the Central Military Commission
	○ Chen Xi	1953	(64)	Secretary of the Secretariat of the CPC Central Committee, Executive Deputy Director of the Organization Department of the CPC Central Committee
	○ Chen Quanguo	1955	(62)	Secretary of the CPC Xinjiang Uygur Autonomous Region Committee (Secretary of the CPC Tibet Autonomous Region Committee)
	○ Chen Miner	1960	(57)	Secretary of the CPC Chongqing Committee (Secretary of the CPC Guizhou Provincial Committee)
	Hu Chunhua	1963	(54)	Secretary of the CPC Guangdong Provincial Committee (Secretary of the CPC Inner Mongolia Autonomous Region Committee and Mayor of Hebei)
	○ Guo Shengkun	1954	(63)	Minister of Public Security of the People's Republic of China (Secretary of the CPC Guangxi Zhuang Autonomous Region Committee)
	○ Hung Kunming	1956	(61)	Dputy head of the Publicity Department of the CPC (Secretary of the CPC Hangzhou Committee)
	○ Cai Qi	1955	(62)	Secretary of the CPC Beijing Committee (Executive Vice Governor of Zhejiang Province)

○ Ma Kai	1946	(66)	Vice Premier (State Councilor, Director of the National Development and Reform Commission)
○ Wang Huning	1955	(57)	Secretary of the Secretariat of the CPC Central Committee, Director of the Central Policy Research Office
Liu Yandong	1945	(67)	Vice Premier, Vice chair of the National Committee of the Chinese People's Political Consultative Conference (Head of the United Front Work Department of the Central Committee)
○ Liu Qibao	1953	(59)	Head of the Publicity Department of the CPC (Secretary of the CPC Sichuan Provincial Committee, Party secretary of Guangxi Zhuang Autonomous Region)
○ Xu Qiliang	1950	(62)	Vice chairman of the CPC Central Military Commission
○ Sun Chunlan	1950	(62)	Secretary of the CPC Tianjin Municipal Committee (Secretary of the CPC Fujian Provincial Committee and First Secretary of All-China Federation of Trade Unions)
○ Sun Zhengcai	1963	(49)	Secretary of Chongqing Municipal Committee of the CPC (Secretary of the Jilin Provincial Committee of the CPC, Minister of Agriculture of China (removed in Sep. 2017))
○ Li Jianguo	1946	(66)	Vice Chairman of the Standing Committee of the National People's Congress (Secretary of the CPC Shandong Provincial Committee)
Li Yuanchao	1950	(62)	Vice President (Director of the Organization Department of the CPC Central Committee, Secretary of the CPC Jiangsu Provincial Committee)
Wang Yang	1955	(57)	Vice Premier (Secretary of the CPC Guangdong Provincial and Chongqing Committee)
○ Zhang Chunxian	1953	(59)	Secretary of the CPC Xinjiang Uygur Autonomous Region Committee
○ Fan Changlong	1947	(65)	Vice Chairman of the Central Military Commission
○ Meng Jianzhu	1947	(65)	Secretary of the Central Political and Legal Affairs Commission of the CPC (State Councilor, Minister of Public Security)
○ Zhao Leji	1957	(55)	Director of the Organization Department of the CPC Central Committee, Secretary of the CPC Shaanxi Provincial Committee (Secretary of the CPC Inner Mongolia Autonomous Region Provincial Committee and Mayor of Hebei Province)
○ Hu Chunhua	1963	(49)	Director of the General Office of the Central Committee of the CPC, Secretary of the Working Committee of the Organs Directly under the CPC Central Committee (Secretary of the CPC Guizhou Provincial Committee Province)
○ Li Zhanshu	1950	(62)	(Secretary of the CPC Beijing Committee)
○ Guo Jinlong	1947	(65)	(Secretary of the CPC Beijing Committee)
○ Han Zheng	1954	(58)	Secretary of the CPC Shanghai Committee (Mayor of Shanghai)

Note: ○ = new appointments; ages listed as of the end of 2012 and 2017

Source: Xinhua, etc.

Fig. 5: Points (pertaining to the economy, public welfare and the environment) in Xi Jinping’s report

5. Applying a New Vision of Development and Developing a Modernized Economy		
1	Furthering supply-side structural reform	<ul style="list-style-type: none"> • Work faster to build China into a manufacturer of quality and develop advanced manufacturing. • <u>Continue efforts to cut overcapacity, reduce excess inventory, deleverage, lower costs, and strengthen areas of weakness</u> (‘three cancellations, one reduction and one reinforcement’ 三去一降一补). • Inspire and protect entrepreneurship.
2	Making China a country of innovators	<ul style="list-style-type: none"> • Strengthen basic research in applied sciences; prioritize innovation in key generic technologies, cutting-edge frontier technologies, modern engineering technologies, and disruptive technologies; provide powerful support for building China’s strength in science and technology, product quality, aerospace, cyberspace, and transportation, and for building a digital China and a smart society.
3	Pursuing a rural vitalization strategy	<ul style="list-style-type: none"> • Put in place sound systems, mechanisms, and policies for promoting integrated urban-rural development. • Advance reform of the rural land system. • Press ahead with reform of the rural collective property rights system. • Safeguard the property rights and interests of rural people, and strengthen the collective economy. • Ensure China’s food security. • Promote the integrated development of the primary, secondary, and tertiary industries in rural areas; train professional rural service personnel who have a good knowledge of agriculture, love our rural areas, and care about rural people.
4	Implementing the coordinated regional development strategy	<ul style="list-style-type: none"> • Relieve Beijing of functions nonessential to its role as the capital and use this effort to drive the coordinated development of the Beijing-Tianjin-Hebei region; develop forward-looking plans and adopt high standards for building the <u>Xiongan New Area</u>. • Facilitate the development of the <u>Yangtze Economic Belt</u> by promoting well-coordinated environmental conservation and avoiding excessive development. • Support resource-depleted areas in their economic transformation. • Accelerate development in the border areas, and ensure their stability and security. • Pursue coordinated land and marine development, and step up efforts to build China into a strong maritime country.
5	Accelerating efforts to improve the socialist market economy	<ul style="list-style-type: none"> • Reform the system of authorized operation of state capital. • Further reform state-owned enterprises and develop mixed-ownership economic entities. • Support the growth of private businesses. • Relax control over market access in the service sector. • Improve macro-regulation. • Improve systems and mechanisms for stimulating consumer spending. • Deepen reform of investment and financing systems. • Establish a fiscal relationship between the central and local governments. • Improve the local tax system. • Increase the proportion of direct financing. • See that interest rates and exchange rates become more market-based. • Improve the financial regulatory system to forestall systemic financial risks.
6	Making new ground in pursuing opening up on all fronts	<ul style="list-style-type: none"> • Pursue the <u>Belt and Road Initiative</u> as a priority; give equal emphasis to “bringing in” and “going global”; increase openness and cooperation in building innovation capacity; make new ground in opening China further through links running eastward and westward, across land and over sea. • Implement the system of pre-establishment national treatment plus a negative list across the board, significantly ease market access, further open the service sector, and protect the legitimate rights and interests of foreign investors. • Open the western region wider. • Grant more powers to pilot free trade zones to conduct reform, and explore the opening of free trade ports. • Develop new ways of making outbound investments; build up our strengths for international economic cooperation and competition.

8. Growing Better at Ensuring and Improving People's Wellbeing and Strengthening and Developing New Approaches to Social Governance		
1	Giving priority to developing education	<ul style="list-style-type: none"> • Nurture a new generation of capable young people who have a good and all-round moral, intellectual, physical, and aesthetical grounding and are well-prepared to join the socialist cause. • Promote the coordinated development of compulsory education in urban and rural areas. • Improve the system of vocational education and training; promote cooperation between enterprises and colleges. • Move faster to build Chinese universities into world-class universities and develop world-class disciplines. • Improve the system of financial aid to students. • Support the well-regulated development of private schools. • Strengthen the professional ethics and competence of teachers. • Improve continuing education, step up efforts to build a learning society, and promote the well-rounded development of all our people.
2	Improving the quality of employment and raising incomes	<ul style="list-style-type: none"> • Open more channels for college graduates and migrant rural workers to find jobs and start their own businesses. • Ensure that every one of our people has the chance to pursue career through hard work. • Ensure harmonious labor relations. • Make income distribution fairer and more orderly. • Expand the size of the middle-income group; increase income for people on low incomes, adjust excessive incomes. • Work to see that individual incomes grow in step with economic development. • See that government plays its function of adjusting redistribution and narrow the gaps in incomes.
3	Strengthening the social security system	<ul style="list-style-type: none"> • Work to see that everyone has access to social security. • Bring pension schemes under national unified management. • Improve the unified systems of basic medical insurance and serious disease insurance for rural and urban residents, and improve unemployment insurance and work-related injury insurance. • Establish a unified national platform for social security public services. • Improve the subsistence allowances system. • Adhere to the fundamental national policy of gender equality. • Improve the system for supporting and caring for children, women, and elderly people left behind in rural areas. • Remember that housing is for living in, not for speculation. With this in mind, move faster to put in place a housing system that ensures supply through multiple sources, provides housing support through multiple channels, and encourages both housing purchase and renting.
4	Winning the battle against poverty	<ul style="list-style-type: none"> • Operate on the basis of a working mechanism whereby the central government makes overall plans, provincial-level governments take overall responsibility, and city and county governments ensure implementation. • Strengthen collaboration on poverty alleviation between the eastern and western regions; ensure that by the year 2020, all rural residents have been lifted out of poverty.
5	Carrying out the Healthy China initiative	<ul style="list-style-type: none"> • Improve the national health policy, and ensure the delivery of comprehensive lifecycle health services. • Deepen reform of the medicine and healthcare system; develop a sound modern hospital management system. • Improve community-level healthcare services, and strengthen the ranks of general practitioners. • Put an end to the practices of hospitals funding their operations with profits from overpriced drugs. • Carry out extensive patriotic health campaigns. • Support both traditional Chinese medicine and Western medicine. • Ensure that our childbirth policy meshes with related economic and social policies, and carry out research on the population development strategy. • Provide integrated elderly care and medical services, and accelerate the development of old-age programs and industries.

6	Establishing a social governance model based on collaboration, participation, and common interests	<ul style="list-style-type: none"> Strengthen public participation and rule of law in social governance, and make such governance smarter and more specialized. Accelerate development of the crime prevention and control system. Improve the system of public psychological services Strengthen the system for community governance.
7	Effectively safeguarding national security	<ul style="list-style-type: none"> Take coordinated steps to ensure security in all areas. Strengthen rule of law measures to enhance national security.
9. Speeding up Reform of the System for Developing an Ecological Civilization, and Building a Beautiful China		
1	Promoting green development	<ul style="list-style-type: none"> Develop green finance, and spur the development of energy-saving and environmental protection industries as well as clean production and clean energy industries. Build an energy sector that is clean, low-carbon, safe, and efficient. Take action to get everyone conserving water, cut consumption of energy and materials, and establish linkages between the circular use of resources and materials in industrial production and in everyday life. Encourage simple, moderate, green, and low-carbon ways of life; resource-conserving government; develop eco-friendly families, schools, communities, and transport services.
2	Solving prominent environmental problems	<ul style="list-style-type: none"> Continue our campaign to prevent and control air pollution. Speed up prevention and control of water pollution, and take comprehensive measures to improve river basins and offshore areas. Strengthen the control of soil pollution and the restoration of polluted soil; intensify the prevention and control of agricultural pollution from non-point sources. Improve the treatment of solid waste and garbage. Enforce stricter pollutants discharge standards; improve our systems for credibility assessment based on environmental protection performance, for mandatory release of environmental information, and for imposing severe punishment for environmental violations; establish an environmental governance system in which government takes the lead, enterprises assume main responsibility, and social organizations and the public also participate; get actively involved in global environmental governance and fulfill our commitments on emissions reduction.
3	Intensifying the protection of ecosystems	<ul style="list-style-type: none"> Develop ecological corridors and biodiversity protection networks. Complete work on drawing redlines for protecting the ecosystems, designating permanent basic cropland, and delineating boundaries for urban development. Promote afforestation; take comprehensive steps to control desertification, stony deserts, and soil erosion. Strengthen wetland conservation and restoration, and better prevent and control geological disasters. Improve the system for protecting natural forests, and turn more marginal farmland into forests and grasslands*. Expand trials in crop rotation and keeping land fallow.
4	Reforming the environmental regulation system	<ul style="list-style-type: none"> Establish regulatory agencies to manage state-owned natural resource assets. Establish regulatory agencies to monitor natural ecosystems, and improve environmental management systems; in a unified way, monitor the discharge of all pollutants...and conduct administrative law enforcement. Establish systems for developing and protecting territorial space; develop a nature reserves system composed mainly of national parks.

Note: *Stop farming and return the land to forests, or stop grazing and return the land to grasslands.

Source: Xi Jinping's Report to the 19th National Congress of the Communist Party of China

"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 Era." (China Net, October 18, 2017) and others

<http://www.gov.cn/zhuanli/19thcpcckms/kms.html>

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