

Construction of Xi Jinping's "New Development Concept" and its Challenges

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1. News Highlights

On Dec. 2, 2021, Xi Jinping hosted a forum for non-party members convened by the CCP Central Committee in Zhongnanhai to listen to the views of representatives from all other so-called democratic parties, the All-China Federation of Industry and Commerce as well as non-party members on the economic situation in 2021 and future works in 2022. Xi emphasized in his speech at the meeting that the 20th Party Congress will be held next year... we will insist on the general keynote of seeking progress in a stable manner to fully, accurately and comprehensively implement the 'New Development

Concept'; and we will accelerate the construction of a new development pattern, comprehensively deepen reform and opening, and promote high-quality development".¹ The subsequent Economic Work Conference of the CCP Central Committee held from December 8-10 also summarized China's economic development in 2021 and echoed the "New Development Concept", which represents the CCP's top guiding ideology for the next stage of its overall development towards the 20th National Congress and beyond, making Xi's concept as the top guiding ideology for the next phase. The goals of its construction and possible future challenges will be discussed in this article.

1. "The Central Committee of the CCP Convened a Forum of Non-party Members to Solicit Views and Suggestions on Economic Work," *People's Daily Online*, December 7, 2021. <http://politics.people.com.cn/n1/2021/1207/c1024-32301095.html>.

2. Security Implications

2-1. The "New Development Concept" reveals long-standing problems of China's reform

As an important historical document of the CCP, "The Resolution of the Central Committee of the CCP on the Major Achievements and Historical Experiences of the Party's Centennial Struggle" (the "Centennial Resolution") adopted at the Sixth Plenary Session of the 19th CCP Central Committee held from November 8-11, 2021, also pays special attention to the "New Development Concept". It says that "the new development concept... cannot be simply judged by the GDP growth rate. It must also achieve high-quality development with innovation as the first driving force, coordination as an endogenous feature, green environment to become prevalent, openness as the way to go, and sharing as the fundamental purpose to promote transformation in economic development in qualitative, efficient and dynamic ways."² In other

words, the next stage of the CCP's development after its centennial will start from correcting the shortcomings of the "GDP-first" ideology and reversing the past problems of sacrificing the environment and quality only for mass production. The new direction that leads China's future development must be comprehensive and diversified, and economic growth should no longer be the only criterion of political success.

The Economic Work Conference of the Central Committee of the CCP held from December 8-19, 2021, emphasized the "four imperatives", which include insisting on the centralized and unified leadership of the CCP Central Committee, high-quality development, stable progress, and strengthened coordination and planning. In terms of new development, it requires that "we cannot walk the old path in new shoes, no more bluffing or creating the path carelessly. We must fully, accurately, and comprehensively implement the New Development Concept to construct a new development pattern

2. "The Resolution of the CCP Central Committee on the Major Achievements and Historical Experiences of the Party's Centennial Struggle," *People's Daily Online*, November 17, 2021. <http://politics.people.com.cn/n1/2021/1117/c1001-32284266.html>.

and promote high-quality development.”³ As mentioned, the CCP authorities see that the long-standing problem of the past is the scratchy development and the waste of resources caused by the blind investments just for the sake of growth; so it is necessary to centralize and coordinate resource allocation in economic affairs through the CCP in order to solve the long-standing problem of unbalanced development.

2-2. The “New Development Concept” is diversified but too dispersed

A recent article in the *People's Daily*, an official CCP medium, introduced Xi's “New Development Concept” as a guiding ideology for action in all areas of economic and social development to assure the strategic

doctrine of “Five-in-One” and “The Four-pronged Comprehensive Strategy”.⁴ The concept was proposed by Xi at the Fifth Plenary Session of the 18th CCP Central Committee in October 2015, encompassing five orientations such as innovation, coordination, green, openness, and commonality, emphasizing that the “New Development Concept” is a profound change concerning China's future development:⁵ 1. innovation: to solve the problem of development dynamics; 2. coordination: to solve the problem of unbalanced development; 3. green: for better harmony between people and nature; 4. openness: to solve the problem of skewed internal and external developments; 5. commonality: to solve social justice problems. From the connotation of these five points, the “New Development Concept” seems very

3. “These Words of General Secretary Xi Jinping at the Central Economic Work Conference Rang True,” CCP Central Discipline Inspection Commission and State Supervision Commission website, January 11, 2021.

4. “Five-in-One”: comprehensively promoting economic, political, cultural, social, and civilized ecological construction; “Four Comprehensive Ideas”: the strategic layout of holistically building a modernized socialist country, deepening reform, ruling the country according to law and ruling the Party in a strict manner. Wang Xiaodong, Li Xiang and Wang Zhou, “A Profound Change in China's Every Development — Summary of General Secretary Xi Jinping's Important Remarks on the Complete, Accurate, and Full Implementation of the ‘New Development Concept’,” *People's Daily Online*, December 8, 2021. <http://cpc.people.com.cn/n1/2021/1208/c64387-32302202.html>.

5. “Xi Jinping: Focusing Efforts to Implement the Spirit of the Fifth Plenary Session for a Generally Wealthy Society on Schedule,” *CCP News*, January 18, 2016. <http://cpc.people.com.cn/BIG5/n1/2016/0118/c64094-28064766.html>.

diversified and covers almost all long-term issues of China's development since the reform and opening up.

However, the repeated emphasis on the CCP's unified leadership and coordination, rather than letting the market economy repair itself, reveals that its motive is mainly political for avoiding the impact of economic instability on the political level. Whether it is the issue of unbalanced regional development or social equity, it is in fact deeply related to China's social discontent and regime stability; and, as a result, we can see the CCP's approach is different from normal economic strategies that emphasize on innovation and economic circulations between internal and external markets. As it is now under the "New Development Concept" umbrella, the more emphasis is placed on coordination, the more difficult it is to focus on individual issues, resulting in a loss of focus due to excessive dispersion. For example, the energy crisis of September 2021, which resulted in a massive "power shutdown", is the result of an over-eagerness to achieve green development without considering the reality of economic production.

3. Trend Observation

Even though the "New Development Concept" has become Xi's guiding ideology for the future development of the CCP, there are still insurmountable objective realities in addition to internal and external constraints. The following section will discuss the issues in terms of the fundamental development imbalance and the economic outlook for 2022.

3-1. Long-standing development imbalances most difficult to overcome

At the beginning of Deng Xiaoping's reform and opening up, he adopted the strategy of "letting some people get rich first" and gave priority to the development of coastal areas and specific industries that could easily attract foreign investment and technology. The gradual shift from public to private ownership created a large number of "first to get rich" people and regions, as well as the phenomenon of "three disparities" (urban-rural, rich-poor, and east-west gaps). Therefore, the "New Development Concept" specifically focuses on coordination as the main solution to deal with this issue, while

the recent policy practice of the CCP is to solve the disparities mentioned above by means of “three distributions” and “common prosperity”. Although Xi pointed out at the 10th meeting of the CCP Central Financial Committee on August 17, 2021, that the goal of “common prosperity” is to highly improve the material and spiritual life of all people, and to promote common development in rural areas,⁶ he also wanted to solve the problems of unbalanced development and social justice. But in reality the CCP still needs to come up with a more specific and long-term solution. For example, private companies in China are currently encouraged to make voluntary donations to the government, but such moral persuasion must be accompanied by other administrative measures such as tax inspections, security checks, rectification, and more. If these measures, which fall in a grey area, evolve from short-term effects to long-term policies, they will cause private companies, especially foreign investors, to become suspicious of the

Chinese market and increase the hidden costs of investing. This will be even more detrimental to the “openness” concept in the “New Development Concept”, and will raise investors’ doubts about China’s sincerity in opening up and increase their hesitation in entering the Chinese market.

Moreover, the current “bureaucratic capitalism”, “the advancing state and the retreating private sectors” in China have shown that the CCP is the biggest controller of resources, holding the most vested interest and is the biggest beneficiary from the reform and opening up. But with the lion’s share of interests, how would the CCP and its members force the bureaucrats or large state-owned enterprises to “share the wealth” with the general Chinese people under the temptation of being in charge of everything? It can certainly not be accomplished just by anti-corruption or reform, since the established “winner take all” wealth distribution model is already irreversible. From these, we can see that the “get rich first to help others

6. “Xi Jinping Presided Over the Tenth Meeting of the Central Financial Committee and stressed the Importance of Promoting Common Prosperity in High-Quality Development, and Coordinating the Work of Preventing and Resolving Major Financial Risks,” *People’s Daily Online*, August 17, 2021.

later" idea promoted in the reform and opening-up era for 40 years was actually impractical. Therefore, the CCP will not be able to solve the longest-standing and most difficult problem of unbalanced development in the future with only nice ideas, slogans, and semi-compulsory short-term measures.

3-2. Stability is paramount to China's 2022 economic outlook

Xi's Economic Work Conference of the CCP Central Committee in December 2021 set the overall requirement for economic work in 2022 as "stability first while pursuing progress", which means that the CCP authorities understand that although the economy has been gradually recovering since the COVID-19 epidemic in 2020, it's only "better" than the same period last year — but not too much to expect; and it is difficult to say when the pandemic will be truly controllable as virus variants continue to emerge. On the other hand, this meeting also proposes the "houses are for living, not speculation" principle and encourages renting and buying homes to promote the construction of residential housing. The new policies represent a financial crisis for large real estate developers like Evergrande in 2021

and have exposed the fragility of China's real estate market and the possible domino effect, forcing the CCP to take careful steps in the face of such a financial crisis that could affect the domestic and even the world's capital markets. It should be noted that the gradual development of "reversing globalization" and the localization of production in Europe and the US during the pandemic crisis have led to the breakage, restructuring, and transfer of the manufacturing chain that was heavily dependent on China. This change will bring even more uncertainties to the Chinese economy.

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