

SPOTLIGHT: China's 20th Party Congress

In the weeks leading up to the Communist Party of China (CPC)'s 20th National Congress, few in China – or around the world – expected many surprises. In the first few days, at least, the Congress went largely according to plan.

President Xi Jinping delivered a five-yearly report on October 16th, setting the tone for the Party's ideology and policy agenda for the coming half decade. President Xi reiterated the CPC's long-term objective for China's development: to achieve basic socialist modernization (with per capita GDP at the mid-level of advanced economies) by 2035 and to become a strong socialist modern country by the middle of the century.

The next five years will be a critical period to begin building a Chinese-style modern socialist country. President Xi noted that “high quality development” is the No. 1 task toward socialist modernization, which may dispel some market concerns that China's government no longer cares much about economic growth.

Based on what President Xi outlined in the first week of the Congress, six aspects are important to pay attention to in the next five years:

1. China will aim to raise the status of innovation to a new height. Innovation will occupy a “core position” and be the “first driving force” to solve China's economic problems and its reliance on Western technology.
2. The country will promote green development, accelerate the planning and construction of a “new energy system,” and exert efforts at both ends of consumption and production. President Xi called for a “proactive and steady” approach to decarbonization and highlighted the importance of setting goals for clean air, soil, and water and changing economic and energy structures to achieve them.
3. He reemphasized the supremacy of the people, pledging to provide better, more equal public services and social safety support; increase employment; and improve and regulate the distribution system.
4. China will aim to coordinate regional development and build a regional economic layout with complementary advantages.

5. President Xi reiterated the importance of remaining open and maintaining diversified economic and trade relationships. He emphasized the importance of market orientation and support for the private sector to assure the people that the Party's long-term policy orientation and direction has remained unchanged.

6. Finally, President Xi also aimed to take security to new heights, focusing on ensuring security across food, energy, and supply chains. At the same time, he emphasized China's necessity – ability – to achieve reunification with Taiwan and said that China reserves the option of “taking all measures necessary” against “interference by outside forces.”

In summary, President Xi's emphasis on the development of the real economy and the importance of market orientation should be assuring to markets. Many have believed that economic growth would take a backseat for the current leadership, given what investors have experienced in China in recent years. However, the exact policies related to the implementation of President Xi's outline will not come out for some time – more details will be released in a number of working conferences between December this year and March of 2023.

In the short to medium term, the market continues to look for guidance on the handling of “Dynamic Covid Zero” in China and any continued relief for the beleaguered real estate sector.