

ECONOMY AND TRADE

May 3, 2024

China's economic trajectory is arguably the most vexing issue facing the Chinese Communist Party (CCP) and its leader, General Secretary Xi Jinping. China has recorded economic growth averaging over 9 percent per year since former paramount leaders Hua Guofeng and then Deng Xiaoping inaugurated an era of economic "reform and opening" following the death of Chairman Mao in 1976. Market-oriented policies and a favorable geo-economic environment enabled 800 million people to lift themselves out of poverty, transforming China into an upper-middle-income country and the world's second-largest economy. However, growth is now slowing to the mid-single digits, partly for structural reasons as China becomes richer, and partly for policy reasons as Xi's more statist agenda contributes to slower productivity growth and rising political risk. The transition from an old and now largely exhausted economic model centered on investment, manufacturing, and exports to a higher value-added model focused on consumption, services, and innovation will be crucial for China to become a high-income country. Xi has shifted the party's official focus from quantity of growth to quality of growth. Still, his efforts to reform China's economic structure have progressed slowly because of poor policy choices and the weight of vested interests. China's economy is likely to continue growing but not as fast as once thought, making distributional issues more important in Chinese politics, leading to an increase in social tensions and instability, and creating political headaches for Xi's administration. China's economic trajectory impacts not only Beijing but the global economy. China is the world's largest manufacturer, the largest trader, the largest exporter, the second-largest importer, the largest holder of foreign exchange reserves, one of the largest sources and recipients of foreign direct investment, and an important source of global growth.

- Institutions
- People
- Policy

Institutions

The CCP Central Financial and Economic Affairs Commission (CFEAC) under the CCP Central Committee has traditionally been the core decision-making and coordination body on economic policy and public finance, meeting about twice per year to discuss the overall direction of Chinese

economic policy. For example, Xi used a CFEAC meeting in August 2021 to launch his “common prosperity” agenda on economic inequality. Founded as a leading group in 1980, it was upgraded to a commission by Xi as part of the party-state institutional reforms of March 2018, a move designed to strengthen Xi’s personal and the party’s central leadership over the economy and the financial system compared with the State Council. The ministerial-level CFEAC General Office is at the core of coordinating high-level policymaking in these areas. During the Xi era, the CFEAC has had to compete with the more active CCP Central Comprehensively Deepening Reforms Commission.

The **CCP Central Comprehensively Deepening Reforms Commission (CCDRC)** is arguably the most influential policymaking, coordination, and implementation body under the CCP Central Committee and its elite 24-member Politburo and top 7-member Politburo Standing Committee (PSC). The party announced the establishment of the Central Comprehensively Deepening Reforms Leading Group at the Third Plenum of the 18th Central Committee in November 2013, and Xi chaired its first meeting in January 2014. The party upgraded this leading group to a formal commission in the party-state reforms of March 2018. Xi has used the CCDRC more than any other institution to implement “top-level design” and centralize policy decision-making across dozens of lower-level party agencies and state ministries. It meets about seven times annually to discuss reforms in six policy areas: the economic system and ecological civilization, democracy and the legal system, the cultural system, the social system, the party-building system, and the discipline and inspection system. A CCDRC “special group,” headed by a ministerial-level official, leads the commission’s detailed policy work in each area. The CCDRC focuses on far more than just economic policy, but it has played a key role in Xi’s efforts to reform the Chinese economic system with respect to markets, state-owned enterprises, technological innovation, high-end manufacturing, and environmental sustainability. Xi is the CCDRC Director, and the Premier, the Chairman of the Chinese People’s Political Consultative Conference (CPPCC), and the CCP Secretariat First Secretary have served as Deputy Directors. The CCDRC’s current membership is unclear, but it is thought to include around 20 deputy national-level leaders from the Politburo, State Council, and CPPCC.

The **State Council** is the top administrative body of the People’s Republic of China (PRC), the state founded and ruled by the CCP, and it effectively functions as the national cabinet of the central government. The main difference with other countries is that the State Council oversees the implementation of policies decided by the CCP, rather than formulating its own national policy agenda. However, the State Council has oversight of key economic agencies, and its implementation role can enable meaningful policy influence through interpreting central directives, drafting laws and regulations, issuing administrative regulations, and formulating development plans and government budgets. The State Council is led by the Premier, who is assisted by four Vice Premiers and five State Councilors (including the State Council Secretary-General), who together form the State Council executive, which meets two to three times a month to discuss

major government work and draft laws and regulations. The Premier and an Executive Vice Premier sit on the PSC, and the three other Vice Premiers hold Politburo seats. A plenary meeting of the full State Council is held every six months. It includes the leaders of all its constituent departments, which currently comprise 24 ministries and commissions, the People's Bank of China, and the National Audit Office. The PRC President nominates the Premier, who is then approved by the National People's Congress (NPC) at the Two Sessions following a Party Congress, for a maximum of two five-year terms. The Premier then nominates the rest of the State Council, whose members are appointed by the President following NPC approval. Despite such procedures, these appointments are decided by top leaders in secret negotiations. A major political project of Xi's rule has been to erode the institutional influence of the Premier and the State Council, which had traditionally played a leading role in economic policymaking, especially under Premiers Zhu Rongji (1998–2003) and Wen Jiabao (2003–2013).

The State Council also oversees economic research organizations. The State Council Development Research Center (DRC) is a ministerial-level public institution that researches a wide range of domestic and international economic issues and advises both the State Council and CCP Central Committee on economic policies. Its influence has declined, however, in line with Xi's steady marginalization of the broader State Council. The State Council Counselors' Office is a deputy ministerial-level agency that provides research and feedback on government policies, including but not limited to the economy, although it has less influence than the DRC.

The **National Development and Reform Commission (NDRC)** is the most important constituent department of the State Council in China's economic policymaking. Formerly the State Planning Commission, the NDRC oversees China's planning system, which produces the national Five-Year Plan for Economic and Social Development that all central government agencies and local governments use as a blueprint for their own more detailed policy planning processes. The NDRC is China's main macroeconomic control institution. It has responsibility for formulating a broad range of economic and social policies, often in conjunction with other line ministries, including Xi's "common prosperity" agenda. These responsibilities include economic targets, price policies, market policies, supply-side structural reform, overseas investment, domestic investment policy, regional development strategies, industrial development strategies, major infrastructure projects, consumption policy, innovation-driven development, scientific and technological infrastructure, high-tech industries, social development, basic public services, sustainable development, and the social credit system. The NDRC works with the Ministry of Commerce to draft negative lists for foreign investment at the national level and for various special economic zones, and with the National Health Commission to research demographic trends and formulate population policies. The NDRC also manages the General Offices of many leading groups that coordinate policymaking on specific priority issues, giving it added bureaucratic leverage in these areas. These groups include the National Defense Mobilization Committee, State Council Leading Group for Western

Development, and State Council Leading Group for the Revitalization of Old Industrial Bases in Northeast China—which are led by the Premier—and the State Council Leading Group for Promoting the Belt and Road Initiative, Leading Group for Coordinated Development of the Beijing-Tianjin-Hebei Region, Leading Group for Promoting the Development of the Yangtze River Economic Belt, Leading Group for Promoting the Development of the Guangdong-Hong Kong-Macao Greater Bay Area, and Leading Group for Promoting Comprehensive Deepening of Reform and Opening in Hainan—which are led by the Executive Vice Premier, usually with the NDRC Chairman as Office Director. The NDRC administers three deputy ministerial-level agencies: the National Food and Strategic Reserves Administration, the National Energy Administration, and the National Data Administration.

The **Ministry of Commerce (MOFCOM)** is a constituent department of the State Council that has primary responsibility for policy regarding domestic trade, foreign trade, export and import regulations, foreign direct investment, market competition, commodity market operations, consumer protection, industrial damage investigations, anti-dumping and countervailing measures, international economic cooperation, relations with the World Bank, and economic cooperation with Hong Kong, Macao, and Taiwan. It works with the NDRC to draw up negative lists for foreign investment. The ministry lost its powers in the areas of anti-monopoly, intellectual property, counterfeit goods, foreign aid, and some financial products in the party-state reforms of March 2018. A ministerial-level MOFCOM Deputy Minister serves as China's International Trade Representative, who leads China's negotiations for bilateral and multilateral trade agreements.

The **Ministry of Agriculture and Rural Affairs (MARA)** is a constituent department of the State Council that plays an important role in economic policymaking for China's rural areas, where almost 35 percent of the Chinese population still lives. Formed as an expansion of the old Ministry of Agriculture in March 2018, MARA is responsible for policies related to the "three rural issues" of China's development—agriculture (especially agricultural industrialization), rural areas (especially urban-rural economic disparities), and farmers (especially urban-rural income disparities). It manages farming, fisheries, animal husbandry, farmland resources, irrigation projects, land reclamation, agricultural mechanization, agricultural product quality and safety, and agricultural investments. It gained responsibility for policies related to rural science and technology from the Ministry of Science and Technology in March 2023 and absorbed the deputy ministerial-level National Rural Revitalization Administration. Greater attention to rural development reflects Xi's mission in his second term to end absolute poverty in rural areas and his goal in his third term to narrow the urban-rural divide under his "common prosperity" agenda. MARA also houses the General Office of the CCP Central Rural Work Leading Group (CRWLG), which is led by a Vice Premier, with the MARA Minister as Director and representatives from the ministries and agencies in charge of agriculture, water, forestry, poverty alleviation, and development and reform.

The State Council also oversees the ministerial-level **All-China Federation of Supply and Marketing Cooperatives**, which oversees a national network of over 35,000 state-run commercial cooperatives that coordinate the buying and selling of agricultural inputs, agricultural produce, and consumer goods in rural areas. A legacy of the planned-economy era, the cooperative system has been significantly revived and modernized by Xi's administration to help lower prices, create markets, and improve livelihoods for Chinese farmers.

The **State-owned Assets Supervision and Administration Commission of the State Council (SASAC)** is a ministerial-level special organization under the State Council responsible for overseeing almost 100 of the most important central state-owned enterprises (SOEs). SASAC does not run the day-to-day business of these SOEs, but it performs the duties of a corporate funder and supervises company profits, capital management, executive salaries, corporate governance, compliance, and mergers. These SOEs collectively control tens of trillions of dollars in assets and several trillion dollars of revenue and hold commanding positions in strategic industries such as aerospace, defense, energy, resources, technology, telecoms, and transportation (but not finance; those SOEs are managed by the Ministry of Finance). Roughly half these central SOEs are equivalent to deputy ministerial-level government agencies, as the CCP Organization Department selects their top operational leaders. SASAC also houses the General Office of the State Council Leading Group for State-owned Enterprise Reform, founded by Xi in 2014, which is led by a Vice Premier with the SASAC Director as the Office Director.

The State Council manages several other agencies that play important roles in economic and trade policy. The General Administration of Customs (GAC) is a ministerial-level agency responsible for export and import supervision, customs inspections, port management, and collecting various taxes such as customs duties, excise duties, and air passenger duties. The State Taxation Administration (STA) is a ministerial-level agency responsible for collecting other national taxes and for formulating and implementing tax policies (with the Ministry of Finance). The National Bureau of Statistics (NBS) is a deputy ministerial-level agency responsible for collecting, researching, and publishing national economic and social statistics and for national economic accounting.

The State Council oversees several bodies that are significant actors in the Chinese economy through their work on public finance and financial regulation, including constituent departments like the Ministry of Finance (MOF) and the People's Bank of China (PBoC), as well as ministerial-level agencies such as the National Financial Regulatory Administration (NFRA) and the China Securities Regulatory Commission (CSRC). These institutions are discussed in the "**Finance**" section. Many other State Council constituent departments play a role in aspects of China's economic policymaking, such as the Ministry of Industry and Information Technology (MIIT), the Ministry of Science and Technology (MOST), and the State Administration for Market Regulation (SAMR), which are discussed in the "**Technology**" section; the Ministry of Ecology and

Environment (MEE) and the Ministry of Natural Resources (MNR), which are discussed in the “**Energy and Environment**” section; plus many others like the Ministry of Transport (MOT), the Ministry of Housing and Urban-Rural Development (MHURD), the Ministry of Human Resources and Social Security (MHRSS), the Ministry of Culture and Tourism (MCT), and the Ministry of Education (MoE).

The **All-China Federation of Industry and Commerce (ACFIC)** is a nominally nongovernmental chamber of commerce for China’s private entrepreneurs, industrialists, and other business leaders, comprising over 4.5 million members. It functions as an institutional structure for the CCP to contact, consult, and control the private sector. ACFIC is part of the party’s United Front architecture under the CPPCC, which aims to mobilize nonparty personnel and social groups to support the party’s objectives. The federation is a permanent constituent of the CPPCC and is allocated seats in the CPPCC National Committee and the NPC. ACFIC has a ministerial-level Party Secretary and a Chairman, often a member of the China National Democratic Construction Association satellite party, who also serves as deputy national-level CPPCC Vice Chair. A ministerial-level **CPPCC Economics Affairs Committee** manages political advisory and community consultation work on economic policies. Legislative work on the economy is supervised by the ministerial-level **NPC Financial and Economic Affairs Committee**, although the most substantive input on new laws comes from party bodies and State Council agencies.

People

Xi Jinping is the most influential economic policymaker in China by virtue of his position as CCP General Secretary and head of the Politburo and its PSC. He has centralized decision-making power on economic issues through his creation and leadership of the CCDRC and CFEAC. However, Xi’s limited personal knowledge and experience of economic policymaking, which he prefers to view through the lens of broader political and strategic issues, means that he has had to effectively delegate economic policymaking to others to a greater degree than in many other policy areas.

The next most powerful actor is **Li Qiang** (born July 1959), Premier of the State Council and the second-ranked PSC member. Li is one of Xi’s closest allies, having worked as Xi’s top political secretary in Zhejiang Province in the mid-2000s, and he is ultimately responsible for the decisions of the State Council, including the work of its economic agencies. Just as important as the premiership, if not more so, are Li’s roles as CFEAC Deputy Director and as CCDRC Deputy Director, which give him an influential voice in party decision-making about economic issues. Li’s elevation was unusual because, unlike every other Premier since 1976, he had never served as a Vice Premier—or even in any State Council role. He also oversaw the harsh and unpopular Shanghai lockdown of early to mid-2022, which alienated many Chinese elites and significantly

disrupted growth that year. Li Qiang was well known for having a business-friendly approach as a provincial leader, and he has spearheaded China's post-COVID economic recovery, but his track record is typical of provincial leaders who were incentivized to prioritize growth, including Xi himself. Xi certainly trusts Li Qiang more than Li's predecessor and Xi's erstwhile rival Li Keqiang. The outgoing Li belonged to the Communist Youth League faction of Xi's predecessor Hu Jintao and did not always align his political speeches and actions with Xi's stances. The new Li may have greater latitude to emphasize pro-growth positions in party meetings, but he is ultimately a Xi appointee who is dependent on his favor. (See the "Top Leadership" section for more details on Li and other PSC members.)

Aside from Li Qiang, the other CCDRC Deputy Directors are fellow PSC newcomer **Cai Qi** (December 1955), the First Secretary of the CCP Central Secretariat, and **Wang Huning** (October 1955), Cai's predecessor, who retains his CCDRC position despite now serving as CPPCC Chairman, a position not associated with the CCDRC before the 20th Party Congress. Wang also remains the Director of the CCDRC General Office, a position he has held since 2014, which gives him significant bureaucratic power to oversee the execution of Xi's economic, political, and social reform agendas. Wang has been Xi's top ideologue and a key crafter of "Xi Jinping Thought," largely remaining in the background compared with other top leaders. The renewal of Wang's position on the CCDRC suggests that he will continue to influence Xi's thinking, pushing the paramount leader to maintain his strong focus on ideological discipline and national security. Wang's ministerial-level Executive Deputy Director in the CCDRC General Office since 2014 has been **Mu Hong** (December 1956), an economic technocrat who previously worked in the state planning bureaucracy for over 20 years (with a specialty in fixed-asset investment and foreign investment utilization), did a stint as an Assistant Governor and then Deputy Governor of Guangxi, and then became an NDRC Deputy Chairman in 2007 (a title he held until March 2023). Mu became a CPPCC Vice Chairman in March 2023, a deputy national-level position that allows him to remain in his position past the ministerial-level retirement age of 65 and therefore to stay close to Wang.

Ding Xuexiang (September 1962) is the Executive Vice Premier of the State Council and the sixth-ranked PSC member. Like his predecessor, Han Zheng, Ding has oversight of key economic portfolios such as development and reform, public finance, taxation, and the environment. Ding's appointment was also unusual because he had no experience leading a province, let alone in central State Council leadership. Ding rose to the top echelon of Chinese politics by serving as a top political secretary of Xi in Shanghai and then for most of his time as paramount leader in Beijing. Rumors exist that Ding Xuexiang may have been positioned to replace Li Qiang as Premier at the 21st Party Congress in 2027, given that Li will have reached the traditional Politburo retirement age of 68 by then; however, Xi could still exempt Li from this norm, as he did several leaders at the 20th Party Congress. Moreover, while Ding has spent a lot of time with Xi and is undoubtedly a talented political aide, he has yet to prove himself as a statesman or an economic

leader. Another sign that Ding and the State Council may play less of a role in economic policy is that he did not inherit Han Zheng's position as a CCDRC Deputy Director.

He Lifeng (February 1955) is the Vice Premier in charge of commerce, including trade and foreign investment, as well as the financial sector (see the "Finance" section for more details). He is a key operator in the coordination and implementation of economic and financial policy as Director of the CFEAC General Office. He has been close to Xi since they met in the city of Xiamen in the 1980s, when Xi was a Deputy Mayor and He was a leader in the municipal finance bureau. He continued to rise through the local government ranks in Fujian during Xi's almost two decades in the province, where he eventually served as Deputy Party Secretary and Governor. He reached the provincial party standing committee as Mayor of Fujian and later Mayor of Xiamen, then worked as a Deputy Party Secretary of Tianjin, before Xi brought him to Beijing as a ministerial-level NDRC Deputy Chairman in 2014, then promoted him to NDRC Chairman in 2017 and a deputy national-level CPPCC Vice Chair in 2018. He is a strong advocate of Xi's economic policies, writing in a fawning article in June 2022 that Xi's thought should be integrated into "the entire process of economic work in all fields." He is also known for his attachment to infrastructure-driven growth, having so revamped the urban landscape of Fujian that he earned the nickname "Demolition He." His appointment could increase the chances of China implementing greater stimulus spending to alleviate slowing growth.

He Lifeng's current role is especially important because he assumed many key portfolios from the retiring **Liu He**, a U.S.-trained policy economist, key advisor, and friend of Xi's who served as Director of the CFEAC General Office from 2013 to 2023, on the Politburo from 2017 to 2022, and as a Vice Premier from 2018 to 2023. During this time, he was a central figure in U.S.-China trade talks and China's economic diplomacy with foreign investors and multinational corporations. Domestically, Liu He was the key figure in advancing "supply-side structural reform," which aimed to upgrade China's economic structure through cutting excess capacity, reducing financial leverage, shrinking property inventories, lowering business costs, and promoting innovation. Liu He's strategy achieved gradual progress on significant structural issues but narrowed Beijing's scope to focus policy support on consumption and growth. He Lifeng, who is not an economic technocrat but a career local leader, is understood to be relatively pro-growth and could focus more than Liu He on demand-side policies, including *hukou* (household registration) reform, rural revitalization, employment promotion, and social spending. Supply-side policies are likely to focus more narrowly on Xi's "dual circulation" policies of technological innovation, supply chain resilience, and economic security.

Han Wenxiu (September 1963) is the ministerial-level Executive Deputy Director of the CFEAC General Office. Han is a protégé of Liu He, having worked directly under Liu in the CFEAC General Office from 2005 to 2011 and then again from 2018 onward (after a spell at the State Council

Research Office), as well as overlapping with him at the former State Planning Commission for most of the 1990s. Han also appears to be close to former PBoC Party Secretary Guo Shuqing (see the "Finance" section), as the two coauthored a 1991 book about China's gross national product. Han studied and worked at Peking University for most of the 1980s, where campus party activities likely saw him cross paths with Xi loyalists such as Shi Taifeng and Li Shulei and with Communist Youth League stalwarts like Li Keqiang and Hu Chunhua. Han was prominent at official news conferences about Xi's "common prosperity" agenda, where he attempted to calm market fears and emphasize that Xi's agenda was a more long-term and technocratic exercise than initial policies had suggested. Han's next step is uncertain, but he entered the CCP Central Committee for the first time at the 20th Party Congress, suggesting that he is on track for further promotion.

The CFEAC General Office has at least three Deputy Directors. **Yan Pengchang** (December 1972) is a political economist and longtime Party media journalist who worked at the State Council General Office before serving as a top lieutenant for He Lifeng in the NDRC for several years. **Zhu Weidong** (July 1968) is an agricultural economist who spent most of his career working on agricultural issues in the CFEAC General Office or the General Office of the CCP Central Rural Work Leading Group that CFEAC absorbed in 2023. **Yang Yinkai** (April 1970) is an NDRC veteran with a specialty in regional economic development and industrial rejuvenation who won major internal promotions during He Lifeng's tenure as NDRC Chairman, eventually serving as his personnel chief.

Zhang Guoqing (August 1964) is the Vice Premier in charge of industrial policy after assuming Liu He's responsibility for industry and information technology and former State Councilor Wang Yong's portfolios of SOEs and (nonfinancial) market regulation. The elevated status of the last two policy areas suggests that Xi's focus on upgrading SOEs and regulatory expansion will intensify. **Liu Guozhong** (July 1962) is the fourth-ranked Vice Premier and oversees a combination of less heavy-hitting portfolios that were previously held by Hu Chunhua and former Vice Premier Sun Chunlan, including health, water, and agriculture and rural affairs. Zhang's more prominent jobs will include protecting against a COVID-19 resurgence, overseeing Xi's rising focus on food security, and Xi's "common prosperity" efforts to close the urban-rural divide.

The State Council executive is completed by five State Councilors, who are less powerful than Vice Premiers because, while they hold deputy national-level rank, they do not sit on the Politburo. The most important State Councilor for economic policy is **Wu Zhenglong** (November 1964), who serves as State Council Secretary-General. The others are **Wang Xiaohong** (July 1957), the Minister of Public Security; and **Shen Yiqin** (December 1959), a full-time State Councilor who oversees civil affairs, veteran affairs, sports, and human resources and social security. Beijing appointed five State Councilors in March 2023 but in October 2023 it stripped the position from both **Li Shangfu** (February 1958), the former Minister of National Defense, and **Qin Gang** (March 1966), the former

Minister of Foreign Affairs, reportedly due to disciplinary investigations. Beijing has yet to announce their replacements on the State Council.

Zheng Shanjie (November 1961) is the Chairman of the NDRC. Hailing from Fujian Province, he studied chemical equipment corrosion at Nanjing Tech University. Zheng spent the first 15 years of his career at the Xiamen Cod Liver Oil Factory, where between 1982 and 1997 he rose from working in equipment maintenance to become a successful factory manager. He won promotion to district leadership roles in the city of Xiamen before serving as a top political secretary to the city leadership and as Director of the Xiamen municipal and then the Fujian provincial development and reform commission (DRC). Zheng was a factory employee in Xiamen while Xi was Deputy Mayor from 1985 to 1988 and a district-level official in Xiamen for most of Xi's tenure as Deputy Party Secretary of Fujian from 1995 to 2002. Zheng's most important political connection is likely as a protégé of Xi confidant He Lifeng, who was his predecessor at the NDRC and is now a Vice Premier. Zheng's achievements at the Xiamen Cod Liver Oil Factory in the mid-1990s would have caught the attention of local authorities, and He was a city official from 1984 to 1995 and a deputy mayor from 1992 to 1995. His return to Xiamen as Party Secretary from 2005 to 2009 made him Zheng's superior when the latter was Xiamen DRC director. He may also have used his position on the provincial party standing committee to help Zheng win promotion to the provincial DRC in 2008. Zheng enjoyed a rapid series of promotions after Xi came to power, winning a relatively late promotion to the deputy ministerial level as a Deputy Governor of Fujian in 2015 before becoming Director of the National Energy Administration, Deputy Director of the State Council Taiwan Affairs Office, Governor of Zhejiang, and Party Secretary of Anhui. He did all this without a seat on the CCP Central Committee, which he finally won at the 20th Party Congress. Zheng was named NDRC Director as one of the very few new State Council ministers appointed at the Two Sessions in March 2023.

Wang Wentao (May 1964) is the Minister of Commerce. Wang studied philosophy at Fudan University in Shanghai before he was assigned a teaching role at Shanghai Aerospace Staff University (under the Shanghai Academy of Spaceflight Technology), where he rose to become Vice President and General Manager of the Photocopier Sales Department. He then worked in district-level governments in Shanghai, with a brief interlude in Yunnan Province, before he was brought back to the city during Xi's leadership in 2007 to lead the central district of Huangpu. After working with Xi and several of his top allies in Shanghai, Wang was promoted to the provincial party standing committees in Jiangxi and Shandong, then became Governor of Heilongjiang in 2018 and Head of MOFCOM in 2020. Xi has promoted many technocrats to senior positions in the economic and trade bureaucracy, but Wang is a Xi ally and a more political appointment, reflecting the sensitive task of balancing growth with assertive diplomacy and economic coercion.

Wang Shouwen (March 1966) is the ministerial-level MOFCOM Deputy Minister who serves as China's International Trade Representative. He is a trade expert who, aside from two years in Tibet between 2001 and 2003 and year in Jiangsu from 2009 to 2010, has only worked for MOFCOM and one of its predecessors, the former Ministry of Foreign Trade and Economic Cooperation (MFTEC), where he often worked alongside GAC Director Yu Jianhua. Wang specialized in trade management, fair trade, and textiles. He became a MOFCOM Deputy Minister in 2013, a Deputy International Trade Representative in 2015, and took on his current role in 2022.

Tang Renjian (August 1962) is the Minister of Agriculture and Rural Affairs and the Director of the CRWLG's General Office. Tang is an expert in agriculture policy who began his career in the former Ministry of Agriculture (and its predecessors) from 1983 to 1998. He then worked in the CFEAC General Office from 1998 to 2014, first in its rural group and then as a Deputy Director, where he worked with Liu He and then under Liu's leadership from 2013 to 2014. Tang concurrently served as Deputy Director of the CRWLG General Office from 2006 to 2014. He was then Deputy Governor of Guangxi from 2014 to 2016, a ministerial-level Director of the CRWLG General Office and Deputy Director of the CFEAC General Office from 2016 to 2017, and Governor of Gansu from 2017 to 2020.

Han Liping (January 1960) is the Party Secretary of the All-China Federation of Supply and Marketing Cooperatives. Previously, he worked in the powerful CCP General Office for several decades, including under Hu Jintao, before serving as its Deputy Director from 2017 until 2019. The federation's Director position is currently vacant.

Zhang Yuzhuo (January 1962) is the Director of SASAC. Zhang is a coal mining engineer who won national awards for his innovations in new types of coal-related chemical engineering and for his role in the construction of the world's first direct liquefaction coal plant. He holds a doctorate in mining engineering from the University of Science and Technology Beijing and was a researcher at the University of Southampton in the United Kingdom and at Southern Illinois University in the United States. Since 2011, he has been an academician in the elite Chinese Academy of Engineering. Zhang spent most of his career in the state-owned coal industry, at the China Coal Research Institute (1985–2002), where he rose to become President and Deputy Party Secretary, and at the energy and mining giant Shenhua Group (2002–2017), where he was General Manager and then Party Secretary. Zhang then served as leader of the Binhai New Area and Pilot Free Trade Zone in Tianjin from 2017 to 2020 (under Politburo members Li Hongzhong and Zhang Guoqing), of the oil and gas firm Sinopec from 2020 to 2021, and then of the China Association for Science and Technology from 2021 until his move to SASAC in 2022, as the ministerial-level Party Secretary of the United Front body for scientists, engineers, and technologists. Zhang's appointment to SASAC fits with Xi's recent pattern of promoting technocrats and likely also reflects Xi's rising concern about China's energy security and the continued importance of coal in the green energy transition, both to avoid compromising energy supply and to manage the country's powerful coal sector.

Yu Jianhua (December 1961) is the Director of the General Administration of Customs. Yu is a trade expert who trained as an economic diplomat and worked for MFTEC from 1991 to 2003, where he specialized in Europe and did a posting in Brussels. That ministry was folded into the new MOFCOM in 2003, where Yu worked on the World Trade Organization (WTO) and international trade relations, eventually serving as China's deputy ministerial-level ambassador to the WTO from 2013 to 2017 and then to the United Nations in Geneva from 2017 to 2019. He was Deputy International Trade Representative from 2019 to 2021 and International Trade Representative from 2021 to 2022, when he became GAC Director.

Hu Jinglin (June 1964) is the Director of the State Taxation Administration. He is an expert in state asset management who holds a doctorate in economics. He spent the first decade of his career at the predecessor agency to the State-owned Assets Supervision and Administration Commission and the next two decades in the Ministry of Finance, where his roles included Deputy Director of the Asset Valuation Department, Director of the Economic Construction Department, Director of the General Office (2007-2009), Assistant Minister (2009-2014), and then Deputy Minister (2014-2018). From 2018 to 2023 he served as the inaugural Director of the National Healthcare Security Administration, before being appointed to his current role in late 2023.

Kang Yi (August 1966) is the Director of the National Bureau of Statistics. After studying economics at Shanghai University of Finance and Economics, Kang joined the China Construction Bank (CCB), working in the Hubei provincial office before leading the branches focused on the Three Gorges project, leading the provincial branches in Gansu and Fujian during former PBoC Party Secretary Guo Shuqing's tenure as CCB Party Secretary, and then working in the Beijing headquarters. Kang assumed his current role in March 2022 after stints as Vice President of the Agricultural Branch of China and Deputy Mayor of Tianjin under Xi loyalist Li Hongzhong from 2018 to 2022. An alternate member of the 20th Central Committee, Kang is young enough to keep rising to more senior economic leadership positions.

Gao Yunlong (December 1958) is the Chairman of ACFIC. Gao studied chemical engineering at Xi's alma mater, Tsinghua University, from 1986 to 1989, worked in engineering and resource management roles at a state bureau and the Chinese Development Bank, pivoted to local government positions in Guangxi and Qinghai Provinces, and then served as General Manager of state-owned financial company China Everbright Group. In the provinces, he began to hold leadership roles in the China National Democratic Construction Association, one of the eight legally sanctioned satellite parties in the CCP's United Front. He became a rare non-CCP member to hold a senior provincial leadership role when he served as a Deputy Governor of Qinghai from 2007 to 2013. He then became General Manager of China Everbright Group and took on his current role in 2017. In 2018, he became a CPPCC Vice Chairman, a role that was renewed for another five-year term in 2023, meaning that he is a deputy national-level leader. Gao's high rank reflects the

importance to Xi of managing the private sector, which is both a target of regulatory rectification and an essential driver of economic growth.

Xu Lejiang (April 1959) is the Party Secretary of ACFIC and a ministerial-level Deputy Director of the CCP United Front Work Department (UFWD). After studying metallurgy in Jiangxi, Xu worked at the state-owned steel behemoth Baosteel and its predecessors in Shanghai from 1982 to 2016, where he was Board Chairman during Xi's time as Party Secretary of Shanghai in 2007 and worked under several top Xi allies over the years, such as Ding Xuexiang, Li Xi, and Zhong Shaojun. He added the post of Party Secretary in 2014. He was briefly an MIIT Deputy Minister before starting his current roles in 2017. Xu is still a year short of retirement age, but his absence from the 20th Central Committee suggests that he may soon retire and make way for a new ACFIC party leader.

Wang Guosheng (May 1956) is the Director of the CPPCC Economic Affairs Committee. Wang was a career local leader who spent his early career in his native Shandong, then a decade in Jiangsu, before posts as Governor of Hubei (under Xi loyalist Li Hongzhong), Party Secretary of Qinghai, and Party Secretary of Henan before hitting retirement age in 2021. He served on an NPC Committee before taking on his current role in March 2023.

Zhong Shan (October 1955) is the Director of the NPC Financial and Economic Affairs Committee. Zhong spent his early career in the SOE sector in his native Zhejiang, then worked in the provincial trade office, before serving as Deputy Governor of Zhejiang when Xi was Governor and Party Secretary of the province in the mid-2000s. In 2008, Zhong was transferred to MOFCOM in Beijing, where he served as a Deputy Minister, then International Trade Representative for most of Xi's first term (which brought free trade agreements with Australia and South Korea), and then Minister from 2017 to 2020, when he hit retirement age. Zhong was a Deputy Director of the CPPCC Economic Affairs Committee from 2021 until March 2023.

There is substantial overlap between China's top macroeconomic leadership and leadership in the financial sphere, although greater separation and important differences emerge at the ministry level and below. Key leaders in financial policy include **Pan Gongsheng** (July 1963), Governor of the People's Bank of China; **Lan Fo'an** (June 1962), Minister of Finance; **Li Yunze** (September 1970), Chairman of the National Financial Regulatory Administration; and **Wu Qing** (April 1965), Chairman of the China Securities Regulatory Commission. They and several other officials are discussed in the "Finance" section.

Policy

There are essentially two sides to debates about Chinese economic policy. The first can be termed "Fortress China," led by Xi and his ideology of "Xi Jinping Economic Thought." This side emphasizes

the need to prepare China for geopolitical competition by prioritizing economic and technological “self-reliance” and the party-state’s guidance of the economy through SOEs, industrial policy, and state subsidies, as well as achieving “common prosperity” by reducing economic inequality. The other side, which can be called the “Reform and Opening” faction, feels that by rolling back market-based reforms, empowering the state sector, and limiting opening to international investment, Xi’s economic policies have damaged private sector confidence, undermined productivity gains, and, ultimately, damaged China’s economic prospects—resulting in slowing growth and threatening China’s future as a superpower. Though they are far from being free-market radicals, this side would prefer to see China turn away from strident economic nationalism and return to more market-oriented policies.

Xi’s authoritative report to the 20th Party Congress in October 2022 indicated that his “Fortress China” mentality has infused the party’s long-term economic planning, a process that has been amplified by China’s increasingly hostile geopolitical environment. Xi’s appointment of Li Qiang, Ding Xuexiang, and He Lifeng as his top economic team shows the importance of political loyalty over economic expertise. He said that the party’s “central task” is to “build a socialist modern power” by the centenary of the PRC in 2049 and to “use Chinese-style modernization to comprehensively advance the great rejuvenation of the Chinese nation.” This focus on “Chinese-style modernization” as the pathway to “national rejuvenation” is new and underscores Xi’s determination to steer China’s economy on a non-Western course in which the state has a prominent role and party leadership is an “essential requirement.” The report introduced “systems thinking” as key aspect of “Xi Jinping Thought.” This concept holds that “everything is interconnected and interdependent,” as Xi’s economic, political, and social reforms involve adjusting the balance of interests such that “pulling one hair moves the whole body.” For Xi, the solution to increasingly complex policy problems is to enhance party oversight over the Chinese economy and Chinese society and introduce more governmental “systems” to manage the country’s development in all areas.

Consequently, Xi’s report presented a vision of a “modern socialist market economy” that is more deliberately managed by the party to shore up weaknesses in areas deemed vital to the security of China’s development. The spirit of liberal economic ideals such as market reform and openness—which was still present in the 2017 report and had its last great hurrah in the decision issued by the Third Plenum of the 18th Central Committee in November 2013, in the early years of Xi’s consolidation of power—was essentially absent. Xi instead wants to strengthen political oversight of macroeconomic policymaking and financial activity; to see SOEs play a “stronger, better, and bigger” economic role; and to “guide the development of the non-public sector.” This ideological shift reflects the stronger government action necessitated by Xi’s twin transformations in Chinese economic policymaking, from prioritizing the pace of growth to prioritizing the quality of growth, and from prioritizing economic development to balancing development and security.

The first transformation saw Xi introduce the “new development concept” at the Fifth Plenum of the 18th Central Committee in October 2015, which stated that China’s development must be driven by innovation, coordinated between regions, green in its sustainability, open to trade and investment, and shared by the Chinese people. Then, at the 19th Party Congress in October 2017, he changed the “principal contradiction,” a Marxist term for the key problem the party wants to solve, from the contradiction between “the ever-growing material and cultural needs of the people and backward social production” to that between “unbalanced and inadequate development and the people’s ever-growing needs for a better life.” The implication is that the party should prioritize creating “a better life” for Chinese people over the rampant economic expansion that enabled corruption, inequality, and pollution to get out of control. Xi’s October 2022 report leaned further into the new development concept by clarifying that while development remains the party’s “top priority” for governing, its “primary task” for building a modern socialist economy is now “high-quality development.”

The second transformation is a more recent development in the Chinese political economy. It reflects Xi’s concern, especially as US policy toward China shifted from economic engagement to economic containment under the administrations of Donald Trump and Joe Biden, that the country must reduce its economic and technological exposure to the US-led alliance in a time of rising geopolitical competition. In October 2020, at the Fifth Plenum of the 19th CCP Central Committee, which issued recommendations for formulating the China’s 14th Five-Year Plan, Xi introduced the “new development paradigm.” Xi defined this paradigm as accelerating the construction of a development pattern “with domestic circulation as the main body and with the dual domestic and international circulations promoting each other.” Put simply, the so-called dual circulation strategy aims to boost domestic demand and technology as growth drivers while making the world more reliant on Chinese supply chains. Food security (along with energy security) is also part of the greater focus on domestic circulation, with Xi’s “rural revitalization” agenda now intersecting with the goal of “achieving food security on all fronts.”

Part of Xi’s focus on economic security has been greater political scrutiny of private business. A key event in the development of Xi’s more skeptical attitude toward business was the Chinese stock market turmoil of 2015–2016, which effectively rang the death knell for the already-faltering market reforms proposed at the Third Plenum of 2013. Xi has already begun boosting policy and funding support for SOEs relative to nonstate counterparts, but this episode reinforced the notion that free markets lead to economic crises and that the private sector was out of regulatory control and becoming a potentially independent force that could challenge party rule. No longer could capitalists do what they wanted as long as they contributed to economic growth and did not openly oppose Beijing. To enhance compliance with party directives, Xi reinvigorated the role of party committees in private firms (which are subject to political discipline), encouraging party members

to form committees in more firms and to play a larger role in their corporate governance. In July 2020, Xi convened a forum of business leaders, telling them they needed to be “patriotic entrepreneurs.” That September, the party issued new regulations that strengthened United Front work in private firms and the “ideological and political education” of entrepreneurs. The aim is to cultivate a “backbone team” of business executives who “unswervingly follow the party” and cooperate in “major national strategies.”

Xi’s 20th Party Congress report signaled his desire to “strengthen party building” in nonstate firms and signaled overall that private firms in China would likely face a more restrictive political environment, mounting compliance challenges, and heavy-handed government interventions. The report also flagged new laws in “important, emerging, and foreign-related areas” and stronger “mechanisms for countering foreign sanctions, interference, and long-arm jurisdiction.” While the party has deployed such instruments sparingly in response to US sanctions and export controls, the possibility of rising enforcement and new laws will present growing compliance dilemmas for multinational corporations.

However, Xi cannot achieve national rejuvenation without economic growth. China will not be the world’s leading power by midcentury if its economy does not continue to expand at a healthy rate. Delivering growth is a pragmatic constraint on Xi’s political agenda that has limited the pace and scope of his ideological policymaking and regulatory agendas. Between mid-2020 and mid-2021, when the zero-COVID policy still made China’s economy the envy of the world, boosting Beijing’s confidence in the superiority of the Chinese system, Xi elevated his focus on “common prosperity” and launched the most ambitious regulatory interventions of his leadership, including an overnight ban on for-profit academic tutoring and plans for a sizeable property tax trial (see the “Technology” and “Finance” sections for more details). But these campaigns rattled markets and undermined confidence in China’s economic trajectory. In 2022, when growth began to suffer, primarily because of COVID lockdowns, Xi slowed or paused many of these initiatives to revive growth, which became the clear priority of his early third term, as signaled at the annual Central Economic Work Conference in December 2022.

Xi recognizes the importance of economic growth. His 20th Party Congress report updated the party’s 2035 goals for “basically realizing socialist modernization,” which he first set at the 19th Party Congress in 2017, to explicitly link the number-one goal to “greatly increase comprehensive national power” to reaching the per capita gross domestic product of “mid-level developed countries” (approximately US\$20,000). He further prioritized goals to increase per capita disposable income, significantly enlarge the proportion of middle-income earners, equalize basic public services, and make more visible and substantial progress on common prosperity. He also introduced key economic policy objectives to achieve by the 21st Party Congress in 2027, including synchronizing household income growth with economic growth and synchronizing growth in labor

compensation with growth in labor productivity. Xi's efforts to square his ambitions for economic growth with political control with his regulatory ambitions—he promises more “visible” and “substantial” progress on “common prosperity” by making income distribution more equal—will likely lead to continued regulatory uncertainty and policy inconsistency in his third term.

Since the end of 2022, Xi's administration took significant steps to try to mitigate investors' apprehensions by lifting the bulk of COVID-related restrictions, highlighting the priority of economic recovery, and unfurling a series of regulatory rollbacks for the beleaguered property sector. This flurry of actions ignited a spirited rally in Chinese equities. However, as 2023 progressed, it became evident that the return of foreign capital to China may be a slower process than initially expected. Investors have yanked over \$100 billion from China's bond market and drastically curtailed their stakes in the country's stock market. The reasons for this are manifold: concerns over Beijing's cozy relationship with Moscow, a yuan that has progressively lost ground against the U.S. dollar, and the perception of a more hostile investment environment due to escalating geopolitical tensions and the tightening of national security laws. The absence of a substantial yield spread between Chinese and U.S. bonds is also discouraging potential investors who are looking for more lucrative opportunities.

Amidst economic headwinds and waning business confidence, Li Qiang, China's newly appointed Premier, has extended a robust invitation to foreign corporations. During the China Development Forum in Beijing in March 2023, Li engaged with global CEOs, assuring them of China's unwavering commitment to widening its gates to international investment. He encouraged these businesses to not just invest in China but to plant deep roots there. Underscoring the resilience of China's commitment to global openness, Li asserted that irrespective of the shifting global landscape, China's dedication to expanding its integration with the world economy remains steadfast. This, he clarified, is largely due to the deep-seated role China's economy plays in the global division of labor. He pledged China's alignment with international economic and trade regulations, its commitment to ensuring foreign investments are treated equitably, and its intent to streamline trade and investment by eliminating superfluous government controls. However, overall sentiment remains mixed. Xi's perceived suspicion of foreign capital, sharpened by geopolitical tensions, has cast a long shadow over the Chinese market's potential.

Heightened concerns over supply chain security have prompted China to adopt a more vigilant stance, particularly due to escalating tensions with the United States. US attempts to limit China's access to advanced chip technology have amplified these concerns. China is expected to unveil measures aimed at bolstering supply chain security, which could involve manufacturing subsidies and adjustments to education policies to promote domestic technological advancements. Business can expect increased credit support and government subsidies for manufacturing upgrades and

innovation. Beijing is also likely to keep attempting to strengthen trade ties with other economies, though less so with the United States, to enhance long-term productivity and competitiveness.

Most concerning for China's economic outlook, and for the outlook of Xi's nation-building project, is that his 20th Party Congress report suggests a limited appetite for the market-oriented structural reforms needed to deliver long-term sustainable growth. Reforms are needed to boost slowing productivity growth, ameliorate negative demographic trends, increase stagnant household consumption, alleviate rising debt burdens, address high youth unemployment, and reduce the economy's overreliance on real estate. Such changes include reforming SOEs, improving financing for private firms, raising the retirement age, introducing modern taxes on activities such as real estate and capital gains, strengthening social insurance and redistribution, and providing more equitable access to public services through hukou reform. The challenge for Xi is that it is difficult to address these structural issues without significant economic pain in the shorter term, which could create social instability and political problems for himself and the party.