

Translation



The following speech, given by Chinese President Xi Jinping in April 2020 but not publicized until November, lays out perhaps the clearest picture thus far of Xi's proposed "dual circulation" economic strategy. On the one hand, Xi advocates stimulating Chinese consumer spending and accelerating import substitution to reduce the Chinese economy's dependence on foreign trade. On the other, Xi urges strengthening other countries' dependence on Chinese technology, to dissuade them from engaging in trade wars with China. This does not prevent Xi from criticizing other countries for "politicizing" or "weaponizing" supply chains in the context of the COVID-19 pandemic.

Title

Certain Major Issues for Our National Medium- to Long-Term Economic and Social Development Strategy
国家中长期经济社会发展战略若干重大问题

Author

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Source

Qiushi (求是), November 1, 2020 issue. *Qiushi*, or "Seeking Truth," is the official semimonthly journal of the Chinese Communist Party (CCP) Central Committee. The article appeared on *Qiushi*'s website on October 31, 2020. A footnote to the article reads: "This is [CCP] General Secretary Xi Jinping's speech at the seventh meeting of the Central Financial and Economic Affairs Commission (中央财经委员会) on April 10, 2020." Xi is the chairman of the Commission. For unknown reasons, PRC media did not report on the meeting of the Commission or on Xi's speech on the day that it took place, as they did for the previous six meetings of the Commission.

The Chinese source text is available online at:

https://web.archive.org/web/20201111020608/http://www.qsttheory.cn/dukan/qs/2020-10/31/c_1126680390.htm

US \$1 ≈ 7 Chinese Yuan Renminbi (RMB), as of November 10, 2020.

Translation Date

November 10, 2020

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Since the start of the COVID-19 outbreak, I have presided over many meetings and given a lot of instructions to promote the proper handling of epidemic control and economic and social development work. At the same time, I have also factored epidemic prevention and control into my reflections on the major issues involving the nation's medium- and long-term economic and social development.

The world today is going through once-in-a-century changes, and this pandemic is also something encountered once in a century. It is both a crisis and a major test. At present, China's epidemic prevention and control situation has already turned the corner, but the global pandemic is still growing, and the external situation is very grave. We must do well at externally

preventing it from entering and internally preventing it from rebounding, never allowing it to make a comeback. At the same time, we must apply what we know, do longer-term thinking, refine our strategic layout, turn dangers into opportunities, and achieve high-quality development. In the following, I will focus on several issues from a development strategy perspective.

First, steadfastly implement the strategy of domestic demand expansion. Building a complete internal demand system bears on China's long-term development and long-term peace and stability. Since [the beginning of] reform and opening up [in 1978], and especially after joining the WTO, China entered the international great circulation (国际大循环), formed the market and resources (such as mineral resources) "two heads overseas"¹ and "factory of the world" development models. This has played an important role in China's seizing of economic globalization opportunities, its rapid increase in economic strength, and the improvement of the people's livelihoods. In recent years, economic globalization has encountered headwinds, and this pandemic may intensify counter-globalization trends. With inward-turning tendencies clearly on the rise among nations, there could be significant changes in the external environment facing China's development. Implementing the internal demand expansion strategy is a necessity for responding to the pandemic's impact. It is a necessity for maintaining the long-term, sustainable and healthy development of China's economy, and it is a necessity for satisfying the people's ever-growing demand for a high standard of living (美好生活).

An advantage of large-country economies is the internal circulation that is possible. With a population of 1.4 billion and per capita GDP already over US\$10,000, China is the world's largest potential consumer market. Improvement and upgrading of people's consumption, combined with modern technology and production methods, implies vast room for growth. We must firmly grasp this strategic basis that is demand expansion, make each link—production, distribution, circulation and consumption—rely more on the domestic market to achieve a virtuous circle, specify the strategic direction of supply-side structural reform, and promote the achievement of dynamic balance between aggregate supply and demand at higher levels. There is no contradiction between demand expansion and expanding opening up. The more smooth-flowing domestic circulation (国内循环) becomes, the greater the gravitational force it exerts on global resource factors, the more it facilitates building a new development pattern based on domestic great circulation (国内大循环) and mutually reinforcing domestic and international dual circulation (双循环), and the more it facilitates forming new advantages when participating in international competition and cooperation.

Consumption is an important engine of China's economic growth, and the middle-income group is an important foundation for consumption. At present, China has a middle-income population of approximately 400 million, far and away the largest in the world. We must make expanding the middle-income group an important policy objective, optimize the income distribution structure, and build a sound mechanism in which the contributions of knowledge, technology, management, data and other factors of production are evaluated by the market, and compensation is determined according to the contributions of each. We must expand

¹ Translator's note: "Two heads overseas" ("两头在外") refers to China seeking overseas sources of raw materials and overseas markets for its manufactured goods to spur export-driven economic growth.

investment in human capital, so that more ordinary laborers enter the middle-income group through their own hard work.

Second, optimize and stabilize production chains and supply chains. Production chains (产业链) and supply chains cannot come uncoupled at critical times. This is an important characteristic that all large economies must possess. The current epidemic is a stress test under actual combat conditions. China's perfected industrial system and strong mobilization and industry transformation capability have provided important material support for epidemic prevention and control. China increased its daily face mask production capacity from ten million at the end of January to 500 million currently [April 10, 2020]. At the same time, the epidemic's impact has exposed hidden risks in China's production chains and supply chains. In order to safeguard China's industrial security and national security, we must focus on building production chains and supply chains that are independently controllable (自主可控), secure and reliable, and strive for important products and supply channels to all have at least one alternative source, forming the necessary industrial backup system.

The entire country is now getting back to work and resuming production. We should not and cannot simply repeat past patterns. Rather, we must work hard to refashion them into new production chains, and increase the levels of S&T innovation and import substitution across the board. This is an important focus for deepening supply-side structural reform, and is key for high-quality development. First, we must build on our advantages, solidify and increase the leading international positions of strong industries, and forge some "assassin's mace"² technologies. We must sustain and enhance our superiority across the entire production chain in sectors such as high-speed rail, electric power equipment, new energy, and communications equipment, and improve industrial quality; and we must tighten international production chains' dependence on China, forming a powerful countermeasure and deterrent capability against foreigners who would artificially cut off supply [to China].³ Second, we must make up for our shortcomings. That is, in sectors and segments related to national security, we must build a domestic supply system that is independently controllable and secure and reliable, so that self-circulation (自我循环) can be accomplished at critical moments, and ensure that the economy operates normally in extreme situations.

China's online economy is world-leading, and it has played a positive role during this epidemic prevention and control period. Online office work, shopping, education and medicine are flourishing and integrating deeply with the offline economy. We must take advantage of

² Translator's note: The Chinese term "assassin's mace" (杀手锏) refers to a stratagem or resource that, when used at the critical moment in a competition or confrontation, proves decisive.

³ Translator's note: The translation of the final portion of this sentence ("...forming a powerful countermeasure and deterrent capability against foreigners who would artificially cut off supply [to China]") is a correction issued on November 16, 2020. As astute readers pointed out, the Chinese text here (形成对外方人为断供的强有力反制和威胁能力) strongly implies that China's "countermeasure" and "deterrent" is aimed at foreign countries considering halting their exports to China of strategically significant goods. These countries will decide against such moves, Xi argues, because China's presumed countermeasures would in turn deprive these countries of vital Chinese imports. CSET's original translation of this line, published on November 10, 2020, read: "...forming powerful countermeasures and deterrent capabilities based on artificially cutting off supply to foreigners." This is misleading, as it implies that China would be the one to take the offensive in a trade war. The language in Xi's speech suggests a more defensive, deterrent posture on the part of China.

this favorable momentum, accelerate construction of the digital economy, digital society and digital government, promote digitalization-based optimization and upgrading in all fields, actively participate in the formulation of international rules for digital currency, digital taxation, etc., and create new competitive advantages. At the same time, it must be recognized that the real economy is the foundation, and the various manufacturing industries cannot be abandoned. As a large country with a population of 1.4 billion, the focus of the food and real economy industries must be on ourselves, and this point must not be abandoned.

For the national economy to operate normally, it is necessary to strengthen awareness of disaster prevention and preparedness. Fortune is as unpredictable as the weather, bringing people both disasters and blessings. We must vigorously strengthen the construction of disaster prevention and preparedness systems and capabilities, and be willing to spend the time and money, preferring to take many precautions even if most are never needed. In some fields, we must make proper preparations to respond to once-in-a-century disasters. We must insist on walking with both legs (两条腿走路), implement the integration of central government reserves with local government reserves, combining tangible physical reserves with production capacity reserves, and combining state reserves with enterprise and commercial reserves, and properly handle military-civil fusion (军民融合) reserves. We must optimize the types of emergency response materials and the layout of reserves, and must rationally determine the scale of reserves, increasing investment and construction efforts across the board.

State-owned enterprises (SOEs) have rushed to the fore in the course of this epidemic. They have played important roles, and they have played a key role in promoting industrial circulation. SOEs are an important material and political foundation for socialism with Chinese characteristics. They are an important pillar and supporting force of the Party's governance and rejuvenation of the nation, and they must be made stronger, better and larger. Of course, SOEs also require reform and optimization, but they must never be repudiated, and must never be weakened. We must uphold and refine the new structure for leveraging national capabilities (新型举国体制), and continuously strengthen leadership capacity, organizational capacity and implementation capacity.

This period of epidemic prevention and control has made us recognize the need to protect the global public good attributes of production chains and supply chains, and resolutely oppose the politicization and weaponization of production and supply chains. In international trade talks, we must push for an international consensus and standards on protecting the security of global production and supply chains, and eliminating the interference of non-economic factors, and must strive through international cooperation to stop bad behavior that strikes at global production and supply chains.

Third, refine the urbanization strategy. What approach should China take toward urbanization? This is a major question. The key is that we must make the safety of people's lives and their physical health serve as fundamental goals of urban development. At present, the urbanization rate of China's resident population has reached 60.6%, and it will rise further in the coming period. We must do better at promoting people-focused (以人为核心) urbanization, making cities healthier, safer and more livable, so they become high-quality living spaces for the masses of the people.

Strengthening the economic and population sustenance capacity of areas with economic development advantages such as central cities and urban agglomerations—this is consistent with objective laws. At the same time, urban development cannot consider economies of scale alone. Ecology and security must be placed in more prominent positions, with overall consideration being given in urban layouts to economic needs, livelihood needs, ecological needs, and security needs. We must adhere to the people-centered (以人民为中心) development ideology, and to taking the society's overall progress and people's overall development as the starting point. We must formulate urban development plans under the guidance of ecological civilization ideology and the concept of overall national security, build cities that are livable, resilient and smart, and establish high-quality urban ecosystems and security systems.

The concentration of industry and population in favorable regions is an objective economic law, but the scale of urban units cannot expand without limit. At present, the population density of China's megacities (with urban resident populations over ten million) and large cities (with urban resident populations over five million) is high overall. The density of Beijing proper and Shanghai proper are over 20,000 people per square kilometer. In Tokyo and New York City, it is only around 13,000. In the long run, cities nationwide must control population density rationally according to actual circumstances, and there must be control standards for the average population density of large cities. We must build a host of ecological and livable suburban new towns with city-industry integration, jobs-housing balance, and convenient transportation, and promote multi-centered suburban development. We must promote the orderly construction of digital cities, improve smart management capabilities, and gradually resolve the population and functional overcrowding problems of central cities.

Local situations across China vary greatly, and it is necessary to use methods suited to local circumstances in promoting diversification of patterns among urban spaces. In densely populated regions like eastern China, we must optimize the internal spatial structures of urban agglomerations. We must rationally control the scale of large cities, and cannot blindly "make the pie bigger" ("摊大饼"). We must promote urban cluster-style development, and form network-structured urban agglomerations with more centers, more levels, and more nodes. Between cities, we must both enhance interconnectedness and ensure there are ecological and security barriers. For provinces in central and western China where conditions are right, we must consciously cultivate multi-centered cities, and avoid the pitfalls of "single-city dominance." China has 1,881 county-level cities. Peasants (农民) going to the county seat to buy houses and clustering around county seats is a very common phenomenon. We must select, for priority development, a batch of county seats with the right conditions, strengthen policy guidance, and have them become points of support for internal demand expansion. There is enormous demand and room for development in terms of cities' old town and old quarter renovation, underground pipeline network and parking garage construction, and services such as childcare, eldercare, housekeeping, education, and health care.

Fourth, adjust and optimize the structure of S&T inputs and outputs. This epidemic prevention and control period has been a real-life test of China's science and technology community. The S&T front has both shown capabilities and exposed shortcomings. We must optimize the layout of S&T resources, boost S&T innovation capabilities, and follow a science and technology R&D path consistent with China's national conditions.

In S&T development, we must insist on being problem-oriented and goal-oriented. Ensuring the safety of people's lives and their physical health is an important mission for the Party and the nation, and scientific research must derive major, cutting-edge science and major, breakthrough research topics from it. We must place greater emphasis on basic research in heredity, genetics, virology, epidemiology and immunology, accelerate R&D and technological innovation of related drugs and vaccines, and attach greater importance to applications of information and data technologies in these fields. We must emphasize top-level design, optimize the layout of basic research, bolster fields we are strong in, refine the arrangement of university majors, strengthen basic curriculum education and talent development, shore up neglected and weak areas, gradually enlarge China's basic research system, and work hard to produce more "from zero to one" original achievements.

During this epidemic prevention and control period, many exemplary models have been formed that combine industry, universities and research institutions, and it will be well worth summarizing them carefully. We must make innovations in our mechanism for the commercialization of S&T achievements (科技成果转化), let enterprises play the main role and government play an overall planning role, promote the linking of capital, technology, applications, markets and other essential elements, work hard to resolve the organic connection problem of the basic research "first mile" and the achievement commercialization and market application "last mile," and forge innovation chains and value chains between industry, universities and research institutions.

Fifth, achieve the harmonious coexistence of people and nature. As I have emphasized many times, people and nature are a living community. Humankind must respect nature, conform to nature, and protect nature. This epidemic prevention and control period has made us realize more profoundly that constructing ecological civilization concerns the Millennium Plan (千年大计) for the perpetually sustainable development of the Chinese nation. We must plan economic and social development standing on the heights of harmonious coexistence between people and nature.

Engels noted long ago: We must not "flatter ourselves overmuch on account of our human conquest over nature. For each such victory, nature takes its revenge on us." Since the first industrial revolution, mankind's ability to use nature has increased continuously, but excessive development also leads to decreasing biodiversity, forces wild animals to migrate and increases the spread of the pathogens that are in wild animals. Since the start of the new century, from SARS to bird flu, Middle Eastern Respiratory Syndrome (MERS) and the Ebola virus, to this COVID-19 epidemic, the frequency with which new infectious diseases are emerging worldwide has increased significantly. Only by better balancing the relationship between humans and nature, and protecting the balance of ecosystems, can we safeguard human health. We must deepen our appreciation of regularity in the living community of people and nature, and step up construction of ecological civilization across the board. The banner of ecological civilization must be raised high.

More and more human activities are pressing against natural ecological boundaries and bottom lines. We must maintain safe boundaries and bottom lines for nature, forming a pattern of harmonious coexistence between people and nature. This includes both physical boundaries

and invisible boundaries. We must refine the spatial planning of the nation's lands, properly implement the Major Functional Zone (主体功能区) strategy, specify ecological red lines, accelerate formation of the system of nature conservation areas, refine the biodiversity conservation network, and put reasonable spatial limits on economic and social activities.

We must strengthen the ecological awareness of all ethnic groups (民族), encourage green production and consumption, and promote the formation of healthy approaches to civilized production and living. We must thoroughly carry out patriotic health activities, promote a healthy food culture and good living habits, and crack down on illegal hunting and trading of wild animals.

Sixth, strengthen construction of the public health system. China's public health services have made universally recognized achievements, but this epidemic prevention and control period has also reflected some shortcomings in China's public health sectors, and efforts to make up for them must be accelerated.

In terms of top-level design, we must elevate the position of the public health system in the national governance system, reinforce public health institutions at the central, provincial, city and county levels, strengthen building of professional talents and teams, and increase their ability to perform their duties. We must improve the rural public health environment, and strengthen grassroots prevention and control and public health services in rural areas and communities. We must strengthen planning and construction of public health institutions, hospital infectious disease departments, biology laboratories, etc., and properly manage sensitive medical and experimental data. We must strengthen health education and scientific literacy, and raise the public health literacy of the masses. Traditional Chinese Medicine (TCM) has played an important role during this epidemic prevention and control period. We must promptly summarize experience, strengthen scientific empiricism, vigorously develop TCM services, strengthen the combination of TCM and Western medicine, and steadily raise capabilities and standards.

As past experience at fighting major epidemics has shown, it is necessary to accelerate development of systems for early discovery, early warning and early response, and we must strive to nip epidemics in the bud. We must make reinforcing our early detection and warning capabilities the top priority for a sound public health system, and refine the public health emergency response management system. We must strengthen the sharing of information between disease control units, hospitals and scientific research organizations, and enhance our early warning capabilities for all kinds of known and emerging infectious diseases.