

## Economic QuickView



### Resolution of CPC Central Committee: A reform blueprint to achieve the goal of basically realising socialist modernisation by 2035

- The Resolution highlights the guiding principles to further deepen reforms and promote Chinese-style modernisation, with specific reform plans spanning from the economy, politics, and culture, to national security.
- Economic structural reform will play a leading role in providing solid impetus and institutional support for Chinese-style modernisation.
- Apart from strengthening the existing measures to pursue high-quality development, the Resolution proposes several new measures, including a private sector promotion law, reforms to the fiscal and tax systems, a new financial law, an expansion of free education, a new immigration system for highly-skilled personnel and so on.

#### **The resolution sets out the national guiding principles and major reforms for the next five years.**

Following the conclusion of the 3<sup>rd</sup> Plenum of the 20<sup>th</sup> Central Committee of the Communist Party of China on 15-18 July 2024, the full text of the Resolution on Further Deepening Reform Comprehensively to Advance Chinese Modernisation (Resolution) was released on 21 July. The Resolution outlines a reform blueprint for the nation in the coming five years. It is divided into 15 parts under 3 main sections. The 1<sup>st</sup> section highlights the significance and general requirements of further deepening reform comprehensively to advance Chinese-style modernisation. Specifically, the Resolution stresses a long-term goal for 2035: that China will build a high-level socialist market economy, laying a solid foundation for building a modern socialist power by the mid-century, and complete the reform tasks by 2029, the 80<sup>th</sup> anniversary of the People's Republic of China. The 2<sup>nd</sup> section elaborates on the reform plans covering the economy, politics, culture, society, ecological civilisation, national security and national defense. Lastly, the 3<sup>rd</sup> section covers strengthening the Party's leadership over reform.

Followings are the key reform plans set out in the resolution.

- 1. Building a high-standard socialist market economy:** The Resolution emphasises fulfilling the commitments to both the public and non-public sectors, building a unified national market and refining the systems underpinning the market economy. Strategic coordination between relevant administrative departments will be enhanced to boost core functions and the core competitiveness of state capital and state-owned enterprises. Policies will focus on fostering a favourable environment for the non-public sector, such as formulating a private sector promotion law, improving the long-term mechanism for private sector participation in major national projects and refining financing support policies for private enterprises. Other measures include enhancing the review of fair competition, strengthening law enforcement to protect property rights, abolishing the regulations impeding the development of a unified national market and improving the institutions and rules for production factor markets. All these actions will unleash the internal driving forces and creativity of the whole society.
- 2. Promoting high-quality economic development:** New quality productive forces with high-technology, high-efficiency, and high-quality will be further developed through a deepening of supply-side structural reform. Policy mechanisms will be refined to increase institutional supply in new areas and arenas and ensure more funding for the industries of the future, such as next-generation information technology, artificial intelligence, aviation & aerospace, new energy, new materials, high-end equipment, biomedicine, and quantum technology. Besides, there are proposals to improve the systems for promoting full integration between the real economy and the digital economy. And the institutions and mechanisms for developing the services sector will be refined. A new planning and standards system for new infrastructure will also be built. Specifically, the transportation system, marine system and water conservancy projects are highlighted. Moreover, improving the systems for enhancing the resilience and security of industrial and supply chains continues to be a major policy focus, notably in several key industries, such as integrated circuits, industrial machine tools, medical equipment, instruments, basic software, industrial software, and advanced materials.
- 3. Supporting all-round innovation:** Coordinated efforts will be made to promote integrated reforms in education, science and technology (sci-tech) and talent development. This plan includes a comprehensive reform in education to improve its quality at different levels, a structural reform of sci-tech institutions and innovation factors, and policy incentives and institutional reforms for talent development. Particularly, there is a plan to gradually expand the coverage of free education.
- 4. Improving macroeconomic governance.** A sound regulatory framework and effective governance remain essential parts of reforms to strengthen the institutional strengths of the national economy and enhance the macro policy orientation. This part consists of several major reform plans.

- i. *First, to improve the national strategic planning system and policy coordination mechanisms.* It includes establishing mechanisms for formulating and executing national strategies with better macro guidance and overall coordination. And, there is a new plan to introduce national macro balance sheet management.
- ii. *Second, to deepen reform of the fiscal and tax systems.* This aims to enhance budget management and strengthen the unified management of all fiscal resources and budgets. Besides, there will be plans to build a well-defined and balanced fiscal relationship between the central and local governments, placing more fiscal resources for local governments and expanding their tax revenues. And, steps will be taken to move excise tax collection further down the production-to-consumption chain, with the power of collection steadily being passed to local governments. All of these are likely to strengthen the local governments' finances.
- iii. *Third, to deepen reform of the financial system.* This includes calls for improving the central bank system and the monetary policy transmission mechanism. Technology finance, green finance, inclusive finance, pension finance, and digital finance are named as the areas to be actively developed. And there are plans for regional equity markets to align their rules and implement unified standards. A financial law will also be formulated to improve the financial regulatory system and ensure financial stability. Regarding the opening-up of the financial sector, the Resolution stresses a continued policy goal to steadily and prudently advance the internationalisation of the RMB, develop offshore RMB markets, promote the use of digital RMB and accelerate the development of Shanghai into an international financial centre. Furthermore, it mentions that the connectivity between onshore and offshore financial markets will be expanded in a steady and prudent manner, and that the qualified foreign institutional investor system will be further improved. There is also a goal to develop a homegrown, controllable cross-border payment system for strengthening the nation's financial security mechanisms.
- iv. *Fourth, to improve the coordinated regional development strategy.* In addition to the Beijing-Tianjin-Hebei region, the Yangtze River Delta, this part highlights the role of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) as the engines of high-quality development.

**5. Promoting integrated urban-rural development.** This aims to pursue coordinated progress in new industrialisation, new urbanisation, rural revitalisation, and greater urban-rural integration. Measures include: granting urban residency and equal rights to rural migrants, reforming the land system to manage arable land effectively, promoting market-based transfers, and aligning land use with regional development needs. The goal is to encourage balanced exchanges and mutual flows of production resources between urban and rural areas, reducing disparities and fostering shared prosperity.

- 6. Pursuing high-standard opening up.** With an enormous domestic market, the nation will continue to expand international cooperation and develop new institutions for a higher-standard open economy. This includes an initiative to open up the nation's commodities, services, capital, and labour markets to the outside world in an orderly manner. And there are measures to facilitate the trends of digital & green trade and develop integrated pilot zones for cross-border e-commerce. The Resolution also mentions measures to boost trade in services, promote offshore trade and set up sound systems for cross-border financial services. The management systems for inward and outward investment will also be improved to create a first-rate business environment for foreign investors, with measures including expanding the catalogue of encouraged industries for foreign investment, appropriately shortening the negative list for foreign investment, removing all market access restrictions in the manufacturing sector, and promoting wider opening with regard to telecommunications, the internet, education, culture, medical services, and other sectors in a well-conceived way. The pilot free trade zones will be upgraded. Specifically, the development of the Hainan Free Trade Port will be accelerated. And, the mechanism for high-quality cooperation under the Belt and Road (B&R) Initiative will see further improvements. For instance, the B&R Science, Technology, and Innovation Cooperation Action Plan will continue, with stronger efforts to develop the multilateral platforms for cooperation in green development, the digital economy, artificial intelligence, energy, taxation, finance and disaster mitigation.
- 7. Hong Kong's institutional strengths of "One Country, Two Systems" are highlighted with new requirements to be an international hub for high-calibre talents.** Apart from the part on the GBA, the Resolution stresses that Hong Kong should harness the institutional strengths of "the One Country, Two Systems" policy to consolidate and enhance its status as an international financial, shipping, and trade centre. And, the Resolution mentions that the nation will support Hong Kong and Macao in building themselves into international hubs for high-calibre talent, and improve relevant mechanisms to see the two regions playing a greater role in the nation's opening-up to the outside world. These requirements underscore Hong Kong's importance to the process of high-quality reforms and the opening-up of the nation.
- 8. The property sector will be reformed fundamentally.** The resolution reiterates the policy focus of accelerating the establishment of a housing system that promotes both housing rentals and purchases, and building a new development model for the real estate sector. This will be achieved by an increased supply of subsidised housing. And, local governments will be given greater autonomy to regulate the real estate market, allowing them to cancel or relax the restrictions on housing purchases and to scrap the standards for ordinary and non-ordinary housing, based on their local conditions. However, on the financial front, the Resolution calls for reforms to change the way real estate development is financed and to improve the advance purchase system for commodity housing. And, improvements will be made to the taxation system in the sector. This suggests that the real estate sector is set to be fundamentally reformed, in which the sector will be further in line with the policy objective of "Houses are built to be inhabited, not for speculation".

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