

# GERGELY SALÁT

## **POLICY MEASURES AND FOREIGN POLICY DEVELOPMENTS UNDER XI JINPING THE FIRST TEN YEARS OF XI JINPING *PART 3***

POLITIKAI INTÉZKEDÉSEK ÉS KÜLPOLITIKAI  
FEJLEMÉNYEK HSZI CSIN-PING ALATT  
HSZI CSIN-PING ELSŐ TÍZ ÉVE  
*3. RÉSZ*

**Abstract:** Xi Jinping, who was re-elected as Party General Secretary in October 2022, has been in power for a decade, and significant changes have taken place in China's domestic and international situation during these ten years. The third part of this three-part study examines the changes the Xi Jinping era has brought about in the policies related to the Chinese economy and society, environmental protection, and research and development. The handling of the Covid-19 pandemic is also discussed, as is the foreign policy environment and the actions of the last decade.

**Keywords:** China, People's Republic of China, Xi Jinping, Chinese Communist Party

**Összefoglalás:** *Hszi Csin-ping, akit 2022 októberében újraválasztottak pártfőtitkárnak, már több mint egy évtizede van hatalmon. Ebben az időszakban jelentős változások mentek végbe Kína belső viszonyaiban és nemzetközi helyzetében. Ez a három részből álló tanulmány bemutatja a Hszi Csin-ping által az elmúlt évtizedben végrehajtott legfontosabb fejlesztéseket és legjelentősebb változtatásokat. A harmadik rész azt vizsgálja, hogy a Hszi Csin-ping-korszak milyen változásokat hozott a kínai gazdasággal és társadalommal, környezetvédelemmel, kutatás-fejlesztéssel kapcsolatos politikákban. Szóba kerül a Covid-19 világjárvány kezelése, a külpolitikai környezet változása és arra adott válaszok.*

**Kulcsszavak:** *Kína, Kínai Népköztársaság, Hszi Csin-ping, Kínai Kommunista Párt*

## Introduction

Many of the policies of the period between 2012-2022 were the continuation of previous measures, which the Xi administration only modified and expanded.\* To adhere to the Chinese way of policymaking, which values continuity and stability, the leadership strove to avoid sudden changes and U-turns. With only a few exceptions, the first decade of the Xi era was characterized by modifications and shifts of emphasis, rather than radical changes.

Despite the recent slowdown, China kept on developing quite rapidly in the last ten years. The economy has doubled, urbanization and the growth of the middle class has continued, the average level of education has risen, and infrastructure has been built extensively. There have been major changes in all walks of life, such as the flourishing of the domestic film industry, a fourfold increase in the length of the high-speed rail network, and mobile payment systems becoming prevalent.

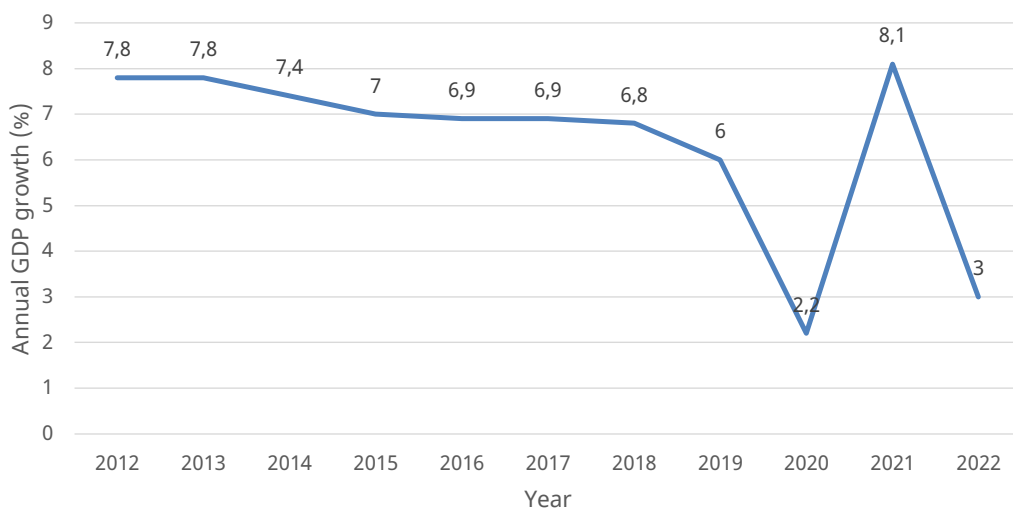
\* The author would like to thank Judit Kálmán, Péter Bálint Szabó, and Veronika Tóth for contributing to the translation of this three-part study.



## Economic growth

After the unparalleled development of the 2000s, the 2010s saw more moderate growth, decreasing from a 2007 high of 14.2% to 6% in 2019. The Covid-19 year of 2020 brought about a negative record of 2.2%, and the 8.1% rebound of the following year seems to be temporary (see Figure 1). The slowdown is primarily caused by the maturing of the economy, since above a certain level of development, a slower pace of economic growth is natural. Another cause of the slowdown was that the economy was no longer treated as an absolute priority by the leadership. The official policies to combat the Covid-19 pandemic have had a massive **negative impact** on the economy as well.

Figure 1.  
Annual economic growth under Xi Jinping's first two terms



Source: *IMF*

By the 2010s, the previously export-driven growth model had run its course. The weight of investment remained significant throughout the entire decade, amounting to 46.2% of GDP in 2012 and 43% in 2021, an unhealthily high ratio. A major but not radical change was the decrease of the share of agriculture and industry in favour of the tertiary sector: in 2012 services amounted to 45.5% of the GDP, while industry contributed 45.4% and agriculture 9.1%. By 2021, the share of services had grown to 53.3%, with the share of industry decreasing to 39.4% and the share of agriculture dropping to 7.3%.

High economic growth might have been sustained through market-oriented reforms, and the Central Committee did accept a resolution in 2013 stating that the market must play a decisive role in resource allocation. However, this seemed to have been overruled by politics, with the expansion of political control over state-owned enterprises and the economy as a whole.

Even though the private industry has been the engine for economic growth, the laws of the market only apply selectively, which negatively influences economic development. That being said, many of the policies that seek to restrict private businesses (e.g. breaking up the monopoly of large tech companies) do help market competition. Among large companies, the weight of private property has actually **grown**. This means that



what has happened under Xi is not a new wave of nationalization but the creation of a situation that allows the party-state to intervene in the conduct of private companies and the market more directly as they see fit.

The biggest threat at the end of Xi's first decade is the [real estate](#) and [debt](#) bubble, which was already present in 2012 but has been growing substantially ever since. The problem was partially caused by the response to the 2008 global financial crisis, when its effects were mitigated by infrastructure projects financed from credit, causing both local governments and state-owned enterprises to take on huge amounts of debt. Furthermore, households also borrowed money to buy real estate as a form of investment. Prices went through the roof, leading to a classic bubble. So far, the government has managed to keep these issues mostly under control, although it [has not solved them](#), and these problems might require drastic state intervention in the future.

Meanwhile, it has become apparent just how vulnerable the Chinese economy is to outside influences. As a response, in 2020 Xi Jinping launched the program of "dual circulation" (*shuang xunhuan*), which in 2021 made it into the new Five-Year Plan as China's most important economic strategy. The concept was born out of the [realization](#) that during its years of rapid economic development, China has become too dependent on foreign investors, markets, and contractors, which puts future development at a massive risk in the event of the global environment becoming unfavourable. The American [technological blockade](#), the disturbances in supply chains, and the difficulties experienced by foreign markets have made it clear that to reach its developmental goals, China has to focus more on domestic resources. Of the two "circulations", one is the domestic circulation, in which Chinese companies provide their products and services based on indigenous innovation to local markets through native intermediaries. If working correctly, the 1.4 billion-strong Chinese market would be strong enough to stand on its own feet, making this domestic circulation the [primary one](#) in the future. Although this does not mean that China will seal itself off from the outside world completely, as it remains part of the international circulation, the goal is to take part in it at a higher level of the value chain, with higher value-added products than before.

## Common prosperity

Economic growth has been one of the main sources of the party's legitimacy since the 1980s, and Xi Jinping has also sought to keep the economic momentum. However, the attitude according to which GDP growth rendered everything else secondary changed in the 2010s, with political factors and security in particular becoming paramount.

Xi Jinping's administration considered rising inequality to be the biggest threat to its rule, so the main aim of social policies was to lift the poorest layers of society, even at the cost of decreasing growth. The primary vehicle for this has been the [poverty alleviation program](#), which, as an element of the [first centennial goals](#), targeted the eradication of extreme poverty in China by 2021. To achieve a "moderately prosperous society" (*xiaokang shehui*), the GDP per capita of 2010 had to be doubled by 2020, and the income of the segment of Chinese society living below the [poverty threshold](#) (82 million Chinese citizens in 2013) had to be raised above this line. For the most part, these goals have been [achieved](#) through a program of USD 230 billion.

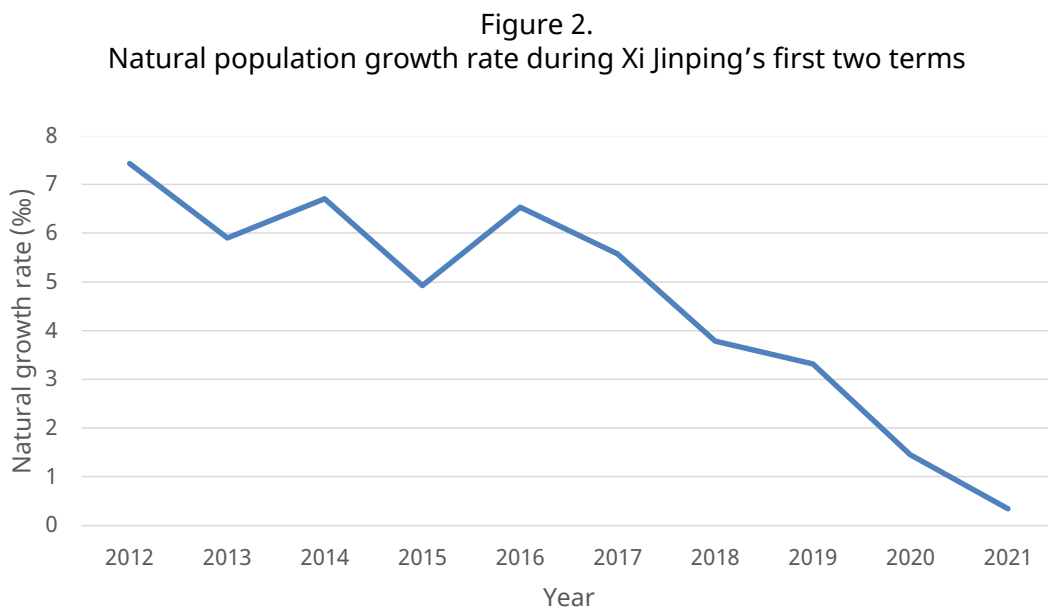
Compared to poverty alleviation, a more comprehensive initiative is the [common prosperity](#) (*gongtong fuyu*) program. It has become one of the most widely used buzzwords recently and is likely to continue to be at the core of policymaking in the



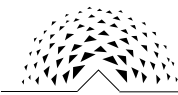
upcoming years. The idea of common prosperity includes combating inequality, the expansion of social welfare, the improvement of public services, raising living standards, and an increased level of redistribution, making China a more equal society **in general**. As a part of this, there is a push to improve the still very rudimentary pension and social security system, address the legal discrimination of migrant workers, and advance “rural revitalization” (*xiangcun zhenxing*). Between 2013 and 2020, the disposable **income** of households rose by 66%, with the same number being 82% in the countryside, meaning that inequality in this important sense has decreased, albeit not drastically.

## Population planning

To deal with the demographic problems, the Xi administration has ended more than three decades of strict family planning policy with the introduction of the two-child policy in 2016, followed by the three-child policy in 2021. For this, the inertia and vested interests of the family planning apparatus, employing millions, had to be overcome, but the demographic breakthrough has **failed to materialize**, birth numbers only spiked briefly and then became lower than ever before. This indicates that the recent low birth rate has not been caused by the “one-child policy”, with the real cause most likely being the modernization of the country. In the 2020s, local governments have come up with a series of policies to **incentivize having more children**, and the coming years will most likely see the launching of nationwide initiatives as well. This means that under Xi Jinping, the country has gone from allowing only one child (two children in many cases in the countryside ) to promoting having more children over the course of only five years — a radical change in Chinese terms. That being said, based on the experiences of other countries, the chances of a demographic shift are minimal. The population of China started to decrease in 2022, and the **ageing** of the Chinese society will continue to accelerate in the coming years.



Source: *National Bureau of Statistics*



## Environmental protection

In certain areas, for instance, in the case of smog in major cities, the environment has improved under Xi Jinping. China remains the world's largest polluter, but there are [encouraging signs](#) in some areas. Xi has personally announced that Chinese emissions would peak in 2030, and the country would reach carbon neutrality by 2060. The emission levels of greenhouse gases decreased somewhat in the mid-2010s, and even though they have started to grow again, the increase has been much slower than in the 1990s and 2000s. If energy markets normalize soon, the 2030 target is obtainable. The green transition is already underway, and China is the world's [largest](#) producer of wind and solar energy, and it is also the largest investor in such projects. [Half](#) of all EVs are sold in China, and entire new city districts are being [constructed](#) exclusively of passive houses.

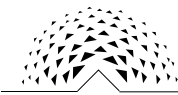
This change is politically significant for two reasons. First, pollution is a major cause of social instability, and a large number of protests are related to environmental issues. Second, the use of renewable energy sources makes the country less vulnerable to outside forces and geopolitical changes, thereby increasing energy safety and China's room for manoeuvre. Due to these factors, areas such as renewables or e-mobility are national priorities, and the government is pouring colossal funds into research projects linked to them. This does not mean, however, that China has solved the issue of environmental pollution, [far from it](#), but the first steps have already been made in that direction.

## Technology, R&D

Similarly to their predecessors, the Chinese leadership of the Xi era evidently believes that science and technology are the key to solving most of the country's problems. Cutting-edge [technology and innovation](#) would contribute to:

- an increase in productivity, the improvement of the quality of life, and leaving behind the outdated development model based on export and investment,
- mitigating the effects of the ageing of society (through robots replacing the retiring workforce, introducing high-tech healthcare, etc.),
- curbing environmental degradation (green energy, e-mobility, etc.),
- decreasing the dependence on the outside world, thus strengthening national security (offsetting export controls, reaching technological [self-reliance](#)),
- underpinning China's foreign ambitions (technology export, setting international standards),
- developing the military.

For these reasons, research and development was treated as an absolute priority under Xi Jinping's first ten years. China's 15-year [R&D program](#) was launched under the previous administration in 2006, which aimed to increase the share of GDP spent on R&D from 1.4% in 2005 to 2.5% in 2020. This has almost been achieved, with the figure for 2021 standing at 2.44%, qualifying for [13<sup>th</sup> place](#) globally. As the economy



expanded, R&D expenditure grew massively in absolute terms. Today, Chinese spending on research and development is second only to that of the United States. Its increase has been over 10% annually, meaning that it has outpaced the rate of economic growth, signalling the importance of this field.

In terms of specific R&D areas, the goals have mostly been set by the Five-Year Plans and the [Made in China 2025](#) program, which has been heavily criticized abroad. In these documents, the Chinese government identifies research areas and technologies of strategic importance that then receive special attention and funding. This way, the Chinese party-state has concentrated on a limited number of specific fields that would receive enormous sums of money, and thanks to this, China has obtained a leading position in areas such as AI, supercomputers, 5G, or biotechnology. In some areas, such as semiconductors, the country is still lagging behind, but the consensus among experts is that China will do its utmost to [catch up](#). It must be noted that most R&D activity in China is performed by private companies, but often with support from the state. Through this arrangement, several major tech companies have been able to become global players, such as Huawei, Xiaomi, or ZTE.

## Responses to external challenges

Under Xi Jinping, China's international situation has changed fundamentally. This was not primarily due to Xi's policies but to the growth of China's international weight and the shift in Western perceptions of China's international role after 2008. It is important to note, however, that the deterioration in Sino-Western relations does not mean China's isolation, as most countries outside the alliance system of the US, which covers only a fraction of humanity, wish to maintain good relations with China and do not fully share Western concerns about China's rise.

### The deterioration of Sino-Western relations

The [loss of Western illusions](#) about China, mentioned in the first part of this paper, led to a reassessment of the China policy both in the US and among its allies. Whereas previously decision-makers and the public in Western countries had primarily seen China as a land of business opportunities, in the 2010s it was increasingly considered a threat, and attitudes towards China [changed](#) accordingly.

The turnaround in the US elite was made clear by Donald Trump's [anti-China](#) rhetoric and the bipartisan support it received. Trump declared a trade war and a technological blockade against China, initiated [decoupling](#), and in his 2017 [National Security Strategy](#), China, alongside Russia, was presented as a challenge for the US and as an underminer of the security and prosperity of the United States. The anti-China rhetoric and measures have [not changed](#) but rather intensified under the Biden administration, which, unlike Trump, has sought to organise an international coalition to contain China. The US has been more or less followed by its allies, and today the [European Union](#) also regards China as a [systemic rival](#), which has led to a deterioration in Sino-European relations. Japan-China ties have also been





characterised by growing mistrust. The initial mishandling of the Covid-19 outbreak, the unwise use of [mask diplomacy](#), and the emergence of [wolf warrior diplomacy](#), i.e. more assertive and critical actions by some Chinese diplomats, have only accelerated the shift, and travel bans have prevented any face-to-face meetings that might have allowed for a *détente*.

The reactions of the Chinese leadership under Xi Jinping have been shaped by the fact that China had started to define itself as a great power for both the domestic and the global public, and therefore it had to take up the gauntlet against the Western criticism and attacks. Xi has been much more willing to take on conflicts than his predecessors, for example, by responding to US protective tariffs with similar measures of his own, and by starting to establish or strengthen alternative cooperation platforms (BRI, RCEP, BRICS, SCO, etc.). There has also been a shift in emphasis in economic relations, for example, ASEAN has become China's largest trading partner.

Under Xi Jinping, China, acting as a truly [global power](#), is actively defending its interests on the international stage, rejecting attempts at external interference and seeking to rewrite international rules that were established decades ago, without Beijing. These Chinese aspirations and the change in American policy towards China are likely to lead to an escalation of conflicts involving China in the coming years. It cannot be ruled out that we are facing a [new Cold War](#) or something very similar to it, dominated by rivalries between two blocs that are increasingly independent of one another.

## Belt and Road Initiative

In 2013, before the changes in American views and politics became apparent, Xi Jinping had personally announced the Belt and Road Initiative (BRI, *Yidai Yilu*), which would [establish connections](#) between the major centres of the Afro-Eurasian supercontinent. The programme, which promised huge infrastructure investments, was well received by the relevant developing countries, but Western analysts and politicians suspected geopolitical objectives behind it and criticised it severely. The BRI is not an elaborate master plan but rather an [overarching vision](#); its specific content is still unclear, and its priorities have changed since its announcement. Several projects have been implemented as part of the BRI, mainly in countries neighbouring China, but their impact has been limited, and the Covid-19 pandemic has set back the initial momentum.

## Territorial disputes and Taiwan

Partly due to the country's increased international weight, partly due to a more hostile international environment, and partly owing to the growing ambitions of Beijing, Xi Jinping's China has [moved away](#) from the "hide your capacities, keep a low profile" (*taoguang yanghui*) policy formulated by Deng Xiaoping. While China continues to emphasize that its intentions are peaceful and that it is [not seeking hegemony](#), it has become increasingly assertive in the disputed areas it claims as its own. In the [South China Sea](#), it has confronted its neighbours by building artificial islands and military bases. On its [border with India](#), new clashes have broken out, resulting in several fatalities.





The policy towards Taiwan has changed somewhat along the way. In the years preceding 2016, when the Kuomintang party was in power on the island, relations between the two sides of the Taiwan Strait were developing rapidly, and even an unprecedented [summit](#) took place between Xi Jinping and Taiwan leader Ma Ying-jeou in 2015. However, relations soured after the 2016 election victory of the independence-leaning Democratic Progressive Party (DPP). Since then, the PRC has lured eight countries that previously had diplomatic relations with Taiwan over to [its side](#), it has significantly [restricted](#) the number of mainland tourists allowed to travel to the island from 2019, and it has been blocking Taiwan's participation in international anti-Covid cooperation since 2020. In addition, flights into the Taiwanese air defence identification zone have become more frequent, and in the summer of 2022, following a [visit](#) to Taiwan by US House Speaker Nancy Pelosi, China conducted more extensive military exercises around the island than ever before, including a simulated blockade of Taiwan.

While the fundamental Chinese position has not changed since 1949 (i.e. Taiwan is part of the PRC, and although peaceful reunification should be a priority, the PRC will not renounce the use of force), China's behaviour has become increasingly threatening under Xi Jinping.

## Relations with the rest of the world

While Beijing's relations with the West and its allies have deteriorated, Xi Jinping's China has continued to develop its relations with the rest of the world. BRI, mentioned above, has also served this purpose.

The most spectacular development in the 2010s took place in [Sino-Russian](#) relations, which can be explained by the fact that both powers see Western containment efforts as the greatest threat to themselves, compared to which potential conflicts between them are of secondary importance. They therefore work together to counter Western pressure. The Russian aggression against Ukraine in 2014 and 2022 [has not changed this](#).

Over the decade, China has continued to build its economic presence and political influence in Southeast Asia, Oceania, Africa, and Latin America, and it is now the [most important](#) trading partner for most countries in the world. The majority of [developing countries](#) seem to be seeking to avoid having to choose between China and the West, pursuing a kind of balancing policy. For the time being, this is in line with the aspirations of the Chinese, who strive to compete with the West primarily in areas where they have an advantage (trade, infrastructure-building, etc.).

To underpin China's great power ambitions, the modernisation of the Chinese People's Liberation Army continues, with the Chinese military budget and the technical level of the army rising significantly. The country's [stated goal](#) is to have a world-class military. Development is primarily focused on the navy and the air force, but priority is also given to areas such as cyber warfare, the military uses of space technology, and nuclear weapons. Overall, China is still significantly behind the United States in military capabilities, but the gap is narrowing.



## Summary

China has undergone significant changes during Xi Jinping's first two terms. Political life has been radically transformed, with collective leadership replaced by one-man rule. Interest groups, rivalries, and cliques remain, Xi does not possess full power, but his influence is far greater than that of his predecessors. Chinese society has been re-politicised, and the role of the party in daily life and the economy has increased. The system has also become ideologically more closed and unified, and in recent years the country has increasingly turned inwards.

China has continued to develop rapidly in recent years, its economy has roughly doubled since Xi had taken power, the modernisation processes have been sustained, and the country has become a high-tech great power in many areas. The pace of growth has slowed, but annual GDP growth and other national indicators hide a major qualitative change in the Chinese economy, with high-tech industries and services becoming its main drivers. Growth is expected to remain lower in the next decade, but the government seems to have sufficient resources and tools to avoid crises.

The transformation of society has continued, and the middle class has expanded by hundreds of millions. However, the country has begun to age. Income disparities have eased somewhat as a result of programmes introduced by the state, China has become a more equal society, and extreme poverty (by Chinese measures) has been eradicated. The country as a whole has become much more mature and developed.

Under Xi Jinping, China has begun to act as a global great power commensurate with its economic and military weight, and it has been much more assertive in representing its interests. On the other hand, the US and its allies have begun to treat China as a threat in an overt manner, the relationship between the Western world and China has deteriorated, and a Cold War-like confrontation between the two blocs seems to be emerging.

With Xi Jinping remaining in power, these trends are likely to continue. The country's strength will grow, it will become a world leader in an increasing number of areas of high technology, and it will not balk at taking on conflicts. The Western world continues to perceive China as the primary threat alongside Russia, which will make cooperation with the Chinese much more difficult. However, economic rationality calls for the avoidance of a complete decoupling, and most of the world does not want to find itself in a situation where it must choose between the two blocs.



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Author:

**GERGELY SALÁT**

Reviewed by:

**TAMÁS PÉTER BARANYI**

Language lecturer: Réka Futász | Typesetting: Tamás Lévárt

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