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The 5th Plenary Session of the 19th Central Committee of the Chinese Communist Party and Its Implications for the Korean Peninsula

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Amid the escalation of the Sino-American strategic competition and the resurgence of COVID-19 in the Western hemisphere, the 5th Plenary Session of the 19th Central Committee of the Chinese Communist Party took place from October 26 to 29. In the session, the 14th 5-Year Plan and the 2035 Long-Range Objectives have been passed. China has set the objectives to develop a prosperous society by 2021, to realize modernized socialism by 2035, and to develop a rich, powerful, democratic, and civilized modern socialist country by 2049. Being conscious of America, China managed to avoid any room for criticism by staying silent on policies like ‘Made in China 2025’ and ‘Civil-Military Integration.’ Instead, it has set mid- to long-term goals focused on the balance between development and safety with fighting poverty, and suggested specific policy goals on meeting domestic demands and fostering technological self-reliance and environmental protection. Within the context of the resurgence of COVID-19 and the trade war with the U.S., China plans to focus on domestic demand over export and to promote technological self-reliance by utilizing the Fourth Industrial Revolution technologies like artificial intelligence and semiconductors to overcome the de-sinicized economic network led by the U.S. In light of the transformation in the Chinese economic structure, South Korea should utilize industries with cooperative potential in areas such as culture, environment, and bio to strengthen Sino-South Korean cooperation and turn the strengthened Sino-North Korean relation into a medium for China-South Korea-North Korea cooperation by seeking cooperation on environmental protection and healthcare.

From October 26 to 29, 2020, the Chinese Communist Party held the 5th Plenary Session of the 19th Central Committee (5th Plenary of 19th CC, hereafter). The major agenda of the session was to evaluate the 14th 5-Year Plan and examine the 2035 Long-Range Objectives. Amid the escalation of the Sino-American strategic competition in the Post-COVID-19 era, how China sets its mid-range objectives in the plenary session decides whether it can achieve its 5-year and 15-year goals for a prosperous society and the two 100-year goals. 2021 will be the centennial anniversary of the Chinese Communist Party, and it will be the concluding year for the objective of developing a prosperous country. Also, China has set the 2035 Long-Range Objectives as a springboard for its 2049 centennial goal (or the Two Centenaries goal) of developing a ‘rich, powerful, democratic, and civilized modern socialist country.’ Its goal for the years 2035 to 2049 is developing a strong, modernized socialist state. Based on the 14th 5-Year Plan evaluated at the current Plenary Session, it will kick-start on achieving its mid-term goals by suggesting alternatives for overcoming the various challenges it faces. Considering its domestic and international influence, the 5th Plenary of 19th CC will be a turning point for China’s attitudes moving forward. Also, China’s attitudes will influence the future of the Korean Peninsula and the reactions from South Korea.

Setting China’s Mid- to Long-Range Objectives: Eradicating Poverty and Comprehensive National Security

The 5th Plenary of 18th CC introduced the objective of developing a moderately prosperous society. For instance, the objective was composed of goals, such as maintaining the mid- to high-speed economic development, increasing rural and urban income by twofold compared to 2010, fostering industrial advancement, expanding the effects of spending contributed to economic growth, accelerating urbanization, advancing agricultural modernization, improving the standard of living, lifting poverty-stricken rural population out of poverty, nurturing the abilities of citizens, enhancing the level of social civilization, and improving the environmental condition. Finally, to fulfill the objective, the Session emphasized the modernization of China’s governance system and governance capacities through organizing the

institutions in various sectors.

The 2035 Long-Range Objectives suggested in the 5th Plenary of 19th CC is composed of goals, such as fostering of economic and technological capacities, incremental development of comprehensive national strength and of rural and urban median income, breakthroughs in important technologies, becoming an innovative country, increasing GDP per capita from \$10,000 to \$20,000, and becoming a middle-class developed country.

One important goal set out in the 5th Plenary of 19th CC is the eradication of poverty. Prime minister Li Keqiang, in a press conference, mentioned that 600 million people in China still earn less than 1,000 yuan (about 168,000 Korean Won) per month and lamented the lack of progress in eradicating poverty. As of 2011, China had drawn the poverty line at 2,300 Yuan (about 387,000 Korean Won) per year for farmers. With the increase from 1,274 Yuan to 2,300 Yuan in 2011, the number of rural citizens under poverty has increased from 26,880,000 to 128,000,000. However, the number of population under poverty has decreased to 5,510,000 as of the end of 2019.

China emphasized that its 13th 5-Year Plan has saved 55,750,000 rural populations from poverty. It also called for converging the results with the sustainable development of the specialized rural industry and for expanding the results by cooperating with the more affluent eastern regions. However, China's poverty line is only half of the international poverty line set at \$1.9 per day. If China is to match its poverty line to the international standard, the number of people under poverty will rise drastically.

Another goal emphasized in the 5th Plenary of 19th CC is the balancing and converging of development and safety or, as the Xi administration has increasingly been emphasizing, comprehensive national safety. Amid domestic and international difficulties stemming from COVID-19 and the Sino-American trade war, China seeks to comprehensively strengthen national security by transitioning from a traditional, military-based security perspective to a synthesized perspective considering both traditional and non-traditional security. It also seeks to secure safety in all aspects of national development, prevent and resolve various threats to its modernizing efforts, foster a national safety system, secure national economic safety, and maintain social safety and stability. Through such measures, China seeks to prevent

and resolve the economic safety threats stemming from the trade war and the life threats posed to its people stemming from COVID-19.

14th 5-Year Plan: A New Version of ‘Made in China 2025’

China’s 5-Year ‘Plan (规划)’ is fundamentally different from the plans (计划) of the Mao and Deng era. The latter is a ‘command-based plan’ used during the planned economy era which focused on the national control on all economic sectors of society and on setting prices. The former is an ‘instruction-based plan’ used in the post-Zhang, socialist market economy era which emphasizes the state owning the core economic areas and the market driving the rest. Hence, the 14th 5-Year Plan does not portray how the government will control the economy for the next five years but rather provides standards on government regulation which will lay out rules and directions for government intervention and instruction.

To reflect on the previous 5-Year Plans, the 1st 5-Year Plan has established the basis of China’s manufacturing industry; the 6th has paved the way for reform and an open economy; the 8th has embraced market economy; the 11th, for the first time, has transitioned from a command-based plan to an instruction-based plan; the 13th suggested the five developmental principles: innovation, harmony, green, open, and sharing.

The core of the 14th 5-Year Plan is based on the idea that the modernization of China cannot rely on labor-intensive industries and must accompany scientific progress and industrial advancements. Over the past two months, Chairman Xi has held seven roundtables with entrepreneurs, economists, scientists, and other experts, setting the basis of the 14th 5-Year Plan and devising central mottos such as establishing a new outline for development, a targeting of killer technology, and an omnidirectional and cyclical securing of the health of the public.

Specifically, core sectors on 5G technology, integrated circuits, and biomedicine are included in the national special plan. These sectors are predicted to comprise another ‘Made in China 2025.’ China is planning on leading firms in these sectors to find technological breakthroughs and strengthening technology and product targeting through special programs on science technology and on high-level development of manufacturing. It also plans on expanding international cooperation

in the technology sector. In the 13th 5-Year Plan, China also utilized special programs to develop traditional industries and to lead new industries. Specifically, it has established 79 national standards on smart manufacturing and built 676 digital smart factories. Meanwhile, China has emphasized the development of ‘strategic emerging industries’ rather than ‘Made in China 2025,’ which gave reasons for the U.S. to attack China.

An important trait of the 14th 5-Year Plan is that, contrary to previous plans, it did not suggest a target annual GDP growth rate due to the impact of COVID-19. However, while it did not explicitly state a target growth rate, there seems to have been a tacit consensus on around 5% growth rate considering that the 13th 5-Year Plan targeted for 6.5% annual GDP growth rate. China has declared to double its 2010 GDP by 2020 but is predicted to fail due to externalities like COVID-19 and the trade war. It needs to achieve around 5.5% growth rate this year to achieve the goal, but it seems impossible at this point with a predicted growth rate of only about 2~3%. The summary proposal of the 14th 5-Year Plan has been submitted after the 5th Plenary of 19th CC, and an overall plan will officially be announced after the ratification by the National People’s Congress in March 2021.

The Engine of Chinese Economic Structure Transformation: Fostering Domestic Demand, Technological Self-Reliance, and Environmental Protection

With the outside world still fighting against COVID-19, China has declared that it will focus on fostering domestic demand within the ‘dual circulation.’ In other words, China has established a new structure of putting domestic circulation at the center while interactively promoting domestic and international circulation.

Specifically, if urban and rural spending on services increases to about 60% of the Chinese economy, it will create about 10 billion Yuan’s worth of new spending; if China’s urban-rural integration takes effect and if urbanization thrives, another 10 billion Yuan’s worth of investment and spending will follow. If such domestic potential is sustainably met, it could lead to economic opening and international economic circulation. Since domestic supply cannot fulfill the increased demand, China has to adopt external competition to internal industrial advancement. Also,

it must promote the external circulation of products, capital, and human capital by expanding economic openness. Such dual circulation not only includes circulation in the real economy but also in the capital market that has high potential.

To foster domestic demand, China must secure the continuous expansion and advancement of domestic spending. A main social class that can contribute to increased spending is the Mingongs (internal migrant workers). If the 2.7 billion Mingongs become urbanites, and if they spend like urbanites, per capita spending can increase by 27%. Such change requires the reforming of the family registration system and the balancing of public services in urban and rural regions. Also, the core of dual circulation is that population mobility flows in both ways from urban to rural and rural to urban.

During the 14th 5-Year Plan period, China also seeks to marketize land, manpower, capital, technology, and data and to strengthen a reform on state-owned enterprises(SOEs). Marketization reform includes accelerating mobility between urban and rural regions' lands, enhancing the level of concentration in land use, prioritizing human capital, supplying for the entrepreneurial market, optimizing the arrangements of capital market including the stock market, accelerating the integration of technological property rights market, and developing data markets and integrating them with the capital market. Reforming SOEs includes refraining from excessive government intervention, creating a state wealth management system that simply manages capital, optimizing and restructuring nationalized economy, and reevaluating the efficiency of SOEs and mixed ownership.

For the 14th 5-Year Plan period, China laid out a self-reliance of science technology as the foundation for national economic development. Its major policies include establishing the system of policy for science and technology companies, strengthening the science research institutes and research-type universities, completing the supply system of cooperative basic technology, and building an international science technology innovation center in Beijing, Shanghai, and the Guangdong-Hong Kong-Macau Greater Bay Area (known as the Pearl River Delta or Greater Bay Area (GBA)).¹⁾ In particular, China announced that it will focus on

1) The Guangdong-Hong Kong-Macau Greater Bay Area consists of nine cities and two special

strategically fostering eight advanced science and technology items, such as artificial intelligence, integrated circuit, bio health, brain science, bio-breeding, aerospace science technology, and technology on deep earth and deep ocean.

In terms of environment protection, prior to announcing the current 5-Year Plan, Chairman Xi has already announced the plan to reduce carbon emissions to 0 by 2060. While China positively evaluated its advancements in environmental protection during the 13th 5-Year Plan, three core issues have not been improved. China has not shown improvements in its heavy chemical industry-centered industrial structure, coal-based energy structure, and road-based transportation structure.

Environmental experts in China admit that China has largely succeeded in reducing the level of microdust to PM2.5 but see room for further improvement in air quality when compared to developed countries. Also, they mostly agree that serious problems persist in terms of water resources, soil, and agricultural ecology and that the foundations of environmental protection are still scanty. China has emphasized the importance of environmental protection through the current Plenary Session and, even before the Session, has suggested specific measures such as setting environmental protection regions through the Convention for the Conservation of Antarctic Marine Living Resources and achieving carbon neutrality by 2060. Also, in line with the Chinese government's environmental protection policies, the China Association of Automobile Manufacturers has suggested the "Energy Reduction and New Energy Automobile Technology Roadmap 2.0." The roadmap anticipates the goal to remove all automobiles that run solely on fossil fuel by 2035, increase domestic sales proportion of environment-friendly cars, such as electric cars and hybrid cars to 50% each, and increase the supply of hydrogen-powered electric cars by 1 million. Also, right after the Plenary Session, the State Council has specified its plans for developing the environment-friendly automobile industry by increasing the sales of electric, plug-in hybrid, and hydrogen-powered electric cars to account

administrative regions in south China: Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou, and Zhaoqing cities, as well as Hong Kong and Macau. Its openness is the highest and its economic vitality is one of the greatest in China. It holds strategic significance for economic development. The total dimension is 56,000 square km and its population as of the end of 2018 was 70 million. It is also dubbed the Silicon Valley of China.

for 20% of all car sales. China is hurrying to develop and supply environment-friendly automobiles because the environment-friendly automobile sector represents its two birds with one stone—environment and economic development.

Means for the Transformation of the Chinese Economic Structure: Strengthening the Communist Party's Leadership

A political factor that stands out in the current Plenary Session is that, though not officially confirmed, the Committee reviewed the Chinese Communist Party Central Committee Ordinances (Ordinances, hereafter). The Ordinances are the foundations of the strengthening of the Chairman-centered authority and leadership of the party center and the modernization of the governance structure and capacities, which compose the fifth wave of modernization. Specifically, the Ordinances provide the basic structure for improving the Central Committee's tasks by stating the party center's leadership rank, system, authority, and method as well as decision-making allocation and the construction of the party center. The official report of the review implicitly signals the weight of the Ordinances by providing orders to acknowledge the party's leadership and its leadership structure as it pertains to economic development.

One striking factor in the Ordinances is the clause stating that the General Secretary of the Chinese Communist Party has the sole authority to confirm the agendas for the four top officials meetings including the Politburo, Politburo Standing Committee, General Office Meeting, and leading groups in the party's central decision-making and coordination. Through the Ordinances, General Secretary Xi has officialized his authority to decide the important national agendas and the range and content of decisions made on them. While the General Secretary's power was immense already without the Ordinances, the Ordinances have stipulated in the text the sole power of the general secretary, legally justifying his supreme power. By both removing the 10-year term of the President and strengthening the power of the General Secretary, Xi has truly become the ultimate authority. Xi's strengthening of authority will transform the collective leadership system and help strengthen the internal unity required to win the hegemonic competition against the U.S.

However, the innovation and technological self-reliance suggested in the 14th 5-Year Plan are likely to materialize under a politically free and competitive environment where ideas are freely exchanged and criticisms against the government are not suppressed. In other words, the central problem facing China is how it will innovate and achieve technological self-reliance without the ‘liberalization of politics.’ The 5-Year Plan and the 2035 Long-Range Objective announced in the 5th Plenary of 19th CC are both fundamentally limited by the absence of strategies to achieve two contradictory goals, a one-party dictatorship with strengthened powers to the general secretary and innovation and technological advancement.

Implications for the Korean Peninsula and North Korean Economy

With China’s economic development and structural transformation shifting toward domestic economy, technological self-reliance, and sustainable development through environmental protection, South Korea faces various opportunities. China prioritizes industrial advancement, increase in employment rate, balanced urban-rural development, regional development of the mid-west, establishment of welfare programs, and developing human capital in the era of the Fourth Industrial Revolution. South Korea is planning on finding and fostering industries and sectors that will lead the Fourth Industrial Revolution through the Green New Deal and the Korean New Deal.

During his address at the National Assembly on October 28, President Moon said, “it is my earnest wish that the two Koreas find a way to coexist as a community of life and safety to overcome disasters, catastrophes and diseases that infect people and animals.” This is in line with his suggestion to North Korea, China, Japan, and Mongolia on the ‘Northeast Asia Cooperation Initiative for Infectious Disease Control and Public Health’ during the 75th Session of the United Nations General Assembly. Also, the President has announced his goal to achieve carbon neutrality by 2050.

Hence, South Korea and China should cooperate in developing Chinese domestic demand. They should cooperate on industrial sectors that have not reached their potential like the cultural industry (K-Pop), bio and environment industry (environment-friendly automobiles), and parts material industry rather than excessively competitive industries like the smartphone and fossil-fuel (internal

combustion engine) automobile industries. The governments of both countries should actively support cooperative projects on infectious disease control, healthcare, and bio to construct the community of life and the Northeast Asia Cooperation Initiative for Infectious Disease Control and Public Health suggested by President Moon and the ‘community of common destiny’ suggested by Chairman Xi.

At the same time, we should not overlook the negative influence and threat posed by China’s industrial advancement and technological self-reliance policies. If China localizes the production of intermediary goods, which it used to rely on South Korea for, and develops a China-centered supply chain, South Korean firms that rely heavily on exports of intermediary goods not only have to look for new markets but also might be forced to make strategic choices between China-led and U.S.-led supply chains.

However, such a threat also must be overcome through Sino-South Korean environmental cooperation. China and South Korea have each set 2060 and 2050 as the years of carbon neutrality. While we outpace China by 10 years in our goal-setting, reducing carbon emission requires the cooperation of both countries. The two countries should especially cooperate on transitioning from coal to environment-friendly power such as solar or wind. North Korea is also facing various environmental pollution including forest damage, air pollution including issues with microdust, and land and water pollution. In this sense, projects between South Korea and China on the environment or sustainable development should be escalated into environment-related cooperative measures with North Korea.

North Korea is trying to overcome the domestic and international challenges stemming from the triple distress of COVID-19, natural disasters, and economic sanctions by strengthening its ties with China, promoting self-reliance, and economizing resource use. However, the situation is predicted to become direr as its borders with China are still largely closed due to COVID-19, and Sino-North Korean trade, while recovering, is not at the level it was previously. Hence, we should request China to engage actively in promoting a three-way infectious disease control, economic cooperation, and environmental protection among the two Koreas and China.

Finally, China refrained from emphasizing the ‘Made in China 2025’ and

‘Civil–Military Fusion,’ which provided reasons for America to sanction Chinese firms. Rather, it directly targeted the American–led de–sinicised economic network by emphasizing securing multilateral trade, actively participating in reforming international trade organizations, promoting a fairer and more rational international economic governance system, and suggesting the development of a high–standard global free–trade network. Also, in the press briefing of the 5th Plenary of 19th CC, the executive deputy director of the General Office of the Central Financial and Economic Affairs Commission Han Wenxiu said that there is no good in the U.S. and China completely parting ways and that economic ties between the two countries rely on the complementarities of the two countries’ economic structures and the openness of the global economy. In other words, China has focused on sending messages to strengthen internal integration rather than to criticize the U.S. in the 5th Plenary of 19th CC. Hence, the ROK should participate in international cooperation and environmental cooperation in the fields that China wants developing domestic demand through scientific development, industrial advancements, and increased spending. At the same time, the ROK should find practical ways to induce North Korea–U.S. negotiations with China, who is still anticipating on cooperating with the U.S. The U.S. and China will earn more from cooperation than from conflict on the issues of the denuclearization of the Korean Peninsula and the development of a peace regime. China is participating in the sanctions against North Korea and is insisting on the denuclearization of the Korean Peninsula. The U.S. maintains the same stance. The ROK should utilize the consensus between the two countries to induce cooperation and, within the limits of the sanctions, promote bilateral and multilateral economic cooperation to foster a positive environment for North Korea–U.S. negotiations. ©KINU 2020

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