

**CHINA'S ECONOMY 2017/2018 (II):
XI JINPING'S LONG-TERM VISION
FOR THE CHINESE ECONOMY**

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Executive Summary

1. Entering 2018, Xi Jinping is manifestly facing a number of short-term and long-term challenges. His immediate challenges include how to fine-tune several important policy initiatives with short-term anti-growth orientation.
2. Xi, as an ambitious leader, has also set his eyes on many long-term policies for the long haul. His long-term vision for the development of China's economy is particularly significant.
3. In his long Political Report at the 19th Party Congress, Xi sketched out an economic roadmap for the long-term development of China's economy, which to him is also the way to fulfil his "China Dream for the rejuvenation of the Chinese nation".
4. For this, he has laid down three strategic targets. **Stage 1** is for China to become a moderately well-off *Xiaokang* society by 2020, the centennial of the founding of the Chinese Communist Party.
5. **Stage 2** is for China to achieve a Modern Socialist Economy by 2030 while **Stage 3** is for China to develop into a *Fu-qiang* (prosperous and strong) nation by 2050, the centennial of the founding of the People's Republic.
6. China looks set to achieve its first target of achieving *Xiaokang* by 2020 as it has already achieved most of its poverty reduction objectives.
7. Assuming an average 5% growth from 2020 to 2035, China could also become a developed socialist economy, albeit with a per-capita GDP of only US\$23,000, the same as Taiwan's today!
8. Assuming a 3.5% growth from 2035, China can also become a truly gigantic economy of US\$50 trillion in 2050, almost three times larger than the US economy today, though with a per-capita GDP that is still lower than today's US level.

9. To achieve these cherished targets, China needs to cultivate new sources of economic growth for the next lap, which critically depend on (1) continuing innovation and technological progress and (2) instituting the needed reforms.
10. China has made impressive progress in the “hardware” aspect of technological progress; much uncertainty however remains in the “software” aspect of its institutional changes.