

A Plan for a High-income Chinese Economy

By [John Ross](#) and [Socialist Economic Bulletin](#)

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In the West the population is at present sheltering to protect itself from Covid, entering the greatest economic downturn since the Great Depression, and facing the threat of unemployment and reduced living standards. On the other side of the world in China, something going in exactly the opposite direction is occurring. China unveiled its new Five-Year Plan. This will take a country which in 1949 was almost the poorest in the world, and its almost 1.4 billion population, into the ranks of high-income economies by international classification – with all the steps forward in life expectancy, living standards, health, education and social conditions this brings with it.

There has never been such a large scale economic and social ‘miracle’ in the entire history of humanity – the population of China is larger than the combined population of all other high-income economies in the world.

This transformation therefore poses the most profound possible questions for socialists, socialist theory, and the international left. If, as some on the left claim, China is a capitalist country then the only conclusion that can be drawn from these facts is that capitalism remains a progressive system. If capitalism can raise almost one fifth of humanity from nearly the world’s most grinding poverty to high income status in 70 years, that is within a single lifetime, it is nonsense to claim that capitalism has exhausted its possibilities. If capitalism had delivered 850 million people from internationally defined poverty, as China has, then capitalism would have delivered gigantic progress for humanity. Capitalism would have delivered an immense improvement, a qualitative step forward in life, for a higher proportion of humanity than the European Union and the US combined.

Furthermore this capitalist system would also have been demonstrated to be able to deliver similar results not only to China but to be a path that could be followed by other major countries – for example Vietnam, a country of almost 100 million people, is delivering economic growth and reduction of poverty at a rate, if at an earlier stage of development, essentially the same as China’s. If capitalism can deliver such benefits it is utopian not to support capitalism.

But in that case, there is an impossible mystery. Why has such unparalleled economic development and improvement in living conditions not been delivered by the other countries following the capitalist system?

In summary, the ‘leftist’ claim China is a capitalist country paradoxically, and doubtless against the subjective intentions of those on the left who put it forward, leads to the conclusion that capitalism can deliver historically unparalleled improvements in living standards!

There is in fact no such mystery because China, and Vietnam, are not capitalist but socialist countries. That is why such progress has been made. And this is why the left has a real model for economic development across the world – something it is vital for the left to understand, most immediately in developing countries. Socialism is not a utopia, it is not a dream, it is not something which was achieved in 1917 in Russia and has never been achieved since. It is something real, totally practical, and which delivers immediate benefits to truly gigantic numbers of people.

The following article by John Ross, which appeared in China.org.cn, on China's new Five Year Plan analyses the historical facts which have to be explained by any analysis of China, the nature of its new plan, and the step forward that this represents as the country enters the stage of development of a high income economy.

By **John Ross**

The press conference which followed the Plenary Session of the CPC's Central Committee put forward guidelines not only for China's next Five-Year Plan, for 2021-2025, but also for more medium-term development of China up to 2035. The two are interrelated because the next Five-Year Plan will inaugurate a qualitatively new period in China's economic development which is of global significance. This goes beyond the fact that China's short-term economic prospects are better than for any other major country – the IMF estimates in 2020-2021 it will account for 60% of global growth. The new Five-Year Plan inaugurates a fundamental transition.

China in 2020 became a 'moderately prosperous' economy by its own national classification – also achieving its goal of the elimination of absolute poverty. But most countries use World Bank classification in making international comparisons – dividing economies into low, medium and high-income groups. By this criterion in approximately 2022-23, the middle of the next Five-Year Plan, China will enter the ranks of global 'high income economies.'

Achieving this new level of development determines the Five-Year Plan's nature. Previously China planned for escaping underdevelopment, whereas this plan centres on the different tasks of building a high-income economy. Furthermore, due to US actions, it will do so in a different international context and where serious challenges face humanity – particularly the threat of climate change and of economic recovery from a pandemic which Western failure to control has created the deepest global economic downturn since the Great Depression.

To understand this Five-Year Plan's place in China's national development, the almost incredible character of what has been achieved must be understood. In 1949 China was almost the world's poorest country – only 10 countries had lower per capita GDPs. Only 73 years later, the span of a single lifetime, China will count among the world's high-income economies.

When the Communist Party of China took power in 1949 in essence it put forward a promise to China's people: 'if China adopts our methods the Chinese people will be taken from a century of humiliation, regain control of their own destiny and rejuvenate their country.' The achievement by China of high-income international status during the next Five-Year plan is a key symbol on the economic field that this promise was delivered – following similar achievements in national unification, elimination of foreign military forces, gigantic

improvements in health, life expectancy, education, culture and numerous other fields.

Internationally the scale of what is represented by the new Five-Year Plan is clearly understood by historical comparison. Today, by World Bank classification, only 16% of the world's population lives in high income economies. But China is 18% of the world's population. China becoming a high-income economy will therefore more than double the proportion of the world's population living in such states. It is a fact that no such comparable single improvement in the position of such a large proportion of humanity has ever taken place in the whole of history.

This staggering achievement brings new challenges. Some are internal – a high income economy is far more complex than a low or medium one. But some are external. The US has embarked on an attempt to block China's development. This path was launched by Trump with tariffs and technology bans. But there is no indication that US policy will fundamentally change no matter who wins the US presidential election.

This is what makes the much-discussed concept of a 'dual circulation' economy so crucial in the new plan. Many US analysts consider Trump made tactical errors in his attack on China. That the tariffs were a mistake as they were paid by the US population and attacked China on terrain where it was strong, and the US could not compete – good quality medium technology manufacturing. Instead, it was argued, the US attack should be concentrated on its strong point – high technology. The US should concentrate on weakening China's most high technology companies as with Huawei and Tiktok. Trump and Biden are therefore urged to create a 'technology blockade' of China.

There are certainly doubts whether the US can achieve this goal – it is against the interests of other countries and its own high technology companies which previously had strong markets in China. But it would be a naïve, unrealistic, strategy for China to base its policy on an assumption that US policy will collapse due to its own contradictions. Therefore, to progress as a high-income economy, China will have to increasingly rely on its own technology. Every part of the production chain must be potentially achievable in China – best described as 'domestic circulation'. This is different to the 1978-2016 period in which China could rely to a great extent on importing technology.

China remains committed to globalisation, which would be the best path of development for the world, and uses every opportunity for internationalisation, but in the new situation its domestic economy will dominate.

Obviously, this requires great national effort – money has to be poured into R&D and scientific research. Large investments are required to embody and produce new technology. Fortunately, China has the financial resources for this.

This issue overlaps with international problems which are not just due to US policy but also to common problems of humanity and particularly climate change. Regarding this it is China's prowess in the field of renewable energy manufacturing technology that makes possible the meeting, and potential exceeding, of the goals of the Paris Climate Change accords.

China had outlined its goal of 'ecological civilization' conceptually previously but global attention was paid to Xi Jinping's statement at the UN on 22 September that: 'We aim to have [carbon dioxide] emissions peak before 2030 and achieve carbon neutrality before

2060.' For example, Adam Tooze, one of the West's most eminent economic analysts and historians, noted in the US Foreign Policy magazine: 'with those two short sentences China's leader may have redefined the future prospects for humanity.'

To achieve these goals, they will have to begin to be embodied in the new Five-Year Plan and globally these will be among the most eagerly noted of its targets.

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