

CHINA'S ADVANCE CHINESE MODERNIZATION 2035 PLAN: WHAT DOES IT MEAN?

Malaysia's Strategic Edge in the Wake of Beijing's Ambitious Reforms

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The third plenary session of the 20th Central Committee of the Communist Party of China had on 18 July adopted the Resolution on Further Deepening Reform Comprehensively to Advance Chinese Modernization. This landmark resolution outlines China's long-term strategic plans and commitment to over 300 reform initiatives designed to invigorate the economy and address various social and security concerns. This sweeping reform agenda, also dubbed as China's new "reform blueprint," marks a pivotal moment in the nation's modernization efforts.

The key highlights of the resolution include economic reforms where efforts will be made to dismantle barriers to competition, which will foster a more open and competitive market environment. Increased investment in technology and innovation is planned to drive economic growth and maintain China's competitive edge. Strategies will be implemented to manage and mitigate national and corporate debt risks. Additionally, initiatives will be undertaken to globalize the yuan, enhancing its role in international financial markets.

The resolution also outlines social reforms to address the challenges posed by China's aging population and declining birth rates. Strategies will also be developed to revitalize the property market, ensuring its stability and sustainable development. On national security and anti-corruption, China seems to set its focus on strengthening efforts which will focus on combating corruption and ensuring transparency and integrity within both government and business sectors.

How should Malaysia and South East Asia countries view this?

While details and specific measures under this grand plan will only follow later, INSAP welcomes China's commitment to modernization and its ambitious plan for comprehensive reform. We note that China's intention to further open up its economy, and creating a "people's democracy" would have positive impact on South East Asia. As China repositions itself with a focus on modernizing its economy and enhancing its technological capabilities, South East Asia countries can expect beneficial effects from a more dynamic and robust trade and investment ecosystem. China's reforms could lead to increased opportunities for regional trade and collaboration.

INSAP has been calling for the strengthening of multilateral platforms in our past statements, and view China's latest direction as an important step forward. INSAP believes that China's commitment to creating a modern market economy and protecting vibrant economic systems in the region will support and enhance multilateral trade platforms. This alignment with global economic standards could improve regional economic stability and cooperation.

The resolution's focus on innovation, science, technology, and education as primary drivers of growth represents a forward-looking approach that could have significant positive impacts on both China and its regional partners.

From a legal reform perspective, the resolution's emphasis on the rule of law is particularly encouraging. It is a crucial element in establishing China as a reliable and constructive partner in trade, investment, and regional diplomacy. INSAP views this commitment as vital for fostering trust and collaboration between China and Southeast Asia, enhancing China's role within the ASEAN Plus community.

Malaysia is at the centre of this community, and will be taking over the Chairmanship of ASEAN in 2025. It is crucial for Malaysia to take note of this progress as China is Malaysia's largest trading partner and a key source of foreign direct investment.

China's comprehensive reforms are aimed at dismantling barriers to competition, enhancing technological research, and globalizing the yuan are expected to stimulate economic growth in China – and stronger economic performance in China typically results in higher demand for Malaysian exports. INSAP expects the outcomes of China's reforms to contribute to better regional economic integration in the form of improved economic linkages, facilitate smoother trade and investment flows, and strengthen regional supply chains, as well as regional stability - all of which are beneficial for Malaysia's economic development.

In conclusion, INSAP is optimistic about the transformative potential of China's comprehensive reform agenda. By focusing on modernization, legal adherence, and international engagement, China's efforts align with the broader goals of regional stability and prosperity. We anticipate that these reforms will not only benefit China but also positively impact South East Asia and contribute to a more integrated and resilient regional economy.

However, INSAP is cautious if these reforms and efforts to de-escalate geopolitical tensions in the region would materialise soon enough in time for the effective implementation of the ASEAN-Malaysia 2025 agenda.

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