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China's Evolving Fortress Economy

Jimmy Goodrich

Abstract

China's leadership, under Xi Jinping, has initiated a significant strategic shift toward a "fortress economy" designed to bolster national self-sufficiency and resilience against external shocks, and ultimately allow the nation to withstand "extreme situations" including protracted armed conflict. This paper provides a comprehensive analysis of the evolution of China's fortress economy policy, tracing its roots from early warnings about international instability to its formalization in China's 14th Five-Year Plan and subsequent policy actions. By examining official speeches, policy documents, and strategic initiatives, the paper explains how the Chinese Communist Party (CCP) is operationalizing this strategy through key domains such as food security, energy independence, and critical supply-chain resilience. The analysis highlights the CCP's perception of an increasingly hostile international environment, prompting a paradigm shift that prioritizes national security and economic self-reliance. This research contributes to understanding China's strategic intentions and provides a foundation for further exploration of the implications of China's fortress economy on global economic and geopolitical dynamics.

Keywords: Self-sufficiency, economic security, fortress economy, wartime economy

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I. Introduction

Since the deterioration of the U.S.–China relationship, the COVID-19 pandemic, and the Russian invasion of Ukraine, the Communist Party of China (CCP) political leadership including CCP General Secretary Xi Jinping have placed an increased focus on building a “fortress economy” that is relatively self-sufficient and able to withstand “external shocks.”¹

A fortress economy strategy is also consistent with Xi’s overall elevation of national security as a key national priority in his proposed “general concept of national security.”² Furthermore, Xi has on multiple occasions stressed the need for China to be prepared for “extreme-case” situations or *jiduan qingkuang* (极端情况), after President Xi’s speech to the 20th Party Congress directly made reference to the phrase.³ More recently in 2024, the CCP has begun to operationalize these concepts under the CCP phraseology of “critical domain national security capabilities,” to develop elements of a fortress economy strategy such as food, energy, and supply-chain security measures, in addition to civil-defense mobilization, emergency preparedness, and strategic reserve infrastructure development.⁴ However, with the exception of high-level commentary, there has not to date been a systematic analysis and review of CCP rhetoric and policies

¹ Tai Ming Cheung, “Fortress China: The Techno-Security Turn of the Chinese National Innovation System.” Paper for the Berlin Conference on the Chinese National Innovation and Techno-Industrial Eco-Systems, September 5–6, 2023; “Xi Jinping lays out vision of fortress China against tense rivalry with the U.S.” Politico, October 2022: <https://www.politico.com/news/2022/10/17/xi-jinping-lays-out-vision-of-fortress-china-against-tense-rivalry-with-the-u-s-00062162>. External shocks in Chinese text are referred to as *waibu chongji* (外部冲击).

² For more in-depth discussions of the evolving elevation of the national security state and the general concept of national security (综合国家安全观念) within the PRC please see Tai Ming Cheung, “The Chinese National Security State Emerges from the Shadows to Center Stage,” September 1, 2020: <https://www.prleader.org/post/the-chinese-national-security-state-emerges-from-the-shadows-to-center-stage>; Katja Drinhausen and Helena Legarda, “‘Comprehensive National Security’ unleashed: How Xi’s approach shapes China’s policies at home and abroad.” MERICS, September 15, 2022: <https://www.merics.org/en/report/comprehensive-national-security-unleashed-how-xi-approach-shapes-chinas-policies-home-and>; Sheena Chestnut Greitens, “National Security after China’s 20th Party Congress: Trends in Discourse and Policy.” August 29, 2023: <https://www.prleader.org/post/national-security-after-china-s-20th-party-congress-trends-in-discourse-and-policy>; Sheena Chestnut Greitens, “New Leaders in ‘National’ Security after China’s 20th Party Congress.” November 30, 2023: <https://www.prleader.org/post/new-leaders-in-national-security-after-china-s-20th-party-congress>

³ Lingling Wei, “Xi Prepares China for ‘Extreme’ Scenarios, Including Conflict with the West.” *The Wall Street Journal*, June 12, 2023: <https://www.wsj.com/articles/chinas-xi-jinping-plays-up-possibility-of-worsening-tensions-with-the-west-aac2dff8>; William Zheng, “China facing ‘more complex’ security challenges, President Xi Jinping says, warns of ‘worst-case’ situation.” *South China Morning Post*, May 31, 2023: <https://www.scmp.com/news/china/politics/article/3222477/china-facing-more-complex-security-challenges-president-xi-jinping-says-warns-worst-case-situation>

⁴ Critical domain capability construction is referred to as *zhongdian lingyu guojia anquan nengli jianshe* (重点领域国家安全能力建设). For a discussion regarding “fortress economy” policy see David Lubin, “Huge impact of ‘fortress economics’ in Russia and China.” Chatham House, February 2, 2022: <https://www.chathamhouse.org/2022/02/huge-impact-fortress-economics-russia-and-china>; Marc Filippino, Max Seddon, and Imani Moise, “Moscow’s ‘Fortress Russia’ Strategy.” *Financial Times*, January 19, 2022: <https://web.archive.org/web/20220225155936/https://www.ft.com/content/e54853e0-d34a-470b-a5af-f447558662e9>

regarding “extreme situations” and its perceived need to build a fortress economy.⁵ CCP efforts to construct a fortress economy are of particular relevance given the increased tensions surrounding China’s periphery including the Taiwan Strait, the South China Sea, and the Sino-Indian border that may necessitate a fortified Chinese economy that could support a sustained and protracted conflict and withstand likely sanctions, supply-chain disruptions, and other events surrounding such potential conflict.

This working paper is based on a thorough review of official CCP speeches, policy documents, and commentary to identify the CCP’s perception of the external risk environment and their justifications for a fortress economy strategy. The paper identifies key CCP phrases associated with these concepts including “extreme situations,” “extreme-case thinking,” “dual-economic circulation,” and “critical domain national security capabilities,” among other terms, and assesses CCP policy that flows from them. The paper traces the evolution of these concepts from 2018 throughout the COVID-19 pandemic to early 2024 and identifies key milestones in the development of the CCP’s fortress economy outlook. It concludes with a discussion of whether the CCP is pursuing a fortress economy strategy, possible explanations, additional questions, and areas for further research.

II. Early Xi Jinping Discussion of Risks Facing China

CCP discussion of extreme-case policymaking has clearly been top-down and emanated from a series of speeches, directives, and guidance given personally by Xi that has since been incorporated into policy and doctrine nationwide. Prior to COVID-19, Russia’s invasion of Ukraine, and other notable international developments, Xi had already been warning his country of dangerous times ahead since 2014.⁶ In 2014, Xi remarked that China needed to “assess the domestic and international situation” and “make plans for all kinds of challenges” and persist in “bottom-line thinking” (*dixian siwei*, 底线思维), which means understanding the needs of the nation under the most extreme situations, many of which are international in origin.⁷ He also made similar remarks on more than a

⁵ For an overview of existing commentary and literature regarding the subject see: Elizabeth Wishnick, “Xi Jinping’s Vision of a Resilient China.” Center for Naval Analysis, January 13, 2023: <https://www.cna.org/our-media/indepth/2023/01/xi-jinpings-vision-of-a-resilient-china>; James Kynge, Sun Yu, and Leo Lewis, “Fortress China: Xi Jinping’s plan for economic independence.” *Financial Times*, September 14, 2022: <https://www.ft.com/content/0496b125-7760-41ba-8895-8358a7f24685>; Jung Chen and He Jun, “Will China Move Toward a ‘War-Driven’ Economy?” *The Diplomat*, January 2024: <https://thediplomat.com/2024/01/will-china-move-toward-a-war-driven-economy/>

⁶ Willy Wo-Lap Lam, “Xi Jinping Warns Against the ‘Black Swans’ and ‘Gray Rhinos’ of a Possible Color Revolution.” The Jamestown Foundation, February 20, 2019: <https://jamestown.org/program/china-brief-early-warning-xi-jinping-warns-against-the-black-swans-and-gray-rhinos-of-a-possible-color-revolution/>

⁷ See 习近平总书记论底线思维 <http://theory.people.com.cn/n1/2023/0822/c40531-40061461.html> and 习近平治国理政关键词（51）：底线思维 应对复杂形势的科学方法 <http://cpc.people.com.cn/n1/2017/0213/c64094-29075534.html>, 领导干部要善用底线思维 <http://theory.people.com.cn/n1/2020/1112/c40531-31928414.html>, 保

half dozen occasions between 2015 and 2019.⁸ During a speech made by Xi in January 2019 to party cadres at the Central Party School, Xi declared the “The dangers we (China) are facing are only going to be increasingly complex, we might even encounter unimaginable and perilous situations.”⁹

A week later in 2019, Xi continued to describe to a group of provincial cadres the complex situation China was facing.¹⁰ He warned that China was facing a “turbulent international situation” a “complex and sensitive surrounding environment,” and that China must maintain a “high-level of alert” for black swan and gray rhino-like unpredictable events.¹¹ Commentary at the time suggested these references were in relation to domestic economic risks. However, a closer examination indicates Xi explicitly referencing a global, not domestic, context.¹² Official party commentary also highlighted China’s “external environment” as one of the key challenges that precipitated Xi’s remarks.¹³ This indicates Xi may have assessed the greatest dangers facing China were external, not domestic.

III. COVID-19, Extreme Situations, and China’s Dual-Circulation Strategy

In early 2020 the COVID-19 pandemic disrupted the global economy and supply chains, which prompted a swift nationwide lockdown within China that allowed it to initially contain the virus. By the spring of 2020, Xi had already begun to reflect on his early

障国家安全要强化底线思维 <http://theory.people.com.cn/n1/2017/0504/c40531-29252805.html>, 大变局下底线思维背后的四重逻辑 <https://china.chinadaily.com.cn/a/201906/26/WS5d134aada3108375f8f2cac7.html>, and 把底线思维贯穿于各项工作中 <https://news.12371.cn/2017/09/11/ART11505081942552739.shtml> for a detailed discussion on “bottom-line” thinking and its meaning.

⁸ Ibid. and 习近平谈底线思维 for a detailed list of his remarks regarding “bottom-line” thinking: <https://www.12371.cn/2019/01/30/ART11548832293162258.shtml>

⁹ 习近平在中央党校（国家行政学院）中青年干部培训班开班式上发表重要讲话 http://www.xinhuanet.com/politics/leaders/2019-09/03/c_1124956081.htm. “我们面临的风险考验只会越来越复杂，甚至会遇到难以想象的惊涛骇浪”

¹⁰ 习近平在省部级主要领导干部坚持底线思维着力防范化解重大风险专题研讨班开班式上发表重要讲话 https://www.gov.cn/xinwen/2019-01/21/content_5359898.htm (面对波谲云诡的国际形势、复杂敏感的周边环境), and that China must maintain a “high-level of alert” (保持高度警惕)

¹¹ Ibid.

¹² Jeremy Goldkorn, “Gray rhinos and risk awareness in China and the U.S. — Q&A with Michele Wucker Business & Technology.” The China Project, October 2021, 2022: <https://thechinaproject.com/2022/10/21/gray-rhinos-and-risk-awareness-in-china-and-the-u-s-qa-with-michele-wucker/>; “Chinese President Xi Jinping warns against ‘black swans,’ ‘gray rhinos’ amid economic downturn.” January 21, 2019: <https://www.abc.net.au/news/2019-01-22/xi-jingping-china-president-warns-black-swans-grey-rhinos/10736442>

¹³ 深刻认识坚持底线思维 <http://theory.people.com.cn/n1/2019/0625/c40531-31177911.html>

lessons learned from the pandemic. The most profound lesson he discussed domestically was that China needed to build a more resilient and self-sufficient economy. Xi's earliest and most detailed remarks on the topic were made during an April 2020 meeting he chaired regarding China's economic and supply-chain response to the pandemic.

According to an official Xinhua transcript of Xi's remarks, Xi for the first time referenced the concept of "extreme situations" and described in detail the need for China to build a "secure and controllable domestic supply system that during critical times could be self-circulating, ensuring normal operation of the economy during extreme situations."¹⁴

While Xi's initial discussion of extreme situations was certainly in reference to the COVID-19 pandemic, he discussed the concept in a broader context including "profound changes to the world not seen in a century" and that the pandemic was a "big test" for his country, indicating more challenges were on the horizon.

At the same meeting, Xi also shared his vision for a China that was less reliant on the outside world. He said the most important "advantage of a great economic power is in its ability to be self-circulating," that China needed to address "hidden vulnerabilities in supply chains" that posed a risk to China's industrial and national security, and that China "should strive for important products and supply channels have at least one substitute source, to create a necessary industrial back-up system."¹⁵ Xi also said that China was recovering from COVID but that it "should not simply go back to the old model" and China needed to build a new supply chain that would be more competitive, thereby making the world more reliant on China, but China less reliant on the world itself, creating "strong countermeasures and deterrence against foreigners seeking to cut off supply."¹⁶ Xi also discussed the need for China to invest more heavily in crisis management infrastructure and combine the strategic reserve infrastructure of the government, enterprises, and the military.

At a May 2020 Politburo study session regarding COVID-19 and supply-chain resilience, Xi built upon his previous remarks and formally proposed a "dual-circulation" economic

¹⁴ 国家中长期经济社会发展战略若干重大问题 http://www.qstheory.cn/dukan/qs/2020-10/31/c_1126680390.htm 安全可靠的国内生产供应体系，在关键时刻可以做到自我循环，确保在极端情况下经济正常运转。Reference to changes unseen in 100 years "当今世界正经历百年未有之大变局"

¹⁵ 习近平在中央财经委员会第七次会议上的讲话 http://zjt.hunan.gov.cn/zjt/ztzl/zhongyaozhishi/gyxxczhdls/202203/t20220304_22495100.html Key phrases quoted include "力争重要产品和供应渠道都至少有一个替代来源，形成必要的产业备份系统" and "拉紧国际产业链对我国的依存关系，形成对外方人为断供的强有力反制和威慑能力" and "实行中央储备和地方储备相结合，实物储备和产能储备相结合，国家储备和企业商业储备相结合，搞好军民融合储备"

¹⁶ Ibid.

strategy with the aim to shift the Chinese economy away from being export dependent to one that was more reliant on domestic demand, thereby insulating the economy from future external shocks.¹⁷ Xi then throughout mid-2020 discussed extensively the concept of dual-economic circulation as a critical national strategy for China.¹⁸ Xi's economic adviser and Vice-Premier Liu He also further elaborated in detail the party's vision for dual circulation in an essay that appeared on November 25, 2020, in the *People's Daily*.¹⁹ Liu noted dual circulation was a "major strategic deployment" for "China's long-term development, governance, and stability."²⁰

Due to international concerns that this new approach was essentially China attempting to decouple from the world,²¹ Xi stressed on several occasions that while he would indeed make his nation more resilient, dual circulation would not "close China off" to the world, despite his original rhetoric indicating otherwise.²²

In October 2020 Xi again spoke of extreme situations in an international context and the need for China to be able to operate the economy under periods of calamity and duress. Specifically in his speech to the Fifth Plenum of the 19th Party Congress, Xi stated that "under the backdrop of a completely unstable and unpredictable international environment" China must take steps to boost "domestic demand," which would help address "external shocks," which would be "beneficial to ensuring the basic operation of China's economy and social stability during the conditions of extreme situations."²³ Xi said China's strategy of domestic circulation was necessary "from an international comparative" perspective, and that due to present "unstable

¹⁷ 中共中央政治局常务委员会召开会议 习近平主持 http://www.xinhuanet.com/politics/leaders/2020-05/14/c_1125986000.htm Key references include "构建国内国际双循环相互促进的新发展格局"

¹⁸ 看习近平这几次重要讲话，看懂“大循环”“双循环” http://www.xinhuanet.com/politics/xxjxs/2020-09/05/c_1126455277.htm

¹⁹ 刘鹤：加快构建以国内大循环为主体、国内国际双循环相互促进的新发展格局 https://www.gov.cn/guowuyuan/2020-11/25/content_5563986.htm Key phrases quoted include "是着眼于我国长远发展和长治久安作出的重大战略部署"

²⁰ Ibid.

²¹ "China's 'dual-circulation' strategy means relying less on foreigners." *The Economist*, November 5, 2020: <https://www.economist.com/china/2020/11/05/chinas-dual-circulation-strategy-means-relying-less-on-foreigners>

²² 习近平：中国新发展格局不是封闭的国内循环，而是更加开放的国内国际双循环 https://www.gov.cn/xinwen/2020-11/04/content_5557396.htm; 以国内大循环为主体 绝不是关起门来封闭运行 https://news.cnr.cn/native/gd/20200726/t20200726_525181320.shtml

²³ 习近平：新发展阶段贯彻新发展理念必然要求构建新发展格局 <https://www.12371.cn/2022/08/31/ART11661931270280337.shtml> Key phrase quoted "有利于在极端情况下保证我国经济基本正常运行和社会大局总体稳定"

and unpredictable international conditions,” China needed to be more reliant on a circular domestic economy.²⁴

IV. Economic Security Takes Hold in the 14th Five-Year Plan

Every five years the Chinese government releases an economic development roadmap that outlines key priorities for the nation. During a lecture to provincial cadres in January 2021, Xi previewed his initial vision for the plan in a speech titled *Firmly grasp the new stage of development, implement a new development concept, establish a new development structure*. With the pandemic raging worldwide and U.S.–China tensions increasing, Xi mentioned how in a prophet-like way, his previous warnings of “16 types of risks and dangers” were correct. Xi stressed in the speech the need for China to be “willing to fight,” “increase China’s deterrence ability,” and that China must safeguard economic security, in addition to securing China’s supply chains for food, energy, critical resources, and industry. Xi also stressed that China needed to research setting up various “glass doors” and “locks” that could help China deal with various national security issues at different points in time. Consistent with his previous speeches and writings, Xi said the answer to these risks is that China “needed to build an economy based on domestic circulation.”²⁵

In the run up to the formal release of the plan, several influential scholars discussed the perilous external risk environment facing China and the need for greater self-sufficiency.²⁶ There were also a number of essays penned on the importance of China’s new dual-circulation strategy in influential People’s Republic of China (PRC) state media.²⁷ For example, a Central Party School professor published an essay in November 2020 that set the tone for development priorities over the next five years. The piece was

²⁴ 习近平：新发展阶段贯彻新发展理念必然要求构建新发展格局 https://www.gov.cn/xinwen/2022-08/31/content_5707604.htm

²⁵ 《求是》杂志发表习近平总书记重要文章《把握新发展阶段，贯彻新发展理念，构建新发展格局》 http://www.qstheory.cn/dukan/qs/2021-04/30/c_1127390013.htm Key phrases quoted “研究如何设置必要的“玻璃门,”在不同阶段加不同的锁, 有效处理各类涉及国家安全的问题,” and “发达经济体尤其是美国对中国崛起的阻遏肯定是消极的”

²⁶ See 加快发展现代产业体系 推动经济体系优化升级 https://www.gov.cn/xinwen/2020-11/23/content_5563422.htm; 产业链供应链自主可控 中国经济方能“气血充盈” <http://theory.people.com.cn/n1/2020/1221/c40531-31973009.html>

²⁷ See several influential Chinese state-run commentaries regarding China’s evolving dual-circulation strategy from 2020–2021 (before the NPC where the 14th Five-Year Plan was released) 科学认识“双循环”新发展格局 http://www.xinhuanet.com/politics/2020-11/09/c_1126714546.htm; 全面准确理解“双循环”新发展格局的内涵与要求 <https://news.cctv.com/2021/01/30/ARTIuSpE0u6e33aZopKvj7kt210130.shtml>; 以国内大循环为主体，推动国内国际双循环相互促进 http://www.qstheory.cn/wp/2020-12/20/c_1126879157.htm; 打通双循环堵点 加快构建

titled *A new period, a new revolution, a new mission* and was widely carried across state media.²⁸ The author noted that the world was in disorder, and China was likely to face increasing pressure from outside its borders. The author noted that China was going to face significant external risks over the next five years, including “destructive trade attacks” such as tariffs and decoupling policies, “financial and economic sanctions pressure,” “measures to contain China’s science and technology development,” and “overseas efforts to smear China’s image and that these extreme efforts would be led by the United States. The author also noted China may also face extreme situations where “some countries” may “freeze or take over China’s overseas assets.” The author’s answer to the view of future instability was that China needed to build a more self-reliant domestic economy that could defend itself against trade attacks and decoupling policies.

China’s 14th Five-Year Plan was then formally released in March 2021 and strongly incorporated self-sufficiency as a national economic security strategy.²⁹ The plan itself mentioned the word *risk* 52 times, stated the strategy of dual circulation would be the “main structure” of China’s economic policy, and that China needed to “eliminate constraints” to realize this goal. The plan mentioned the need to build a “modern industrial system” that was “self-controllable, secure, and highly efficient” and that China’s policies for the economy and supply chain need to be based on “the integration of economics and security.”³⁰ The 14th Five-Year Plan further outlined a detailed plan for building a more insular economy based on dual circulation focused on “improving the supply system allocation,” “promoting the smooth flow of resources,” “strengthening the use of the logistics support system,” and “perfecting and promoting a domestic large circulation policy system.”³¹

The 14th Five-Year Plan also discussed the need to “strengthen national economic security safeguards,” which at the time were some of the most clear and direct articulations of an evolving CCP fortress economy strategy. The plan stated that China needed to build up its ability to detect, warn, and respond to economic security risks, to be more resilient, and to protect critical industries, infrastructure, and resources. The

新发展格局 <http://www.sasac.gov.cn/n2588025/n2588134/c15642171/content.html>; 畅通“大循环”“双循环” 推动高质量发展——专家热议构建新发展格局 https://www.gov.cn/xinwen/2020-10/11/content_5550321.htm

²⁸ 开启“十四五”：新阶段、新命题、新使命 http://www.dangjian.com/shouye/zhuanti/zhuantiku/wuzhongquanhui/xinwenjujiao/202011/t20201125_5862549.shtml. Key phrases quoted include “当今世界看似波谲云诡，却并非无迹可寻...在此期间我国面临的外部压力会继续增大” and “可能会出现以一定借口部分冻结或没收我国海外资产等极端情况”

²⁹ 中华人民共和国国民经济和社会发展第十四个五年规划和 2035 年远景目标纲要 https://www.gov.cn/xinwen/2021-03/13/content_5592681.htm

³⁰ Ibid.

³¹ Ibid.

plan then called for three “security strategies” and six different “economic security assurance projects” to boost China’s economic security and self-sufficiency. The three economic security strategies mentioned in the 14th Five-Year Plan were:

- **Food Security Strategy (粮食安全战略):** This strategy proposed a diversified approach for staple food supply and grain self-sufficiency that would improve food production, procurement, storage, and sales channels, protect agricultural land, enhance grain reserves, reduce food loss, and find new sources of food procurement from a more diversified set of countries.
- **Energy Resource Security Strategy (能源资源安全战略):** This strategy aimed to improve production, supply, storage, and sales systems to ensure continuous and stable energy supplies, with a special focus on coal, oil, and gas self-sufficiency, and stable electricity grids. The strategy called for expanding oil and gas reserves and diversifying import sources.
- **Financial Security Strategy (金融安全战略):** This strategy focused on preventing systemic financial risk and called for more ability to detect and prevent financial crises that may stem from shadow banking, non-performing assets, or the real estate market.

The six national economic security safeguard projects included many that focused on strengthening China’s economic resilience in basic materials and commodities essential for the operation of the national economy:

- **Food Reserve Infrastructure (粮食储备设施):** upgrading and improving China’s national network of food stocks and reserves
- **Oil & Gas Exploration Development (油气勘探开发):** identifying more sources within China’s borders and maritime territory
- **Coal Liquefaction (煤制油气基地):** building a network of coal liquefaction plants across China and a coal liquefaction national reserve
- **Electricity Security Safeguards (电力安全保障):** building more safe and reliable electric grids, power plants, and emergency management systems, with a focus on cybersecurity
- **Identifying New Mines (新一轮矿突破战略行动):** identifying 100–200 oil, gas, copper, aluminum, and other fields/mines
- **Emergency Response Centers (应急处能力提升):** building six regional emergency management centers and training bases

Echoing these priorities, there appeared numerous policy documents and official commentaries from party officials in China’s banking, energy, and electricity sectors

echoing calls for the importance of economic security and preparing to deal with “any extreme-case situation.”³²

³² 践行金融报国、金融为民 在新的赶考路上展现更强担当更大作为
<http://www.qizhiwang.org.cn/n1/2022/0111/c441674-32328805.html>; 国家发展改革委 国家能源局关于完善能源绿色低碳转型体制机制和政策措施的意见; <https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/>

V. Xi Emphasizes the Importance of Strategic Reserves, Food Security, and Primary Goods

Throughout the rest of 2021, Xi continued to articulate elements consistent with a fortress economy outlook. In August 2021 during a CCP Central Committee on Comprehensively Deepening Reform Meeting chaired by Xi, he discussed the importance of national strategic reserves and stockpiling for possible future emergency situations. Noting that “China is a big country, we must possess national reserves and emergency response capabilities consistent with our status as a major power.” Xi further called for a unified national system of strategic reserves to decide “what to store, by who, and how.” The meeting then “reviewed and passed a set of guiding opinions to reform and improve the management of strategic and emergency national reserves.”³³ Official state commentary regarding the meeting and its discussion of strategic reserves indicated that such a reserve system is not only important for managing the economy but addressing national security risks and the changing international situation.³⁴

Official CCP commentary continued to echo Xi’s call for China to build a more resilient economy and supply chain that could better face extreme situations. For example, president of the China Academy of Social Sciences Xie Fuzhan in a March 2021 editorial in the *Economic Daily* stated that China’s new strategy of dual circulation was essential for ensuring the basic operation of China’s economy under extreme situations.³⁵

In December 2021 during the annual Central Economic Work Conference, Xi again discussed the need for national economic self-sufficiency, dual circulation, resilient supply chains, food and grain security, and strategic stockpiles and reserves. According to the official Xinhua summary of the meeting, Xi noted the importance of a domestic circular economy that could “relieve supply chain bottlenecks and pressures.”³⁶

³³ 习近平主持召开中央全面深化改革委员会第二十一次会议强调 加强反垄断反不正当竞争监管力度 完善物资储备体制机制 深入打好污染防治攻坚战 李克强王沪宁韩正出席 http://www.news.cn/politics/leaders/2021-08/30/c_1127810407.htm. Key passages quoted include “我国是大国，必须具备同大国地位相符的国家储备实力和应急能力” and “[“储什么”、“谁来储”、“怎么储”] and “做好随时应对各种极端情况的准备。”

³⁴ 在关键时刻发挥保底线的调节作用 http://www.qstheory.cn/laigao/ycjx/2022-05/26/c_1128684864.htm

³⁵ 谢伏瞻：准确把握构建新发展格局的核心要义与丰富内涵 https://www.gov.cn/xinwen/2021-03/28/content_5596269.htm

³⁶ 央经济工作会议在北京举行 习近平李克强作重要讲话 栗战书汪洋王沪宁赵乐际韩正出席会议 https://www.idcpc.gov.cn/zgzc/zyhy/202203/t20220302_148449.html

According to a separate *Seeking Truth* magazine essay summarizing the meeting several months later, Xi also spoke about the importance of strategic national reserves that could be used in a time of crisis (which was left out of the original immediate Xinhua summary). Under the context of safeguarding the supply of “primary goods” (*chujī chanpin*, 级产品供给保障), Xi stressed the need to ensure “the security of supply” of basic goods in the economy, especially food, grains, and energy production. He stated that China needed to expand its energy exploration efforts and maritime and mining resource extraction and to “clarify the strategic bottom line of critical energy resources needs for self-sufficiency”. Furthermore, Xi stated China needed to build a strategic national resource reserve system that could ensure the operation of China’s basic needs or “bottom line” as he referenced. Specifically, Xi said China needed to “strengthen the construction of a national strategic goods stockpile regime, which during critical times plays an adjustment role to ensure the bottom line.” Xi also stated that China needed to “optimize” its safeguarding of “overseas assets,” that is, energy resources.³⁷ At another meeting related to agricultural issues the following week, Xi also said “ensuring the supply of basic products is a major strategic problem” and that “in the face of all kinds of risks and challenges” China’s agricultural policy “must align with national strategic needs,” emphasizing that food security was a national strategic objective and that “Chinese people at all times must firmly hold rice bowls in our own hands.”³⁸

IV. Xi Enshrines Extreme Situations and Economic Security into the 20th Party Congress

Following the Russian invasion of Ukraine in February 2022, where immediately prior Xi stood shoulder-to-shoulder with Putin in Beijing and pledged “no-limits” to their partnership,³⁹ China’s discussion of extreme situations and risks increased. Certainly, the United States’s response to Russia’s aggression, including economic sanctions and technology export controls, weighed heavily on the minds of Chinese leadership.

In April 2022 Xi chaired the 11th Meeting of the Central Finance Commission and mentioned again the concept of extreme situations in an international context and the need to build a more resilient economic and national critical infrastructure that was less

³⁷ 海外资源正确认识和把握我国发展重大理论和实践问题 <http://dangjian.people.com.cn/n1/2022/0516/c117092-32422119.html>

³⁸ 中央农村工作会议在京召开 习近平对做好“三农”工作作出重要指示 https://www.gov.cn/xinwen/2021-12/26/content_5664691.htm Key phrases quoted include “要明确重要能源资源国内生产自给的战略底线” and “要加强国家战略物资储备制度建设，在关键时刻发挥保底线的调节作用，” “保障好初级产品供给是一个重大战略性问题，” and “中国人的饭碗任何时候都要牢牢端在自己手中。”

³⁹ <http://en.kremlin.ru/supplement/5770>

reliant on the outside world.⁴⁰ Xi stated that China needed to address the problem of “China’s basic infrastructure not meeting the needs of national development and national security.” He stressed the importance of China’s dual-circulation strategy and that “China must strengthen its national security basic infrastructure and speed up the capability to respond to extreme situations.”

In the run up to the 20th Party Congress Xi addressed provincial party leadership cadres about his vision for the country moving forward, outlining his priorities and goals.⁴¹ In his framing remarks, Xi stated that China needed to scientifically understand the domestic and international risks facing the country, improve their sense of danger, and persist in bottom-line thinking and maintain a “fighting spirit” in the face of complex risks and dangers.⁴²

The important CCP 20th Party Congress subsequently had extensive discussion of China’s perception of an increasingly dangerous international environment, the risks they posed for China, and the need to harden China’s economy and build “strategic national security capabilities.” Xi’s report to the 20th Party Congress in October 2022 stated, “We [the Communist Party] must increase our risk awareness, persist with a bottom-line way of thinking, prepare for danger in times of peace and take precautions, be prepared to withstand major challenges in high winds, rough, and even stormy seas.”⁴³ CCP party scholars in journals have emphasized the importance of these remarks, citing external threats to China that were threatening the stability and development agenda of the party, and that it needed to be on the lookout for, address, and minimize risks.⁴⁴ Other scholars noted that Xi’s speech at the 20th Party Congress mentioning risks and the need to address them would be essential for ensuring “nothing can disrupt China’s great rejuvenation.”⁴⁵

⁴⁰ 习近平主持召开中央财经委员会第十一次会议 https://www.gov.cn/xinwen/2022-04/26/content_5687372.htm. Key phrases quoted include “要加强国家安全基础设施建设，加快提升应对极端情况的能力”

⁴¹ 习近平在省部级主要领导干部“学习习近平总书记重要讲话精神，迎接党的二十大”专题研讨班上发表重要讲话 https://www.gov.cn/xinwen/2022-07/27/content_5703131.htm

⁴² Ibid. and 坚持底线思维（思想纵横） <http://theory.people.com.cn/n1/2022/1011/c40531-32542731.html>

⁴³ 近平：高举中国特色社会主义伟大旗帜 为全面建设社会主义现代化国家而团结奋斗——在中国共产党第二十次全国代表大会上的报告 https://www.mfa.gov.cn/web/ziliao_674904/zt_674979/dnzt_674981/qtzt/twwt/xjpsjstzyjh/202304/t20230410_11057003.html. Key phrases quoted include “我们必须增强忧患意识，坚持底线思维，做到居安思危、未雨绸缪，准备经受风高浪急甚至惊涛骇浪的重大考验” and “增强维护国家安全重点领域确保粮食、能源资源、重要产业链供应链安全”

⁴⁴ 正确认识关于坚持底线思维着力防范化解重大风险论述的重要性 http://www.dangjian.com/shouye/dangjianyaolun/202302/t20230221_6562374.shtml

⁴⁵ “底线思维”的基本内涵 <https://news.bjd.com.cn/2022/11/28/10243621.shtml>

In his report Xi again called for a more resilient, dual-circulation economy, boosting supply-chain security and strategic resilience to address these risks. Under the context of “strengthening the capability to safeguard national security,” Xi also introduced in his report a new and enhanced concept described as “strengthen[ing] the construction of security capabilities in critical domains,” especially to “safeguard the security of food, grain, energy resources, and important industrial supply chains.”⁴⁶ Xi was also able to revise the party constitution to include the concept of dual circulation as a key national strategy.

Echoing Xi after the Party Congress, in November 2022 Xi’s outgoing economic adviser Liu He stressed the importance of a circular domestic economy, strategic self-reliance, and lessening dependence on foreign supply chains.⁴⁷ In an essay in the *People’s Daily*, Liu said dual circulation was critical and China needed to “breakthrough all kinds of obstacles” to create a “nationwide integrated market” and that China should pay “special attention to being able to circulate [the economy] at a middle level under extreme situations.”⁴⁸ To do so, he said China must build resilient and secure supply chains, among other steps to boost self-sufficiency.⁴⁹

In December 2022, Xi again stressed the need for economic security and self-sufficiency at the Central Economic Work Conference.⁵⁰ In the context of building out China’s domestic circular economy and a modern industrial system, Xi stressed that China must develop new industries such as electric vehicles to boost demand while also “ensuring the security, reliability, and indigenous control of the industrial system.” He also said China needed to focus on weaknesses in the manufacturing supply chain such as “critical technology and industrial components,” improving energy resources such including strategic reserves, boosting food and grain output, and other strategic actions.⁵¹

⁴⁶ Ibid.

⁴⁷ 刘鹤：把实施扩大内需战略同深化供给侧结构性改革有机结合起来 http://www.dangjian.com/shouye/zhuanti/zhuantiku/xuexiguancheshida/quanweijieduershida/202211/t20221111_6510705.shtml. Key phrases include “尤其要重视在极端情况下，实现中等水平可循环” and “着力提升产业链供应链韧性和安全水平”

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ 中央经济工作会议举行 习近平李克强李强作重要讲话 https://www.gov.cn/xinwen/2022-12/16/content_5732408.htm. Key phrases include “保证产业体系自主可控和安全可靠,” “关键核心技术和零部件,” “家战略物资储备保障能力” and “亿斤粮食产能提升”

⁵¹ Ibid.

VII. Xi Warns of Worsening Security Environment, Emphasizes Self-Sufficiency

In February 2023 during a Politburo Study Session regarding “the acceleration of building a new development model” Xi again stressed the unpredictable environment facing China and the need for a more self-sufficient economy.⁵² He underscored the need for China to “Strengthen the security and stability of development, which can only strengthen China’s survivability, competitiveness, development, sustainability, during all types of foreseen and unforeseen violent storms, rough and even stormy seas, which can ensure that the progress of China’s great rejuvenation doesn’t fall behind or is interrupted.”

Xi stressed the need to “accelerate the progress of technological self-sufficiency” and solve the problem of “foreign chokepoints,” but also to build an “indigenous, controllable, secure, resilient, and competitive modern industrial system” that is driven by domestic demand.⁵³

In May 2023 Xi chaired the first meeting of the Central National Security Committee under the 20th Party Congress and discussed the need for China to “deeply recognize the complex and severe situation facing Chinese national security.” Xi said China must “persist in bottom-line and worst-case thinking, prepare for rough and even stormy seas.”⁵⁴

This meeting and Xi’s associated remarks were an important milestone, because it was a very clear and public elucidation of Xi’s views of the national security threats facing his country and an explicit reference to “worse-case” (*jixian siwei*, 极限思维) and “bottom-line” (*dixian siwei* 底线思维) thinking.⁵⁵ While Xi had mentioned these terms at the 20th Party Congress, significant Chinese expert commentary in the official state media

⁵² 习近平在中共中央政治局第二次集体学习时强调 加快构建新发展格局 增强发展的安全性主动权 https://fjb.nea.gov.cn/dtyw/szyw/202309/t20230915_82599.html. Key phrases quoted include “增强发展的安全性稳定性，能在各种可以预见和难以预见的狂风暴雨、惊涛骇浪中增强我国的生存力、竞争力、发展力、持续力，确保中华民族伟大复兴进程不被迟滞甚至中断” and “(打造自主可控、安全可靠、竞争力强的现代化产业体系)”

⁵³ Ibid.

⁵⁴ 要坚持底线思维和极限思维，准备经受风高浪急甚至习近平主持召开二十届中央国家安全委员会第一次会议强调 加快推进国家安全体系和能力现代化 以新安全格局保障新发展格局 <http://politics.people.com.cn/n1/2023/0530/c1024-40002443.html> key phrases included “要坚持底线思维和极限思维，准备经受风高浪急甚至惊涛骇浪的重大考验”

⁵⁵ Testimony by Manoj Kewalramani before the U.S.–China Economic and Security Review Commission hearing on “China’s Stockpiling and Mobilization Measures for Competition and Conflict.”

provided additional clarity. Shortly following Xi's meeting, a *Global Times* report quoted Chinese international relations scholar Jin Cairong as saying extreme-case thinking "to be clear, means the danger of war."⁵⁶ Additional state commentary further elaborated that this meant Xi has directed the nation to "be prepared for the worst" in the face of extreme and increasing external pressures from "some countries" that "treat China as a strategic competitor" and "have no bottom line and suppress and surround us."⁵⁷

Xi's remarks on worse-case and bottom-line thinking appear to be substantial as CCP newspapers and journals carried a series of articles highlighting the significance of these remarks, indicating they were likely made due to an CCP perception of an increasingly dangerous international environment due to worsening U.S.–China tensions and fears of increasing Taiwanese movement toward independence. In an article run in the internal State Council *Banner Magazine* (旗帜杂志), it claimed Xi's remarks were "historic" and "profound," emphasizing that the CCP was a political party born during an era of danger and crisis, and as such, knows how to survive under such conditions.⁵⁸ It also pointed out that this form of crisis thinking came from Mao Zedong, who stressed worse-case decision-making.⁵⁹ Another editorial in the state-run *PLA Daily* stressed the importance of Xi's remarks at the National Security Commission and its relevance for the military.⁶⁰ A separate editorial in the party-run *Study Times* newspaper stated that extreme-case and bottom-line thinking was critical given that "some countries" have labeled China a strategic competitor and are trying to surround the nation and cut off its development, and compared extreme-case thinking to that of an athlete, who only shines and does their best under the most extreme pressure and duress.⁶¹ Other writings by party scholars more directly call out the United States as the main aggressor that is driving the need for China to assume worse-case and bottom-line thinking and that party cadres needed to "give up wishful thinking" and realize they are in a great power competition

⁵⁶ <https://www.globaltimes.cn/page/202306/1291938.shtml>

⁵⁷ 为什么强调极限思维 <http://theory.people.com.cn/n1/2023/0607/c40531-40007959.html>; 坚持底线思维和极限思维 <http://www.qizhiwang.org.cn/n1/2023/0815/c457283-40057098.html>. Key phrases include "树立和坚持极限思维, 就是要有'最坏打算,'" and "有的国家视我为'主要战略竞争对手' '没有底线地打压和围堵我们.'" And "靠高水平科技自立自强建国内大循环是为了保证极端情况下国民经济能够正常运行, 这同参与国际经济循环是不矛盾的"

⁵⁸ 坚持底线思维和极限思维 <http://www.qizhiwang.org.cn/n1/2023/0815/c457283-40057098.html>

⁵⁹ *Ibid*

⁶⁰ 辩证运用底线思维和极限思维 http://www.81.cn/szb_223187/szbqxq/index.html?paperName=jfjb&paperDate=2023-07-14&paperNumber=07&articleid=910554

⁶¹ 为什么强调极限思维 <http://theory.people.com.cn/n1/2023/0607/c40531-40007959.html>

with increased risks.⁶² In addition, party journal *Xianghu Pinglun* carried an editorial by a party scholar that said extreme-case and bottom-line thinking were important given the ongoing challenges related to Hong Kong and separatist activity in Taiwan.⁶³ Other commentary from PLA officials and Chinese academic scholars have noted that the PLA should use worse-case and bottom-line thinking in preparing for any possible conflict over Taiwan.⁶⁴

Shortly thereafter in June 2023, Xi went on a tour of Inner Mongolia Province and again mentioned the risk of extreme situations facing China. According to a China Central Television (CCTV) report, Xi remarked during a visit to an energy materials development zone that China must “rely on a high level of science and technology self-sufficiency” and that “Building a domestic circular economy is intended to safeguard the normal operation of the national economy during an extreme situation, which is not inconsistent with participating in global economic circulation.”⁶⁵

During a follow-on workshop with provincial cadres, Xi said that Inner Mongolia is an “important national energy and strategic resource base” that must be integrated into the domestic and foreign circular economy.⁶⁶

Xi in September 2023 also warned of extreme situations in the context of national food security during a visit to China’s northeast.⁶⁷ Xi told cadres that “being the ballast stone for China’s national grain and food stable supply is the most important role of the northeast” and that they must “put safeguarding national food and grain security as the top priority.” Xi further said that it was important to “improve the overall production ability of grains and foods to ensure supply is sufficient during normal times and reliable in extreme situations.”

⁶² 正确把握极限思维的五个维度 https://zqb.cyol.com/html/2023-09/05/nw.D110000zgqnb_20230905_2-10.htm

⁶³ 说说底线思维和极限思维 <https://www.cnxxpl.com/content/646742/97/12933529.htm>

⁶⁴ 张又侠对“台独”分裂分子和境外敌对势力发出最严重警告 <https://www.huaxia.com/c/2023/11/03/1819919.shtml> and 关于“武统”，解放军最新表态展现底线思维与极限思维 http://www.taiwan.cn/plzhx/ZBPL/202310/t20231031_12578301.htm

⁶⁵ 习近平在内蒙古考察时强调 把握战略定位坚持绿色发展 奋力书写中国式现代化内蒙古新篇章 http://www.news.cn/politics/leaders/2023-06/08/c_1129679219.htm

⁶⁶ *Ibid*

⁶⁷ 当好国家粮食稳产保供“压舱石”习近平主持召开新时代推动东北全面振兴座谈会 https://www.cnfin.com/yw-lb/detail/20230909/3929296_1.html. Key phrases quoted include “当好国家粮食稳产保供“压舱石”，是东北的首要担当” and “要始终把保障国家粮食安全摆在首位” and “提高粮食综合生产能力，确保平时产得出、供得足，极端情况下顶得上、靠得住”

VIII. China Begins to Operationalize Fortress Economy Policies

By the end of 2023 and throughout early 2024, China's government agencies, provinces, and all levels of government began to formulate detailed plans and policies to "build security capabilities in strategic domains" consistent with guidance set forward by Xi during the 20th Party Congress to address extreme situations. It appears that China's national economic planning agency or the National Development and Reform Commission (NDRC) has been specifically tasked with this project given its officials, agencies, and think tanks have been the primary organization both promulgating and discussing the policy. This is appropriate, given the NDRC not only has the responsibility for economic planning but also food and strategic goods reserves, stockpiling, energy security, and civil-defense mobilization.⁶⁸

In December 2023 the NDRC updated its "industry structural adjustment guiding catalog" to guide government investment objectives and called for funding strategic projects to safeguard China's economic security.⁶⁹ The document specifically called for investments to "accelerate the plugging of gaps in domains relating to security development," which includes strengthening science and technology self-sufficiency, developing core technologies, and improving industrial technology to support the "improvement of China's strategic supply safeguarding abilities." The document further noted that China needs to channel investments to "strengthen critical domain security capability construction" by improving China's supply chain "counter-shock ability" and ensure food, grain, energy resource, and critical supply chain security.

China's premier Li Qiang in his work report presented to the National People's Congress (NPC) on March 5, 2024, also outlined specific efforts the Chinese government intended to take to bolster its strategic economic resilience.⁷⁰ The premier stated that China is facing a complex international situation including geopolitical clashes, protectionism, unilateralism, and that China's "external environment has continued to create negative effects on China's development." The premier stated that the government planned to

⁶⁸ 发改委职能配置与内设机构 <https://www.ndrc.gov.cn/fzggw/bnpz/>

⁶⁹ 《产业结构调整指导目录(2024 年本)》 2023 年第 7 号令
https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202312/t20231229_1362999.html

⁷⁰ 李强总理代表国务院在十四届全国人大二次会议上作《政府工作报告》
https://www.gov.cn/yaowen/liebiao/202403/content_6939153.htm. Key quotes include "地缘政治冲突加剧，保护主义、单边主义上升，外部环境对我国发展的不利影响持续加大" and "完善粮食生产收储加工体系，全方位夯实粮食安全根基。推进国家水网建设。强化能源资源安全保障，加大油气、战略性矿产资源勘探开发力度。加快构建大国储备体系，加强重点储备设施建设。提高网络、数据等安全保障能力。有效维护产业链供应链安全稳定，支撑国民经济循环畅通。"

allocate over one trillion RMB for “strengthening critical domain security capability construction,” which would include “perfecting a food/grain production and storage network, improving national water network construction, strengthening energy resource security, boosting oil, gas, and strategic mineral exploration, building a great power strategic reserve system, improving cyber and data security, and safeguarding supply chains.” State media reports quoted Chinese academic experts as saying these projects were necessary and were focused on long-term strategic objectives.⁷¹

A March 2024 NDRC Work Report regarding the economy laid out a detailed assessment of China’s efforts to “strengthen national economic security capability construction” and additional efforts it would undertake in this regard.⁷² The report stated that in food and grain security, China’s grain and food production reached a record output in 2023 and that strategic fertilizer reserves had been strengthened. It noted that the security of China’s energy supply had also been increased, and China was able to provide stable energy supply during periods of peak usage, made improvements in the security of its electric grid, and that China had sped up the development of a national energy reserve system. The NDRC also lauded progress in improving the resiliency and security of China’s semiconductor, software, and industrial machinery supply chains, in addition to improving overall data security.

The NDRC report also outlined 2024 economic goals, which included these new projects for national economic security. The report said that the goal would be to “safeguard economic security” and for the NDRC to focus investments on ensuring “the bottom line of food security,” “safeguarding energy resource security,” “fighting the battle in core technologies,” “building a big data basic infrastructure,” “building a major power strategic reserve system,” and “strengthening public security capabilities.” The document further outlined specific workplans in the field of “critical domain security capabilities” to include the following:

- **Grain Security (粮食安全):** Implement the Grain Security Guarantee Law, strictly protect arable land, promote high-standard farmland construction, improve degraded land management, and enhance grain storage and distribution capabilities.

⁷¹ 今年政府工作报告释放哪些重要信号？专家解读
https://www.mee.gov.cn/zcwj/zcjd/202403/t20240307_1067893.shtml

⁷² 关于 2023 年国民经济和社会发展计划执行情况与 2024 年国民经济和社会发展计划草案的报告
https://www.gov.cn/yaowen/liebiao/202403/content_6939276.htm. Key sections translated include “从 2024 年开始拟连续几年发行超长期特别国债，专项用于国家重大战略实施和重点领域安全能力建设，2024 年先发行 1 万亿元”

- **Energy Resource Security** (源资源安全): Draft an energy law, build a new energy system, strengthen coal security, advance clean energy base construction, and improve oil and gas import security.
- **Supply Chain Security** (产业链供应链安全稳定): Execute high-quality development actions for key manufacturing industry chains, enhance supply-chain resilience, improve policy systems, and strengthen international cooperation.
- **National Reserve System** (国家储备体系建设): Construct central grain reserves, national oil reserve bases, and other key facilities, optimize reserve types and layout, and strengthen management and safety measures.
- **Safety and Disaster Prevention** (安全生产和防灾减灾救灾): Implement safety production responsibilities, advance fundamental safety actions, improve flood and earthquake resilience, and enhance emergency preparedness and material support.
- **National Defense Mobilization** (国防动员能力): Formulate high-quality development policies, optimize the defense technology industry layout, support military modernization, and enhance integrated national strategic capabilities.

In the two months following the NPC, the State Council and the NDRC took significant steps to implement these priorities. In an April 2024 press conference, senior NDRC officials stated they had “drafted an action plan to support national strategic and critical domain security capability construction” and again mentioned the coming allocation of one trillion RMB in extra-long-term national debt.⁷³ Then on May 13, 2024, China’s premier Li Qiang convened a State Council video conference to support the “two major” projects, that is, government projects related to national strategic goals and critical domain security capability construction by issuing over one trillion RMB in special long-term debt bonds.⁷⁴ On May 16, 2024, the NDRC Party Committee wrote in the *Seeking Truth* party magazine that one of its near-term priorities was “strengthening the assurance ability of national economic security.” The article again referenced the term “critical domain security capability construction,” and specifically mentioned food and grain reserves, big data, national reserves, and supply-chain security in this context.⁷⁵

In a more recent report by the NPC, it stated the NPC would be conducting oversight of “critical domain security capability” projects in four domains, namely “improving the

⁷³ 国家发改委：已起草支持国家重大战略和重点领域安全能力建设的行动方案 <http://finance.people.com.cn/n1/2024/0417/c1004-40218076.html>

⁷⁴ 李强在支持“两重”建设部署动员视频会议上强调高质量做好支持“两重”建设各项工作为推进中国式现代化提供有力支撑丁薛祥主持会议 <https://www.farmer.com.cn/2024/05/13/99954121.html>

⁷⁵ 进一步全面深化经济体制改革 以高质量发展推进中国式现代化 http://www.qstheory.cn/dukan/qs/2024-05/16/c_1130145168.htm

quality of agricultural crops,” “strengthening the foundation of food security,” “improving energy storage technology [referring to EV batteries] to safeguard energy security [that would decrease imports]” and “accelerate the construction of China’s national water network in order to safeguard water security.”⁷⁶

More recent official state commentary from NDRC-affiliated think tanks also lauded the importance of the new two major initiatives, stating these extra-long-term bonds are important to fund efforts to boost science and technology self-sufficiency in addition to grain and food security.⁷⁷ The commentary noted that this was an urgent task “under the conditions of a complex and severe international environment.” Another commentary from a different NDRC-affiliated research institution also noted that the two major initiatives is “a major decision” that “is essential to safeguard the modernization of China” and will act as “an important foundation to safeguard China’s national security.”⁷⁸ The author stated the purpose of this new initiative is to “solve the problem of unbalanced and incomplete national security work” as there are many urgent issues relating to the security of “food, energy resource, critical supply chains, finance, disaster management” and other domains. As of writing, nearly a half dozen major provincial and municipal governments have held high-level meetings to call for projects to apply for funding under the two major initiatives.⁷⁹

IX. Conclusions and Areas for Further Research

As this review of rhetoric, actions, and policies from Xi, senior CCP officials and agencies have demonstrated, there is a clear effort to guide China to a more security-oriented outlook that places national security and self-sufficiency above nearly all other national priorities. The establishment of a fortress economy able to operate under severe conditions, including protracted war, is now a clear and consistent policy for Xi. Even before the pandemic and the current set of international crises, Xi had warned his country of an increasingly dangerous international environment that required a more sober outlook and comprehensive approach toward national security. Xi and party scholars have emphasized that this type of extreme-case thinking is the hallmark of the

⁷⁶ 服务发展大局 增进民生福祉 http://www.npc.gov.cn/npc/c2/c30834/202407/t20240716_438261.html

⁷⁷ 支持“两重”建设利当前惠长远. https://theory.gmw.cn/2024-07/20/content_37450013.htm

⁷⁸ 注重三个结合推进“两重”建设 http://ll.anhnews.com/llwz/202407/t20240711_7682448.shtml

⁷⁹ See examples from Anhui, Sichuan, and Tianjin: 全省支持“两重”建设工作视频会议召开 http://www.ahyouth.org.cn/base/web/m/info_view.jsp?strId=1719361479115605 赵波主持召开专题会议研究超长期特别国债支持国家重大战略实施和重点领域安全能力建设 https://www.guang-an.gov.cn/gasrmzfw/zhaobgzdt/pc/content/content_1798492820723314688.html and 市委常委会召开会议 学习贯彻习近平总书记重要讲话重要指示精神 https://swj.tj.gov.cn/xwzx_17135/szyw/202405/t20240529_6637361.html

CCP, which is a political party born during and thrives under extreme duress and crisis.⁸⁰ Xi and these scholars have noted that the crises facing China today may be equivalent to or exceed those facing the party during the early days of the revolution, and necessitate worse-case thinking and planning, citing Mao's famous 1945 line that the CCP needed to "be prepared to suffer" (*zhunbei chikui*, 准备吃亏).⁸¹ Xi's series of speeches in 2018 and 2019 on addressing systemic risks appear to have created a prophet-like aura for himself, given the world went on to witness a global pandemic, economic depression, and multiple geopolitical conflicts. Xi then seized on these developments and aggressively sought to reshape China's economy and political system to reflect his vision of a hardened national security state and a fortress economy, which he has clearly argued is the best and only way to safeguard China's national rejuvenation that may face extreme situations to include armed conflict.

Does the evidence then suggest that Xi is moving to create a fortress economy in preparation for war or is he simply trying to learn from the lessons of the pandemic and the Ukraine crisis to make his country more resilient? To appropriately answer this question, it's important to review again the Chinese nomenclature used to discuss China's external threat environment and suggested policy response. As this paper has documented, Xi has on numerous occasions used the term "extreme-situation" or "extreme-case thinking" to describe the kind of dangers and threats he perceives the country is facing. While sometimes Chinese policymakers refer to this term in the context of natural disaster response, Xi has mentioned this phrase specifically in the context of China's external environment, indicating he is referring to a more serious set of risks that are nationwide and systematic, not regional within China. Influential Chinese scholars in official state media have also clarified that Xi's discussion of "extreme situations" is explicitly referencing the possibility of armed conflict or war, including over the Taiwan Strait.⁸² The steps that China needs to take to address these extreme risks or survive under extreme situations have been clearly elaborated in China's most recent five-year plan and in the 20th Party Congress under the framework of "economic security" and include food, energy, resource, supply-chain security, and national reserve system building.⁸³

⁸⁰ 深刻把握坚持底线思维的智慧 http://www.dangjian.com/shouye/sixianglilun/lilunqiangdang/202303/t20230327_6581041.shtml

⁸¹ "在最坏的可能性上建立我们的政策"——重视底线思维是中国共产党的优良传统 <https://www.12371.cn/2023/11/16/ART11700100781388345.shtml>

⁸² See footnotes 56, 63, and 64.

⁸³ 增强底线思维，做到未雨绸缪 <http://ztjy.people.cn/n1/2024/0204/c457340-40172493.html> and 牢牢守住经济安全底线 <http://www.sasac.gov.cn/n2588025/n2588134/c29624768/content.html> and 强化国家经济安全保障 http://www.xingshizhengce.com/xsbg/202311/t20231113_6697572.shtml

Xi's description of efforts China needs to undertake to safeguard itself also appear to be consistent with "intermediate efforts" nations would likely undertake if they assessed the risk of war was increasing.⁸⁴ As this paper has identified, the PRC is already undertaking many of these "intermediate efforts" including boosting food and grain self-sufficiency, hardening critical infrastructure, reducing reliance on foreign supply chains, increasing energy security, and building a national strategic reserve system. It is also clear from more recent developments that Xi has moved from rhetoric to action, and his central economic agencies, in particular the NDRC, are moving to spend up to one trillion RMB to build out a fortress economy. This indicates that Xi is putting his money where his mouth is and is willing to impose costly economic burdens to achieve his goals. It is unlikely Xi would expend major political capital to forge these new policies, dip into national treasuries, and mobilize the nation, if he did not believe the risk of geopolitical conflict was on the rise. And while his policy has received some scrutiny that it has lowered growth by overly focusing on security,⁸⁵ party commentary has continued to defend the necessity for economic security measures in light of China's current stage of development and external environment.⁸⁶

The overwhelming evidence suggests Xi is indeed attempting to transform China into a fortress economy and has outlined a specific set of policies and actions backed with significant funding to achieve this objective. It is also likely he is pursuing this strategy due to a perceived increased risk of geopolitical, or even armed, conflict. While completely speculation, an alternative explanation for Xi's view of a hostile external environment is that these tensions are a politically convenient excuse for Xi to solidify his power domestically and justify increased autocratic control. However, Xi had already secured the removal of term limits by the 19th Party Congress in 2018 and was perceived to be in firm control of China well before his increased discussion of elevated external risks and the possibility of extreme situations.⁸⁷

Finally, this research does not attempt to answer the fundamental question of *why* and to *what end* is China pursuing an economic fortress strategy, nor does it provide evidence to assess the pace. Is China building a fortress economy because it believes conflict over Taiwan and by association the United States and its allies is inevitable, or does it perceive such resilience itself will be credible deterrence against hostile actions by "enemy opposing forces" as defined by the CCP? This paper does not address these

⁸⁴ Gerard DiPippo, "Economic Indicators of Chinese Military Action against Taiwan." Center for Strategic and International Studies, August 16, 2022: <https://www.csis.org/analysis/economic-indicators-chinese-military-action-against-taiwan>

⁸⁵ Stephen Roach, "Xi's Costly Obsession With Security." *Foreign Affairs*, November 28, 2022: <https://www.foreignaffairs.com/china/xis-costly-obsession-security>

⁸⁶ 把握和处理好发展与安全的关系 https://theory.gmw.cn/2024-02/07/content_37138255.htm

⁸⁷ "China's Xi allowed to remain 'president for life' as term limits removed." BBC, March 11, 2018: <https://www.bbc.com/news/world-asia-china-43361276>

fundamental underlying motivations. Further research would be useful to systematically identify and assess China's specific efforts in this regard. This should include metrics to assess the scope, level, and pace of efforts underway in strategic domains outlined by the PRC and a continual analysis of China's own assessment of their perceived progress. A deeper analysis in this regard can help provide more context and depth and may also provide further clues as to China's overall strategic intentions and timelines.