

Dual Circulation Series

Issue 3

– China's 14th Five-Year Plan



Background

The 19th Central Committee of the Communist Party of China (CPC) concluded its fifth plenary session in Beijing on 29 October. The session discussed and adopted the CPC Central Committee's proposals for the formulation of the 14th Five-Year Plan (2021-25) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035.

'Dual circulation' strategy to guide China's development over next five years

Just as we expected, the 'dual circulation' strategy will be one of the key directions of China's development for the coming years. According to the communiqué released after the meeting¹, China will speed up the 'dual circulation' strategy to guide China's development in the 14th Five-Year Plan period (2021-25). China will fully utilize resources to empower its domestic economy by stimulating domestic demand and further investing in technology and innovation efforts.

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¹ http://www.xinhuanet.com/2020-10/29/c_1126674147.htm

1. China to nurture a strong domestic market

The CPC suggested that ‘domestic circulation’ must be made smoother for an efficient operation of the ‘dual circulation’. China will seek to nurture a strong domestic market and establish a new growth model that focuses on the domestic market as the foothold of growth, according to the communiqué.

To this end, China will continue to expand domestic demand by spurring consumption and investment. Together with the deepening of supply-side structural reforms and innovation-driven and high-quality supply, it is hoped that new demand will be created and domestic demand further expanded.

We expect that as China’s growth is increasingly driven by domestic consumption and investment, enterprises will find new avenues for business growth in China, especially in such areas as consumption upgrading, service consumption, e-commerce, and supply chain management.

2. Tech self-reliance at the top of China’s development planning

The CPC proposed ‘technological independence and self-reliance as the strategic support for national development’. This is the first time that tech self-reliance was given such a high level of prominence in nation development planning. In addition, China will implement an innovation-driven strategy and put innovation at the centre of its modernization drive.

In our view, the heavy emphasis on tech self-reliance and innovation indicates China is prepared to rely less on foreign technology amid the China-US decoupling trend. China’s efforts in technological advancement are gaining urgency amid intensifying US sanctions against Chinese tech companies, including banning major Chinese tech companies from buying US technology and components.

As technology is the key to the next stage of China’s development, we expect that detailed policies and huge investments will be announced in areas such as chips, artificial intelligence and 5G technology in the coming months.

Through boosting domestic market and enhancing technology self-reliance, China’s growth in the coming years will depend more on the ‘domestic circulation’ and be less impacted by the external environment, such as the global economic downturn and rising protectionism around the world.

Development goals for short and long term

Details of the CPC's proposals for the 14th Five-Year Plan have not yet been released, but the communiqué released after the meeting outlines some development goals and suggestions:

1. Goals for the 14th Five-Year Plan period (2021-2025)

The CPC has set goals in six areas for the 14th Five-Year Plan:

- High-quality economic growth: China will realize sustained and healthy economic development based on a marked improvement in quality and efficiency, with growth potentials to be fully tapped. The domestic market will become stronger, the economic structure will be further improved, and the innovation capacity will be significantly strengthened. The industrial base will be upgraded, and the industrial chain will be further modernized.
- Deepening reform and opening-up: China will further improve its socialist market economy and build a high-standard market system. Significant progress will be made in the reforms of the property right system and the market-based allocation of production factors, and the development of a fair competition system. China will basically form the new institutions for a higher-level open economy.
- Cultural development: A significant improvement is expected to be made in people's intellectual qualities and moral integrity, cultural and scientific qualities, as well as physical and mental health.
- Environment: China aims to make new progress in building an ecological civilization. It will continue to reduce emissions of pollutants and improve the environment.
- Well-being of the people: The well-being of the people will further improve. China will achieve fuller and higher-quality employment. The country will also see much more equitable access to basic public services.
- Governance: China will further enhance its governance capacity, improve socialist democracy and the rule of law, and demonstrate social fairness and justice. China will also accelerate the modernization of national defence and the military.

The CPC does not set a specific growth target for 2021-25. Instead, it emphasizes 'sustained and healthy economic development' based on 'a marked improvement in quality and efficiency'. This suggests that China prioritizes quality of growth over speed in its economic development in the coming five years.

2. Setting long-term goals for 2035

The CPC also sets a range of long-term objectives for China to achieve by 2035. This is the first time that long-range objectives were approved alongside the Five-Year Plan at the CPC Central Committee plenary session. China aims to basically achieve socialist modernization by 2035:

- To significantly increase China's economic and technological strength, and overall national strength. To further develop the national economy and further raise the per capita income of urban and rural residents.
- To make major breakthroughs in core technologies in key areas and become a global leader in innovation.
- To become a modernized economy. To basically achieve new industrialization, IT application, urbanization, and agricultural modernization.
- To build a new pattern of opening-up with deeper participation in international economic cooperation and competition.
- To raise China's per capita GDP to the level of moderately developed countries. To significantly expand the size of the middle-income group.
- Better governance and rule of law, cultural development, improvement in the environment, modernization of national defence and the military, and well-rounded human development for the people were also highlighted.

The final 14th Five-Year Plan will be approved and published when the National People's Congress, China's top legislature, meets in its annual session next March. Afterwards, follow-up plans for particular industries and each province will be formulated. Businesses should stay tuned to upcoming government announcements and Fung Business Intelligence will be taking a closer look at these plans when they are released.

The CPC sets a range of long-term objectives for China to achieve by 2035, covering economic, technological, political, environmental and social aspects of the country.

Fung Business Intelligence

Fung Business Intelligence collects, analyses and interprets global market data on sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to monitor, research and report on these global issues with a particular focus on business trends and developments in China. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments through regular research reports and business publications.

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Fung Business Intelligence was established in the year 2000.

Fung Group

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