China’s
14th 5-Year Plan

Danish-Chinese Business Forum webinar, 13.4.2021

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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

14th Five-Year Plan (2021-2025) for national economic and social development and the long-range objectives through the year 2035

No English version available - yet!
Disclaimer

• This presentation is based on the Chinese plan (140 pages)
• I focus on some highlights; no way to do complete justice to the document here
• Some of the slides are information heavy, you will get a copy
• Check for yourselves!

http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm acc 23.3.2021
Talking points

- Context
- Broad policy goals, specific intentions and concrete targets (binding at times)
- The goals, the targets and their measurability
- Green and sustainable turn?
- How can I use this as a business?
What is a 5-year plan?

- Long tradition, originates in the Soviet Union: Part of a highly **institutionalised approach** to steering development across most policy fields that affects economic and social development (agricultural production, industrial manufacturing, services, S&T/innovation, social welfare, culture, education, etc.) [and more]

- Reflects a belief in politically ambitious, but quantitatively slightly ‘conservative’, **scientized development guidance** – plans must be over-fulfilled!

- Overview of the **government’s work program** for the next five years – mainly generic (based on existing knowledge), and also verbiose with a lot of keywords (details to published in specific plans)

- Indication of **strategic political, economic and social priorities**

- Result of a long, cyclic, and **comprehensive policy consultation process** that brings experts and stakeholders together with decision-makers

- A guiding document for most government and administrative departments → **helps government departments work, collaborate and communicate vertically and horizontally**
Milestones in the planning process

Cyclic planning process

2020.11 – CPC CC communiqué on 14.5. and 2035 goals

• Authoritative policy outline with broad outline of policy priorities

2021.3 - NPC approval of final 14.5.

• Broad outline and priorities same as 2020.11. policy guideline
• Detailed descriptions added to varying degrees
• Key projects listed

2021 - Detailed plans

• Cross-sectoral plans
• Regional plans
• Sector plans
• Investment plans and projects
The planning perspective: Breaking the 5-year plan mould

- Annual plans
  - 2021/2/3…

- 14th 5-year plan
  - 2021-2025

- Medium term plans
  - (2030)/2035

- PRC 100 year goals
  - 2049

- Overall goals/targets
- Sector chapters/sections
- Tables with concrete key policy approaches, at times quantified

- Health care
- UN SDG
- Energy
- Climate change

Goal: A modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious
Broad policy goals, specific intentions and concrete targets
The guiding principles in order of priority

• Allround **leadership by the Communist Party of China**

• **China’s people at the center of development**, i.e. progress, inclusion, equity/fairness (→ ‘social contract’ based on performance legitimacy)

• **Application of the new development concept.** i.e. a development characterized by higher quality, more efficiency, more justice, more sustainability, and more security

• **Deepening reforms and opening up**

• **Implementation based on a systems concept:**
  ✓ Forward looking, strategic
  ✓ Holistic and comprehensive development thinking
  ✓ Coordination of national and international considerations
  ✓ Close combination of development and security, seeing China as a whole
  ✓ Close coordination between the center and the regions
The goals, the targets and their measurability
What is new in this plan as a plan?

- **Inclusion of longer-term goals for 2035**: Basic socialist modernization; China becomes a medium income country; China amongst the most innovative countries in the world; fair and just development

  Note: At PB meeting in Nov. 2020, Xi Jinping said that China’s economy could double its size by 2035 as compared to now, implying an indicative growth rate of about 4.7% annually in years to come. This would be within the range of the so-called New Normal that Xi Jinping defined as the medium-term growth platform for China back in 2014

- Stronger-than-ever-before **focus on innovation, R&D** → world level technologies enhanced labour productivity (China is running out of labour force)

- **No BNP growth target for 5-year plan period** to ensure “Policy flexibility” (Argument: uncertain times!! Difficulties in forecasting economy, energy, CO2 emissions); growth rate target for this year: >6%

- The **focus on safe development** (the word “security” is used → securitization)
Keyword count

Benchmark

- 经济 Economy 163
- 规划 plan 107
- 社会主义 Socialism 55

Select keywords

- 创新 Innovation 165
- 改革 Reform 120
- 市场 Market 113
- 生态 Ecology 112
- 环境 Environment 88
- 能源 Energy 87
- 绿色 Green 50
- 循环 Circulation 29/ 双循环 Double circulation 5
- 一带一路 BRI 16
- 可持续 Sustainable 13
- 气候变化 Climate change 8
- 碳排放 CO2 emissions 6
- 煤炭 Coal 6
- 碳中和 Carbon neutrality 1
1/2 Strategic priorities presented to the outside world

- BRI: Develop Fujian, Xinjiang as Belt and Road core areas; Development of "Silk Road in the Air"
- Actively participate in int’l cooperation in major infectious disease prevention, control
- Foster world-leading business environment
- Put economic development focus on real economy
- Promote diverse industrial, supply chains
- Accelerate construction of new infrastructure; speed up expansion of 5G networks
- Make efforts to build a strong transport sector, e.g. railways
- Expand opening of service sector
- Accelerate legislation for IPR protection in new areas; improve punitive damages system for IPR infringements

https://www.chinadaily.com.cn/a/202103/05/W56041d9f4a31024ad0baad192_2.html
2/2 Strategic priorities

- Regional priorities: Promote eastern areas to first realize the development with high quality; promote the construction of the Guangdong-Hong Kong-Macao Greater Bay Area in an active and prudent manner; accelerate the coordinated development of the Beijing-Tianjin-Hebei region (incl. Xiongan)

- Promote urban development

- Stick to the strictest farmland protection system

- Promote intl sci-tech cooperation; YET: Take self-reliance in science and technology as strategic underpinning for national development

- Make plans for and incubate future industries

- Pursue innovation-driven development and create new strengths for development; breakthroughs in key and core technologies

- Explore the introduction of an immigration policy for foreign talents

- Further promote the application of the Beidou Navigation Satellite System

- Social welfare programs

- Cultural development

- Participate in and reform global governance (multilateralism, global trade)
The key project approach: Example eco-protection projects
### Main indicators of economic and social development during the "14th Five-Year Plan" period

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>2020</th>
<th>2025</th>
<th>Annual average/ (cumulative)</th>
<th>Nature</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic development</strong></td>
<td>Group domestic product (GDP) growth (%)</td>
<td>2.3</td>
<td>--</td>
<td>Keep it within reasonable interval, each year depends on the situation</td>
<td>Indicative</td>
</tr>
<tr>
<td></td>
<td>Labour productivity growth (%)</td>
<td>2.5</td>
<td>--</td>
<td>Higher than GDP growth</td>
<td>Indicative</td>
</tr>
<tr>
<td></td>
<td>Urbanization rate (%)</td>
<td>60.6*</td>
<td>65</td>
<td></td>
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</tr>
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<td><strong>Innovation</strong></td>
<td>Growth in R&amp;D spending</td>
<td>--</td>
<td>--</td>
<td>Growth &gt;7 percent. Aim for a higher share in GDP than under the 13th Plan (4.2 percent of GDP)</td>
<td>Indicative</td>
</tr>
<tr>
<td></td>
<td>Number of innovation patents per 10,000 people</td>
<td>6.3</td>
<td>12</td>
<td></td>
<td>Indicative</td>
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<td>Digital Economy share of GDP</td>
<td>7.8</td>
<td>10</td>
<td></td>
<td>Indicative</td>
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<tr>
<td><strong>People's wellbeing</strong></td>
<td>Growth in disposable income</td>
<td>2.1</td>
<td>--</td>
<td>In line with GDP</td>
<td>Indicative</td>
</tr>
<tr>
<td></td>
<td>Urban (survey) unemployment rate</td>
<td>5.2</td>
<td>&lt;5.5</td>
<td></td>
<td>Indicative</td>
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<td>Average life expectancy (years)</td>
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<td>Indicative</td>
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<td><strong>Green Ecology</strong></td>
<td>Reduction in energy consumption per unit of GDP (%)</td>
<td>--</td>
<td>--</td>
<td></td>
<td>Binding</td>
</tr>
<tr>
<td></td>
<td>Reduction of carbon dioxide emissions per unit of GDP (%)</td>
<td>--</td>
<td>--</td>
<td></td>
<td>Binding</td>
</tr>
<tr>
<td></td>
<td>Share of days with good air quality in cities at prefecture level and above (%)</td>
<td>87</td>
<td>87.5</td>
<td></td>
<td>Binding</td>
</tr>
<tr>
<td></td>
<td>Share of surface water at or better than class III (%)</td>
<td>83.4</td>
<td>85</td>
<td></td>
<td>Binding</td>
</tr>
<tr>
<td></td>
<td>Forest coverage rate (%)</td>
<td>23.2*</td>
<td>24.3</td>
<td></td>
<td>Binding</td>
</tr>
<tr>
<td><strong>Security/Safety</strong></td>
<td>Comprehensive grain production capacity</td>
<td>&gt;650mm. tons</td>
<td></td>
<td>Binding</td>
<td></td>
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<tr>
<td></td>
<td>Comprehensive energy production capacity</td>
<td>&gt;4,686. tons of coal equivalent</td>
<td></td>
<td>Binding</td>
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</table>

Note: ①_2_ The cumulative number in 5 years. ②_The data with * are for 2019. ③_ Comprehensive energy production capacity refers to coal, petroleum, natural gas, and non-fossil energy production capacity. ④_ The ratio of days with good air quality and surface water in cities at prefecture level and above in 2020. The index value of the proportion of water bodies reaching or better than Class III in 2020 is affected by factors such as the new crown pneumonia epidemic, which is significantly higher than normal years. ⑤_ All employees in 2020 Labour productivity growth of 2.5% is expected.
Indicators in perspective

• **A social turn**: Seven of the 20 major indicators directly related to people’s well-being, representing the highest proportion of such indicators in the country’s five-year plans ever.

• **Three of the seven indicators for people’s well-being are new**, namely keeping the surveyed urban unemployment rate under 5.5 percent, increasing the number of certified (assistant) doctors to 3.2 per 1,000 population by 2025, and raising the number of nursery school places for infants under three years old to 4.5 per 1,000 population by 2025.

• **2 security indicators** are new.
How do targets work for the administrators?

- **Binding or indicative targets**
  - Performance contract with next higher level

- **Implementation process**
  - Process plans with targets
  - Investment plans and projects

- **Evaluation**
  - Performance evaluation
  - Rewards and sanctions
Focus on innovation and new pillar industries (recall “Made in China 2025”) – Create conditions for technologies for the “new age”

- Information technologies
- Bio-technology
- New energy
- New materials
- High-end equipment
- New energy vehicles
- Equipment for strategic sectors: green development, environmental protection and aeronautics
- Develop the bio economy: Speed up development of bio-medicines, bio-breeding, bio-materials, bio-energy
Digital China: Key programs in digital economy

- Cloud computing
- Big data
- Internet of things
- Industrial internet
- Blockchain
- Artificial intelligence
- Virtual and augmented reality
Digital China: Examples from financial sector

- Promote the research and development of China’s own digital currency, DCEP (which is an abbreviate for Digital Currency Electronic Payment) → could bring significant benefits for China’s rapidly digitising economy and facilitate cross-border RMB payments and the currency’s internationalisation.

- Promote financial innovation in an orderly manner [cf. Ali Baba and Ant Financial destiny] and subject to prudential supervision so as to prevent systemic risks

- Further develop fintech capabilities and accelerate the digital transformation of financial institutions

- Equity capital markets sector will fully implement a registration system for initial public offerings (IPOs), improve corporate governance and strengthen delisting mechanisms – all measures that are designed to improve the quality of Chinese listed companies. China will also encourage the development of angel and venture capital investments

- Develop green finance capabilities

- Further open up China’s banking, securities, insurance, funds, futures and other financial sectors, deepen the connectivity between Chinese and foreign financial markets, and improve the existing regime for qualified foreign investors
Double circulation = decoupling?

“Chapter 13- Promote the double circulation between national and international [economic spheres]”

General goals

- “We must base ourselves on large-scale circulation in China, coordinate and promote a strong internal market and the establishment [of China] as a major trading country; create a gravitational field for the global flow of production components, combine internal and external demand, import and export; coordinate development of inwards and outwards FDI; speed up and foster the new advantages for participating in international cooperation and competition”

How?

- Improve integrated/unified regulation and control of national and international trading systems and FDI management systems through administrative and legal adjustments, quality and safety control systems
- Improve quality and market access of overseas operations of Chinese companies and investors

No decoupling in sight – but clearly focus on enhancing national strengths
Growth expectations – two scenarios

2021-2035: China growth scenarios towards doubling of real GDP under two different growth assumptions

Zhang Yongjun
Deputy chief economist with the China Center for International Economic Exchanges

https://www.chinadaily.com.cn/a/202103/04/WS60401fd1a31024ad0baac916.html
Bloomberg: China will drive global growth in next five years (based on IMF forecasts: +6% world GDP in 2021, falling to +3% in 2026)

Green and sustainable turn?
Xi Jinping promises that China will strive to become carbon neutral in 2060. Gamechanger for Paris Agreement?
China is the world’s biggest emitter in absolute terms, but not in per capita terms.
China is becoming more stringent on the environment

BRIIS = Brazil, Russia, India, Indonesia and South Africa

But China is doing far from enough on environment - yet

The country ranked no. 120 on Yale University’s Environmental Performance Index in 2018

Denmark is no. 1 with 82.5

China has made recognized pledges through its NDC and beyond under the Paris Agreement

### China

#### Main pledges and targets

<table>
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<tr>
<th>PARIS AGREEMENT</th>
<th>Ratified</th>
<th>Yes</th>
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| **2030 unconditional target(s)** | Peak CO2 emissions latest by 2030  
Non-fossil share: 20% in 2030  
Forest stock: + 4.5 billion m$^3$ by 2030 compared to 2005  
Carbon Intensity: -60% to -65% below 2005 by 2030 | [33–47% above 2010 by 2030 excl. LULUCF for peaking and non-fossil targets]  
[36–53% above 2010 by 2030 excl. LULUCF for carbon intensity targets] | Economy-wide |

### Long-term goal(s)

| Long-term goal(s) | Carbon neutrality before 2060 (announced) |

LULUCF: Land Use, Land-Use Change and Forestry
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**Note on consequence:** No matter what happens in the economy, these are binding.

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But China’s climate policies still highly insufficient

Highly insufficient

2°C compatible

Within 1.5°C
A study from December 2020 reviewed the available scenarios under which China could reach net-zero emissions by 2060. It concluded that an 18-20% reduction of CO2 intensity during the 14FYP period would put the country on the trajectory towards carbon neutrality by 2060 and would be consistent with a 1.5C temperature rise globally, as shown in the chart below.

Source: Energy Foundation China (2020).


But there is still big room for improvements
How can I use this as a business?
What are the takeaways for you from 14.5.?

Insight: Is this relevant for me at all?

• Knowledge: Basic ideas about government’s medium and longer term priorities
• Focus: Study chapters that are relevant to you
• Communication: Learn to speak the language of the planners and sector administrators as a backdrop against which you speak about yourself

Foresight: How can I make my knowledge operational?

• Follow up on the relevant cross-sector, sector and regional plans that will be published
• Follow up on projects that could be of interest to you, i.e. project lists in specific plans (financing not necessarily in place)
• Think of the next plans – how could you contribute – act in time
• Get in touch with the right people, use your connections
• Use “Denmark” and the Danish government support system to brand yourself and get access