

Caution and Ambition Inform China's New Five-Year-Plan

by Francesca Ghiretti

Throughout the years, the annual “Two Sessions” meetings in China have moved from being the most important political event in the country to one of the most followed political appointments in the world. The reason is straightforward, China’s global weight is growing, and with it, its internal policies and plans are assuming greater and greater relevance internationally. Nonetheless, the attention reserved to this year’s Two Sessions is extraordinary.

On the one hand, the 2021 Two Sessions are meant to celebrate China’s achievements, such as the “elimination” of poverty or the realisation of a moderately prosperous society.¹ On the other, this year signals the beginning of a new cycle of China’s planned economy, including discussion on Beijing’s 14th Five-Year-Plan (FYP).

¹ Leng Shumei and Shen Weiduo, “Xi to Announce Achieving Moderately Prosperous Society in H1 of 2021”, in *Global Times*, 4 November 2020, <https://www.globaltimes.cn/content/1205617.shtml>.

There is a reason why this appointment is called “Two Sessions”. The event sees the gathering of two major political bodies: the Chinese People’s Political Consultative Conference (CPPCC), which is a sort of representative body, and the National People’s Congress (NPC), where policies and laws are discussed and then adopted by the NPC Standing Committee. Despite the NPC’s avowed utility to provide a space to debate policy proposals, the truth is that it is little more than an organ formalising decisions already taken by the leadership of the Chinese Communist Party (CCP). This year, the NPC met between 5–11 March. If the Two Sessions attracted widespread attention globally, the Five-Year-Plan is perhaps the most closely scrutinized item on the agenda.

In October 2020, the 5th CPP Plenum provided a preview of the upcoming FYP. Still, little details about targets or policies were discussed at the time.²

² Shannon Tiezzi, “China’s Fifth Plenum: What

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Therefore, before the Two Sessions and, more specifically, before the National People Congress of March 2021, it was difficult to understand what the new FYP would entail. Considering China's growing importance on the international stage, grasping the direction of its future policies and FYP has become increasingly relevant for a growing number of actors.

After the preview of October and other announcements made throughout 2020, most analysts shared similar expectations concerning the focus of the new FYP. These namely covered the post-pandemic economic recovery, qualitative rather than quantitative growth, support for a "dual-circulation" economy, more technological self-sufficiency and details on emission targets related to the 2060 zero net emission pledge.

Overall, many of these expectations were met. This year's FYP is clearly informed by the growing competition with the US and a related desire for more economic self-sufficiency. Nonetheless, the content was a mixture of caution and ambition—an odd coupling, but one that well describes China's approach to its economy and international role.

You Need to Know", in *The Diplomat*, 29 October 2020, <https://thediplomat.com/2020/10/chinas-fifth-plenum-what-you-need-to-know-2>. For an unofficial translation of the Chinese official text, see: Georgetown University's Center for Security and Emerging Technologies, *Translation - Proposal of the Central Committee of the Chinese Communist Party on Drawing Up the 14th Five-Year Plan...*, <https://cset.georgetown.edu/?p=4178>.

Caution is detectable all over the contents and targets of the FYP, starting with the most fundamental indicator: GDP growth. Due to China's economic downturn following the pandemic, at last year's Two Sessions, China did not set a GDP target for 2020.³ Due to this uncertainty, most analysts expected China to replicate last year's decision. However, a growth target for 2021 was finally announced, set at a conservative 6 per cent growth.⁴ Here, the first element of caution. Considering last year's slowdown and prompt recovery of China's economy, forecasts set China's 2021 growth prospects at 8 per cent, two full percentage points higher than the target fixed by Beijing. By outlining a more conservative target, China is clearly sending a first signal of caution.

Regarding the FYP, China usually sets a five-year growth target. This time, the target was substituted by vague references to GDP growth to be fixed and adjusted annually.⁵ Beijing has thus shown its awareness that future growth can no longer rely on impressive numbers, and rather seeks to move from quantity to quality, meaning numerical targets become less indicative of the

³ "China Abandons Hard Growth Target, Shifts Stimulus Focus to Jobs", in *Bloomberg*, 22 May 2020, <https://www.bloomberg.com/news/articles/2020-05-22/china-to-abandon-numerical-growth-target-amid-virus-uncertainty>.

⁴ Stella Qiu and Kevin Yao, "China Sets 'Low Bar' for GDP Growth, Pledges More Jobs", in *Reuters*, 5 March 2021, <https://reut.rs/30fWG9G>.

⁵ People's Republic of China, *14th Five-Year Plan for Economic and Social Development (2021-2025) and Long-Range Objectives Through the Year 2035* (in Chinese), 12 March 2020, http://www.gov.cn/xinwen/2021-03/13/content_5592681.htm.

economy's success. Moreover, by not fixing a 5-year growth target, Beijing also avoids disappointing expectations.

Other cautious targets are the decision to bring the rate of urbanisation to 65 per cent, a meagre five-point increase from the present numbers that already hover above 60 per cent, and to increase forest coverage from 23.04 per cent to 24.1 per cent. With regards to CO2 emission targets, these are similar to those of the previous FYP, -18 per cent per unit of GDP. Yet, no target has been set for other significant pollutants. Beijing has only pledged to decrease them.⁶ This data would seem to disappoint those who thought the new FYP would reveal more details about new targets and give substance to China's ambitious promises regarding its green agenda.

Even with many reforms announced, the dominant narrative is one of continuity. This spans from foreign direct investments (FDI) to the protection of Intellectual Property (IP) rights, which are two central elements of the debate on creating a level playing field with other countries. Regarding foreign direct investments into China, the process of better regulating and opening up sectors to FDI is strengthened and reflected in the text of the FYP, where the intention of attracting more FDI and adopting a nationally unified blacklist are among the indicated priorities.⁷

The regulation and protection of IP rights is a topic that has long been a

⁶ Ibid.

⁷ Ibid.

core issue between China and foreign actors. In the past couple of years, China has been moving in a positive direction and the FYP confirms Beijing's commitment to better protect and regulate IP. However, it would be naïve to believe that changes in the regime regarding FDI and IP are uniquely, or even mostly, the result of external pressure.

At this point of Chinese economic development, it is not a problem for China to open up to FDI sectors where their enterprises have an already established presence. Furthermore, considering the ambition to become a technological leader, adopting a structure that protects intellectual property is also in China's interest.

If the contents above narrate a tale of caution and slow progress, there are areas where China's ambition has been the determining factor. For example, the decision to increase investments in Research & Development by 7 per cent annually signals not only ambition but also the direction of this ambition. In this case, the keywords are technological development, self-sufficiency and national security.

Investments will focus on "frontier areas" such as "artificial intelligence, quantum information, integrated circuits, life and health, brain science, biological breeding, air and space science and technology, and deep earth and the deep sea".⁸ These are all areas of relevance for the future and in which there is a clear element of competition with the US. The growth in the defence

⁸ Ibid.

budget also confirms that the US's competition played a role in shaping the FYP, with defence spending increasing to 6.8 per cent of China's GDP, which for 2021 means 209 billion US dollars. The sum is impressive but must be considered against the US's defence budget, which is almost four times higher.

Finally, China aspires to become an international hub for talents. This aspiration is explicitly mentioned in the now established plan to attract international talent and the new push to ameliorate living conditions for international residents by facilitating the process for permanent residency and a series of actions devoted to better social support.⁹

Undeniably, the entire FYP is meant to strengthen China in the short, medium and long-term. Even conservative targets and measures adopted to better regulate and open up the Chinese market are developed in this direction. Whether this is the result of growing tensions with the US, a potentially hostile international environment, or just the ambition of Xi Jinping, China is consolidating its position while aiming high.

As previously suggested by the launch of the model of a "dual-circulation economy",¹⁰ – which aims to boost China's internal consumption – the ultimate goal remains that of increasing

the level of China's self-sufficiency and, thus, lessen China's dependence on foreign countries who are also trying to decrease their dependence on China. The contents of China's 2021 FYP demonstrates this ambition.

The displayed elements of caution and ambition, long key characteristics of China's approach to foreign affairs and domestic challenges, are employed to serve this ultimate goal. While on the one hand caution helps to avoid abrupt shifts that may bring risks to stability, on the other, ambition is used to outline China's desired outcome and understanding of itself and its capabilities. Because China will put its money where its mouth is, we now have a confirmation of where the country is headed in the next five years and beyond and this, in turn, should inform European and US policies and strategies towards China in the coming years.

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⁹ Ibid.

¹⁰ Kevin Yao, "What We Know About China's 'Dual Circulation' Economic Strategy", in *Reuters*, 15 September 2020, <https://www.reuters.com/article/china-economy-transformation-explainer-idUSKBN2600B5>.

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