

China Releases Broad Outline of 14th Five Year Plan Objectives

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China's Communist Party Central Committee wrapped up its annual plenary session on Thursday. This year's 5th Plenum is significant because it falls in the last year of the 13th Five Year Plan period of 2016-2020. Party leaders, therefore, approved recommendations for the 14th Year Plan, which will apply to 2021-2025. While the more detailed 14th Five Year Plan proposal is not yet available, Party leaders released a communique summarizing at a high level the plan's objectives. With respect to trade and economic issues, the communique includes only high-level economy-wide objectives and does not provide details regarding plans for specific industries. It suggests that China will:

- **Emphasize innovation as the core of modern development, including by "making technological self-reliance a strategic support for national development."** Chinese leadership increasingly sees reliance on overseas technologies like semiconductors as a key weakness, especially in the wake of expanding U.S. export control policies.
- **Attempt to modernize traditional industries and supply chains.** While the communique does not mention the Made in China 2025 plan, which was deemphasized following extensive international criticism, it incorporates similar objectives, including "developing a manufacturing power" and using digital and network technologies to modernize industrial supply chains.
- **Focus on developing and leveraging its large domestic markets.** The communique references the "dual circulation" policy that leadership has emphasized in the wake of the U.S.-China trade war. "Dual circulation" seeks to rely primarily on

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domestic demand while developing external markets as a complement. It is unclear to what extent this policy differs in substance from previous efforts to rebalance towards domestic consumption as the main driver of economic growth.

- **Continue to seek the proper relationship between the government and markets.** The communique reiterates the objective of allowing the market to play a “decisive role” in resource allocation, which many interpreted as a fundamental realignment of the state’s economic role when it was first introduced in 2013. The communique, however, continues to emphasize the centrality of the basic socialist economic system and the leadership of the party in all aspects of society.
- **Implement a high level of international openness.** The communique states that China will promote a more open and friendlier trade and investment environment, but the emphasis appears to be on increasing China’s role internationally, rather than allowing foreign companies to play a greater role in China’s economy. It emphasizes seeking “innovations in trade development,” including through continued Belt and Road projects and greater participation in a “revolution of the global economic governance system.”
- **Unifying economic and military development.** The communique states that China will “promote synchronized national defense and economic progress,” including by “solidifying military-political and military-civil unity.” This appears to be a restatement of the “civil-military fusion” concept that has driven concerns in the United States and elsewhere regarding the national security implications of transactions involving even private Chinese firms.

More details regarding the direction of the 14th Five Year Plan should be forthcoming in the coming weeks and months. Should you have any questions, please contact one of the authors listed on this alert.