

CHINA'S MASTER PLAN

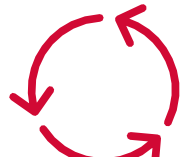
Take-aways from Five-Year Plan and Two Sessions

PLANNING AHEAD: WHAT TO EXPECT FROM CHINA

In March 2021, China's top leaders convened for the most important annual event under the National People's Congress – referred to as the Two Sessions.

China's 14th Five-Year Plan (2021-2025) was formally ratified during the sessions. Several other long-term objectives were also discussed and approved.

This presentation outlines the key decisions and potential implications.





Growth is good – but only the right kind

GDP

Objective

No GDP targets are set for the next five years. Emphasis on job creation and stability with targets for food and energy security appearing for the first time in a Five-Year Plan.

Implications

Beijing wants to reduce expectations to the quantitative growth performance by focusing on quality. Local governments may object.

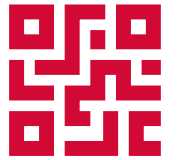
Dual circulation

Objective

Reducing economic dependency on rest of world is top priority. Expanding domestic demand by boosting consumption will be main driver. But trade ties to other countries remain important.

Implications

The move is aimed at the United States. China's economy still relies too much on exports to U.S. market, and import of American-made key components such as semiconductors.



Tech titan aspirations

Digital economy

Objective

China's digital economy will contribute 10% to overall GDP by 2025 - up from 8% today.

Implications

Building the infrastructure to sustain a huge digital leap means embracing emerging technologies such as AI, IoT, blockchain etc.

Innovation and R&D

Objective

Tech innovation will be made a national strategic imperative. Public R&D budget will increase by 7% every year.

Implications

China is already allocating significant resources to home-made innovation. Several Danish companies have set up R&D facilities to benefit from this. More can be expected to follow.

Advanced manufacturing

Objective

Domestic manufacturers will use emerging technologies to complete transformation from *Made in China* to *Made by China*.

Implications

Globally integrated supply chains are a precondition for China's manufacturing sector to become world class. This means opportunities for Danish suppliers.



Lean, clean and green!

Reduce energy consumption

Objective

Non-fossil fuel's share of energy consumption will increase to 20%. Intensity from carbon emissions will be reduced.

Implications

China's already vast scale of wind and solar power will be further expanded. Pace of developing new coal-fired electricity sources will be reduced but not eliminated.

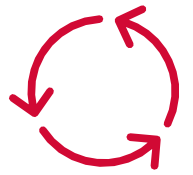
Clean air and water

Objective

Air quality in big cities will be classified as good 87.5% of time. 85% of surface water will be classified as Grade III or higher.

Implications

Air quality targets require a large increase in number of electric vehicles for public transportation and logistics.



Open for business with Chinese characteristics

Market access and competition

Objective

Make state-owned companies more productive. Open key sectors to private companies. Reduce negative lists for foreign investors.

Implications

Paradoxically, China's ambition to become more self-dependent requires a more liberalized economy and close interaction with foreign business. Beijing needs to find the right balance between nationalism and globalism.

Hong Kong

Objective

Hong Kong's legislative structure will be changed to ensure that only Beijing loyalists can govern the city.

Implications

China's government will go far to relaunch Hong Kong as an international finance and business hub. When the political tensions have cooled off, foreign companies may once again consider Hong Kong a viable location alternative to the Mainland.

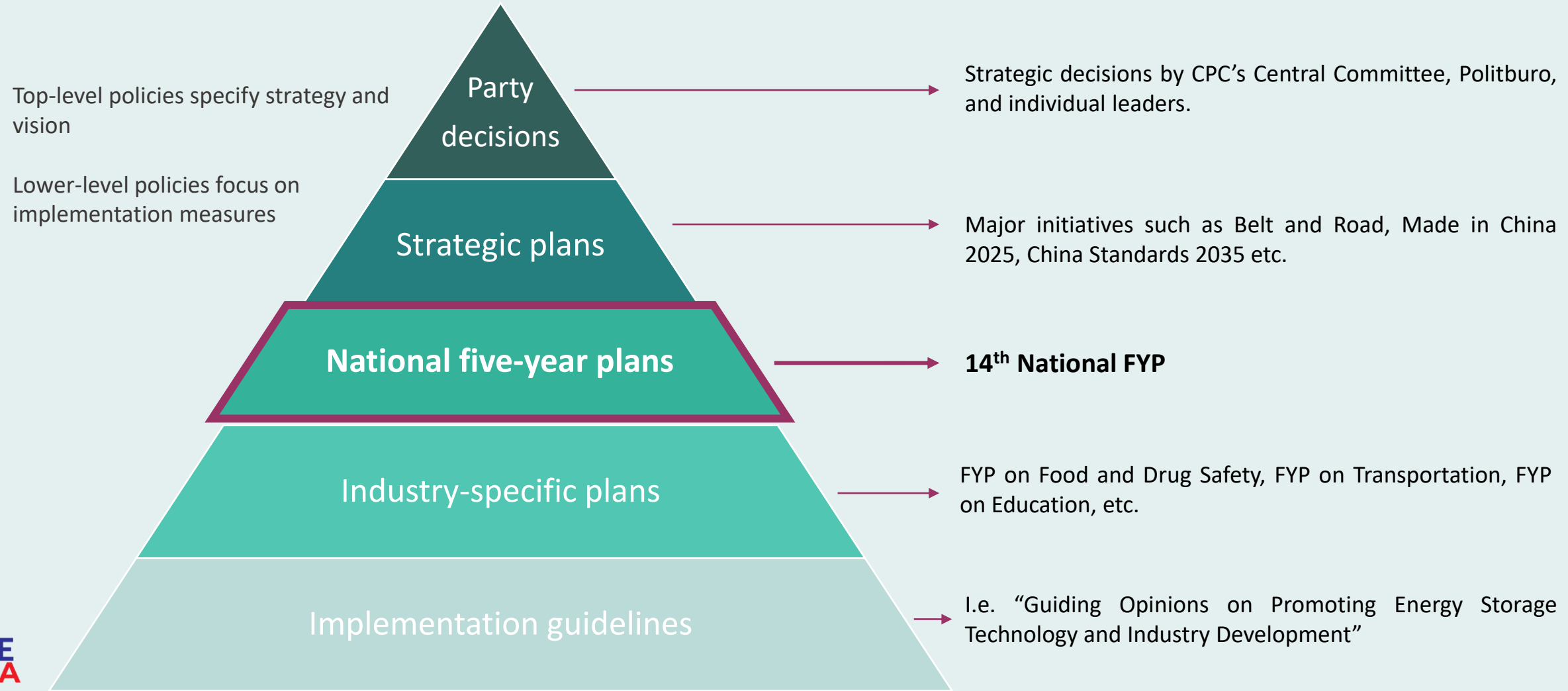
Summary

There are no significant surprises in China's next *Masterplan*. Most decisions have already been considered inside and outside China.

However, the calls to promote energy and climate solutions confirm President Xi & Co.'s commitment to China's green transition. This focus will undoubtedly open up for more Danish business opportunities.

Politically, China seems destined to continue the rivalry with the United States. The encouragement to invest in China's digital development is aimed at creating alliances with the rest of the world - including Europe. But the self-reliance ambitions will surely deter many international companies from committing 100% to a future in China.

Implementation of Five-Year Plan



Get in touch to know more



Peter B. Hansen

China Director

Mobile: +86 17316551959

E-mail: pmh@di.dk



Emma Lieser

Business & Policy Consultant

Mobile: +86 17611587759

E-mail: eli@di.dk