

Chapter 1

Experiences Gained from Past 13th Five-Year Plans and Guidelines for Subsequent Plans



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China's five-year plan for national economic and social development is essential to state government's macroeconomic and social management. As a long-term plan for China's national economic and social development, each five-year plan articulates the goals and directions for long-term economic and social development, and delineates major national construction projects, allocation of productive forces as well as key proportional relations of the national economy and social undertakings. In the light of the five-year plan, the central government is able to mobilize and allocate all resources of the whole society to promote economic and social development. The five-year plan's important role in the process of China's development since its establishment has fully demonstrated the socialist system's superiorities. In the 70-year development process, China has been perseveringly formulating and implementing 13th Five-Year plans in a consecutive manner while experiencing a significant transformation from the planned economy system to the socialist market economy system. The process of implementing 13th Five-Year plans has given a full account of the CPC's brilliant leadership during the socialist construction, from which we have accumulated many valuable experiences for state governance with Chinese characteristics. In a new era of the 2020s when China is making all efforts on seeking a well-off society in an all-round way and comprehensively building a modern and powerful socialist country, feasible guiding thoughts and principles are being developed based on past experiences for subsequent five-year plans, which will be of great significance for China's second of "two centenary goals".

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1.1 Historical Context of Five-Year Plans for National Economic and Social Development

The process of China's formulation and implementation of 13th Five-Year plans has been advancing with the times in terms of each plan's goal, nature, content, system and procedures. In terms of plan goals, the five-year plan was designed initially to realize the socialist industrialization, later to realize the "four modernizations", further to address the problem of people's food and clothing, and recently to build a well-off society in an all-round way. In terms of plan nature, the plan was deemed initially to be simply mandatory, later to be predictive and instructive, and further to be both prospective and restrictive. In terms of planning contents, the plan was described initially as an economic development plan, later as an economic and social development plan, and further as a national plan for comprehensive development of politics, culture, ecology, national defense and military forces. In terms of planning system, the plan was developed initially in the form of an economic plan, later in the form of complex general plan, special plan for key areas, plan for key economic regions, and plan for main functional areas of spatial development, the coverage of which expanded from administrative districts of the inland (mainland) to Hong Kong, Macao and Taiwan regions, and the indicators of which also evolved from physical output indicators to value indicators. In terms of planning procedures, the plan was initially formulated directly by the CPC Central Committee, and later by the State Council in line with the CPC Central Committee's proposal reviewed by the National People's Congress.

The 13th Five-Year plans can be divided into three periods according to their historical evolution process: (1) the period of socialist construction under the planned economic system from 1953 to 1978, (2) the period of socialist construction with Chinese characteristics from the promulgation of the reform and opening-up policies in 1978 to the convening of the 18thCPC National Congress in 2012, and (3) the new period of socialist construction with Chinese characteristics ever since the 18thCPC National Congress.

The period of socialist construction under the planned economy system was started from 1953, and the 1st Five-Year Plan of the People's Republic of China was put into practice, to 1978, when the reform and opening-up policy was promulgated. During this period of traditional planned economy, China had formulated and implemented five five-year plans. China's economic construction in the period from the 1st Five-Year Plan to the 5th Five-Year Plan was tasked mainly with promotion of socialist industrialization and realization of the "four modernizations". The idea of compiling and implementing the "Five-Year Plan" is to give priority to the development of the heavy industry and the creation of an independent and complete industrial system and national economic system through a complete mandatory government plan. Moreover, the five-year plans in this period were interrupted several times by political events, and in fact, four of them other than the first one had not been formally promulgated.

The period of socialist construction with Chinese characteristics from the promulgation of the reform and opening-up policies in 1978 to the convening of the 18th CPC National Congress in 2012 consists of seven five-year plans, extending from the 6th Five-Year Plan to the 12th Five-Year Plan. These plans have been sublimated from purely mandatory plans under the planned economy system to programmatic documents under the socialist market economy system to direct the economic and social development, depict the overall development blueprint, determine the government's future work priorities, and guide the behavior of market players. Overall, the 35-year period from the 6th Five-Year Plan to the 12th Five-Year Plan ushered in a new era of China's reform and opening-up and construction of socialist modernization with Chinese characteristics. As a result, we are able to provide people with adequate food and clothing, realize a well-off society in general, and look forward to building a well-off society in an all-round way; the gross national product has reached the economic construction target—"quadrupling" that of 1980 by the end of the twentieth century, thus advancing the transition from traditional planning system to socialist market economic system and the transformation of the extensive economic growth to intensive economic growth.

Ever since the 18th CPC National Congress convened in 2012, China has entered a new period of socialist construction with Chinese characteristics. The 13th Five-Year Plan, the first five-year plan in this period, is critical to building a well-off society in an all-round way as it is designed to solve many problems arising from economic development under the new normal, and undertakes the historical mission of building a well-off society in an all-round way. It is clearly defined in the 13th Five-Year Plan that the plan, as a key stage of building a well-off society in an all-round way, is intended to: (1) promote economic and social development under the guidance of five new development concepts of innovation, coordination, green, openness and sharing, (2) highlight innovation-driven instead of factor-driven motive force for economic development under the new normal, (3) facilitate transformation of government functions by obligatory indicators, (4) optimize targets and indicators in relation to public services, social governance, resources and environment, (5) implement regional development strategies, such as the "Belt and Road" initiative, the Yangtze River Economic Belt and the coordinated development of Beijing, Tianjin and Hebei, (6) open up to the outside world on all fronts, (7) regard system construction as one of the main targets of the five-year plan to modernize national governance system and governance capability, and (8) encourage integration of various plans, including national economic and social development plan, urban and rural plan, land use plan and ecological environment protection plan.

1.2 Experiences Gained from Past Five-Year Plans for National Economic and Social Development

Apart from being an effective system for governing the country with Chinese characteristics, five-year plan is also a tool for the CPC's brilliant governance of the country over seven decades. Continuous implementation and perfection of five-year plans has facilitated continuous implementation and perfection of the socialist system with Chinese characteristics and modernization of China's national governance system and capability. In-depth study of the rich experiences gained from past 13th Five-Year plans is worthy of our efforts, and will be of great importance for China's adhering to and perfecting its socialist system with Chinese characteristics and modernizing its governance system and capability, and will provide guidance for the formulation of subsequent five-year plans.

First, we will constantly seek for new development concepts under the guidance of the latest theoretical achievements of Marxism localization in China.

Each five-year plan is proposed to address how the national economy and society will develop in subsequent five years and what kind of development concept will be used to guide economic development. The development concept of past 13th Five-Year plans evolved from the traditional concept of socialist development to the concept of socialist development with Chinese characteristics and further to the concept of the new era of socialism with Chinese characteristics. The period from the 1st Five-Year Plan to the 5th Five-Year Plan was guided by the traditional socialist development concept, i.e. the "general line in the transitional period" and the "general line of socialist construction"¹ aimed to realize industrialization, prioritize the heavy industry development, and establish the unitary public ownership and planned economy. The period from the 6th Five-Year Plan to the 8th Five-Year Plan was guided by the concept of socialist development with Chinese characteristics that highlights the "absolute principle of development" aimed solely to pursue economic growth and social productive forces, by deepening reform and opening-up to the outside world. The period from the 9th Five-Year Plan to the 12th Five-Year Plan was guided by the concept of socialist development with Chinese characteristics that advocates the "scientific outlook on development" in addition to the "Development being the absolute need" aimed to seek economic growth and people-oriented sustainable development. The history of 13th Five-Year plans shows that a successful five-year plan is premised on the guidance of scientific and correct development concepts. Many mistakes identified in the period from the 1th Five-Year Plan to the 5th Five-Year Plan are inevitable product of incorrect development concepts while the success of five-year plan since implementation of the reform and opening-up policies and the miracle of China's rapid economic growth are brought about by corrected development concepts. The evolution of these development concepts guiding the five-year plans has reflected the deepening of the CPC's understanding of development laws

¹ Wu (2005).

and China's national conditions, and is also a process in which the CPC has continuously explored the theoretical achievements when combining Marxism with China's practice and innovating localization of Marxism in China. History has proved that China's miracle of rapid economic development arises from its successful exploitation of Marxism localization. In response to complex process of China's modernization and arduous challenges, we will firmly adhere to the guidance of the latest theoretical achievements of Marxism localization in China, continuously explore and innovate our development concepts, and work out scientific and perspective five-year plans under the CPC's brilliant leadership.²

Second, we will insist on giving full play to the decisive role of the market in allocation of resources, and continuously improve the socialist market economy system.

During the "First Five-Year Plan" period, the transformation from the new-democratic economic system to the single socialist public economic system was mainly promoted. Until the first half of the "Fifth Five-Year Plan", the planned economic system was constantly strengthened.

China's five-year plan is not only a national economic development plan but also a plan for its economic system construction and reform. Deepening reform and opening-up and promoting system innovation are also important components of China's five-year plan and even an important main line. The 1st Five-Year Plan period was aimed to promote the transformation from a new democratic economic system to a unitary socialist public economic system. Until the first half of the 5th Five-Year Plan period, the planned economic system was constantly strengthened. Ever since the 6th Five-Year Plan, China has gradually shifted from a planned economic system to a socialist market economic system. Especially after the 14th National Congress of the Communist Party of China in 1992 made it clear that building a socialist market economic system was the direction of system reform, all the subsequent "five-year plans" have always emphasized deepening reform and opening-up and establishing and improving the socialist market economic system. Thanks to constant perfection of the socialist market economy system and solid enhancement of the market's role in allocation of resources, China's economy has made great achievements that attract worldwide attention since 1978 and has rapidly promoted the process of economic modernization. Although China is building a socialist market economic system, the concept that market determines allocation of resources is a general law of the market economy that we must respect. It is necessary to develop five-year plans under the socialist market economy system, but such plans are more strategic, guiding and macroscopic; therefore, all kinds of special plans, regional plans and spatial plans must clearly define the boundaries where they play their roles. Where the market mechanism can fully play its role, the government must be prevented from intervening by any means. A government plan must be aimed at the areas related to the overall situation and in the field of market failure. This means that the most fundamental way to give full play to the market's decisive role in allocation of resources is to

² Yang (2011).

promote the transformation of government functions, so China has adopted a progressive reform approach. Although the market-oriented reform has been promoted for more than 4 decades, China's market economy system remains imperfect, and the innovation of property rights system and the market-oriented reform of factors still need to be deepened. This means that giving full play to the market's decisive role in allocation of resources and continuously improving the socialist market economy system will be basic principles in preparation and implementation of subsequent five-year plans, and that how to deepen the market reform and perfect the socialist market economy system will be seen as important content and task of subsequent five-year plans.

Third, we will respect the objective laws of economic and social development, and strive to identify our historical position and development trend.

A country's development is a matter of complex economic and social system that operates on its objective laws, including economic, social and natural laws. Five-year plans developed by Chinese state government are designed to depict a blueprint for economic and social development in next five years. Planners may have subjective desire to set high standards for grand plans and good vision of accelerating economic development, but they must follow objective laws of economic and social development, correctly understand objective conditions of national situation and strengths, clearly judge the country's historical position, and scientifically grasp the general trend of economic and social development; otherwise, you will go against your wishes. Five-year plans under the planned economy system, except the 1st Five-Year Plan, were subjective and designed blindly to pursue rapid growth rate due to insufficient understanding and less respect for objective laws; especially under strong constraints of the planned system, there was the "Great Leap Forward", which caused great damage to the economy. Even under the planned economy system, China's economy was operating on its objective laws, such as the law of planned proportional development, the law of balance between investment, finance and credit, and the likes, which should also be followed by five-year plans. Under the socialist market economy system, economic development must follow general laws of the market economy, including the laws of market supply and demand, industrialization, urbanization and economic cycle, which, with the particularity of China's national situation being considered, must be followed to formulate and implement five-year plans. With the evolution of development concepts, China's five-year plan has evolved from an economic development plan to an economic and social development plan, and further to a comprehensive national development plan. For instance, during the 12th Five-Year Plan, the proportion of economic indicators was 12.5%, while the proportion of non-economic indicators was as high as 87.5%; of non-economic indicators, education, science and technology indicators accounted for 16.7%, resources and environment indicators accounted for 33.3%, and people's living indicators accounted for 37.5%.³ This inevitably requires planners follow the economic, political, cultural, social and ecological laws. In particular, these objective laws must be respected in implementing such plans. A fundamental judgment

³ Hu (2014).

standard to judge whether relevant indicators or strategies need to be dynamically adjusted in the process of plan implementation is whether the formulated plan violates the objective laws in the process of plan implementation, or whether the laws followed in the original plan are no longer applicable due to changes in objective environment, which should not be adjusted when the plan is implemented by different person.⁴

For some historical reasons, the planned implementation cycle of each five-year plan does not coincide with the term of the Chinese government; in addition, the heads of local governments are often changed during the period of the five-year plan; therefore, it is usual that the plan drafters are different from plan implementers. In order to ensure coordination between formulation and implementation of the plan, it is not enough to ask the implementers to establish the correct performance view of “credit doesn’t have to belong to me, and credit has my share”; more importantly, we must make sure that objective laws are followed during implementation of the plan.

Fourth, we will make scientific development strategy and determine major tasks on a problem-oriented and goal-oriented basis.

The five-year plan, as China’s overall five-year development plan, will be concretely manifested by development strategies and major tasks, including major projects, major policies and major reform measures. In accordance with China’s overall objectives of five-year economic and social development and decomposing them into planning indicators based on management by objectives, we need to identify the key problems facing China under the current conditions, and solve them by determining our development strategies and major tasks on a problem-oriented basis, i.e. determining the national development strategies and major tasks on a problem-oriented and goal-oriented basis. Under the planned economy system, the five-year plans are focused more on specific major projects directly under the central government’s planning. For example, 156 industrial construction projects were determined in the “1st Five-Year Plan” period. These projects run through the entire “First Five-Year Plan” and “Second Five-Year Plan” period. During the “3rd Five-Year Plan” period, a series of large and small “three-line” construction projects were laid out. (Note by the translator: “three-line” means regions far from China’s coastal areas). Under the market economy system, the realization of the objectives of the “Five-Year Plan” depends more on development strategies, major policies and major reform measures. The related projects focus on water conservancy projects, transportation infrastructure and other public works. For example, the strategy of rejuvenating China through science and education and the sustainable development strategy were proposed during the “9th Five-Year Plan”; the strategy for large-scale development of western China and the urbanization strategy were proposed during the “10th Five-Year Plan”; the strategy on developing a quality workforce, the strategy for revitalizing northeast China and the strategy for the rise of central China were proposed

⁴ For example, since Deng Xiaoping made a speech during his inspection to southern China in 1992, the laws of the market economy played a greater role and the economic vitality increased greatly. In 1993, the policies and objectives for the three years after the 8th Five-Year Plan were adjusted to raise the economic growth index.

during the “11th Five-Year Plan”; the strategy of expanding domestic demand and the marine development strategy were proposed during the “12th Five-Year Plan”; and the innovation-driven development strategy, the “Internet Power” strategy and the military-civilian integration development strategy were proposed during the “13th Five-Year Plan”. These strategies were proposed in response to major key problems (or major “weak links”) faced by China’s development at specific development phases, and aimed to solve these major problems by formulating and implementing development strategies and realize the objectives set forth in each “five-year plan”. For example, since China’s reform and opening-up in 1978, a regional development pattern of gradient development in the eastern, central and western regions has been formed under the guidance of opening up first in the eastern region. As the backward development of the western and central regions became a major problem hindering the coordinated development of China’s economy, the strategies for large-scale development of western China and for the rise of the central region were proposed during the “10th Five-Year Plan” and “11th Five-Year Plan” respectively. This is essential to the realization of the objectives of coordinated regional development in China. In addition, during the “Five-Year Plans” since the reform and opening-up, some major infrastructure projects were carried out to solve problems and improve weak links; a series of major policies were formulated in response to major events, difficulties and emergencies in development, and a number of major reform measures were also taken to perfect the market economy system.

Finally, we will ensure extensive social participation and program standardization for the formulation of “Five-Year Plans”, and continuously improve the modernization level of the government’s macro control and national governance capabilities.

This is an important experience accumulated for seven decades since the founding of the People’s Republic of China. The formulation of China’s “Five-Year Plans” is not like compilation of a policy text, or a closed policy-making process; instead, it is a circular process of continuous consultation, drafting, testing, evaluation and adjustment of policies between the central government and local authorities and multiple subjects through various interactive modes. The preparation and implementation of the “Five-Year Plans” have become the core mechanism of China’s policy. While leaving sufficient space for the market, each “Five-Year Plans” plays an important role in strategic policy coordination, resource mobilization and macroeconomic control. This is an essential difference between China and other developing countries in East Asia.⁵ The practice of China’s five-year plans has profound theoretical significance and is an important perspective to explain China’s miracle. Especially since the “9th Five-Year Plan”, the planning process has become increasingly scientific, democratic and standardized. First, we have made more and more research efforts, respected professionals’ suggestions, and carried out scientific evaluation of the five-year plan’s effect so as to maximize the scientific nature of planning. The second is to create various channels and attracted more participants’ plan-making suggestions to maximize the democracy of planning. Third, we have formulated basic ideas for

⁵ Sebastian and Melton (2014).

organizing early studies of major issues and drafting plans, and prepared a series of plan-making procedures, such as following the CPC Central Committee's proposal, drafting plan outlines and submitting to the National People's Congress for approval. Finally, we have built a national planning system consisting of three levels (national, provincial and municipal) and four categories (master planning, special planning, regional planning and main functional area planning) to ensure standardization in formulating plans. The improvement of democracy, scientificity and standardization in the plan-making process is conducive to improving the quality and feasibility of plans, reducing obstacles faced in the implementation process, and handling the relationship between the central and local governments. The plan-making process has become a scientific decision-making mechanism featuring concerted efforts, extensive opinions and repeated top-bottom communications, which is of great significance for improving the government's macro-control ability and the modernization level of national governance ability. In fact, regardless of the final outcome, in-depth discussions and research have been conducted in the nearly-two-year plan-making process on China's future development direction, goals, specific indicators, difficulties and risks. This is an effective measure to solve the national development problems, and an effective means to improve the modernization level of the government's regulation and control capacity and national governance capacity.

1.3 Studies on the Guiding Thoughts of the Next Five-Year Plan

In 2020, China will complete building a moderately prosperous society in all respects, embark on a new journey of building a socialist modernized country in an all-round way, and march towards the second of the Two Centenary Goals. The next five-year plan, as the first "Five-Year Plan" to start a new journey of building a socialist modernized country in an all-round way, is characterized by the new era and is of milestone significance. Based on historical experience, we need to recognize China's historical position in the future, grasp the development trend of the times, analyze the basic conditions and key problems of national development in the next five years so as to do a good job in preparing and implementing the next Five-Year Plan and draw a blueprint for national development. We need also to adhere to the latest theoretical achievements of Marxism in China as a guide to determine the development concept and guiding thoughts in the next five years.

1.3.1 Historical Position and Background in the Next Five Years

China is in a new era of socialist construction with Chinese characteristics, which is the new historical position for China's development. Based on domestic and international environment, the next five-year period marks the initial phase of building a socialist modernization country in an all-round way in the new era of socialism with Chinese characteristics, the continuously deepening period of changes in the world unseen in a century, and the accelerated expansion period of a new round of scientific, technological and industrial revolution. This historical position and background must be recognized in formulating the next five-year plan.

(1) Initial phase of building a socialist modernization country in an all-round way

In different historical periods, it has been an important practice of the CPC in governing and rejuvenating the country to objectively and accurately analyze the international and domestic situation, recognize its own development advantages and disadvantages, and put forward corresponding strategic goals of development. The "Two Centenary Goals" were proposed in the report of the 15th National Congress of the Communist Party of China, which aimed to have further developed national economy and perfected various systems by the centenary of the founding of the Party, and have basically realized modernization and completed building a prosperous, democratic and civilized socialist country by the centenary of the founding of the People's Republic of China in the middle of the twenty-first century. The "Two Centenary Goals" were further clarified at the 18th CPC National Congress: we will be able to complete the building of a moderately prosperous society in all respects by the centenary of the Communist Party of China as long as we can keep the faith, and build a prosperous, strong, democratic, civilized and harmonious socialist modern country by the centenary of the People's Republic of China. After all-round construction and development since the 18th CPC National Congress, China's economic and social outlook has undergone major changes towards a positive development trend in all aspects, and the construction of socialism with Chinese characteristics has entered a new era.

In October 2017, President Xi Jinping depicted the timeline and roadmap for building China into a great modern socialist country by giving a more accurate account of the "Two Centenary Goals" in the report of the 19th CPC National Congress: the second centenary goal will be realized in two stages. In the first stage from 2020 to 2035, we will "basically realize the socialist modernization", and in the second stage from 2035 to the middle of the twenty-first century, we will "develop China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful". It was pointed out in the report of the 19th CPC National Congress that under the historical orientation of the new era of socialist construction with Chinese characteristics, the period between the 19th and the 20th National Congress is the period in which the timeframes of the two centenary

goals converge. In this period, not only must we finish building a moderately prosperous society in all respects and achieve the first centenary goal; we must also build on this achievement to embark on a new journey toward the second centenary goal of fully building a modern socialist country. Base on the international and domestic situation and China’s own development conditions, the period from 2020 to the mid-twenty-first century was further divided into two stages. In the first stage from 2020 to 2035, we will build on the foundation created by the moderately prosperous society with a further 15 years of hard work to see that socialist modernization is basically realized. In the second stage from 2035 to the middle of the twenty-first century, we will, building on having basically achieved modernization, work hard for a further 15 years and develop China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful. This strategic arrangement has depicts the grand blueprint of building a great socialist modern country in an all-round way, and highlighted the strategic planning and mission of the Communist Party of China. Under the historical orientation of the new era of socialism with Chinese characteristics, the next five-year period is a key historical node in the opening stage of realizing the second centenary goal. So we should pay full attention to the significance of the next five-year plan (Fig. 1.1).

(2) The continuous deepening period of the great change in the world unseen in a century

Today’s world is undergoing a new round of great development, great changes and great adjustments, such as the intensifying strategic games among great powers, the profound adjustments in the international system and international order, and the increasing uncertain and unstable factors. Based on keen insight and profound analysis of the general trends of the world, the CPC Central Committee with Comrade Xi Jinping as its core has made a major judgment that the world today is marked by changes unseen in a century. Scientific planning is premised by a deep understanding of the great change and a firm grasp of the opportunities and challenges posed by the great change to the great rejuvenation of the Chinese nation.

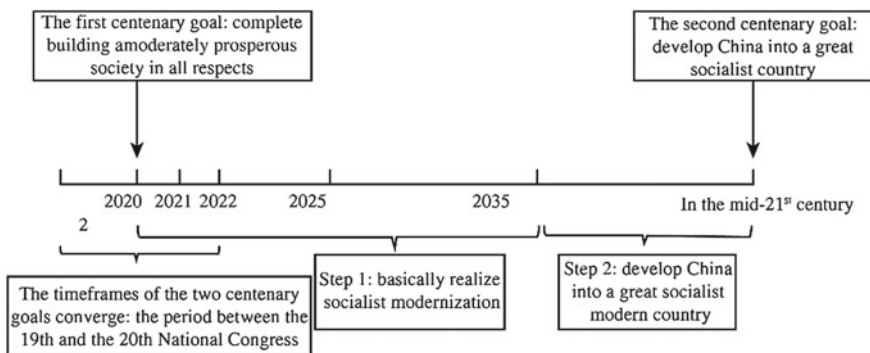


Fig. 1.1 Historical nodes of China’s development from 2020 to the mid-twenty-first century

“Changes in the world unseen in a century” are manifested in such aspects as economy, technology, security and culture. From the perspective of economic development and international order, the process of economic globalization has continued to advance since the end of the Cold War, provided a strong driving force for world economic development, promoted the international flow of goods, services, capital, talents and technology, and brought more and more countries into the global industrial chain, value chain and supply chain. However, many drawbacks have become increasingly prominent in the development of economic globalization to the current stage. On the one hand, the economic growth momentum brought about by the prevalence of neoliberal policies in the world has become increasingly exhausted and also has caused a huge polarization between the rich and the poor while accumulating wealth. In recent years, the rise and development of populism have been promoted by the sluggish economic growth and ordinary people’s sense of deprivation around the globe. On the other hand, economic globalization has resulted in asymmetric flows of labor, capital and technology on a global scale, aggravating the imbalance of development between one country and another and leading to structural difference in the benefits of all countries in the process of globalization. With the deepening of this imbalance, the attitudes of different countries towards globalization have been differentiated, boosting pressure on the original international multilateral system to be reconstructed.

With the transmission of problems in the economic field to the political field, the world’s major strategic forces have re-clarified their own positioning, resource conditions as well as internal and external strategies so as to better cope with the situation, safeguard interests, ensure security, and seize a more favorable strategic position in the increasingly emerging multipolar pattern. From comparison among main strategic powers, the imbalanced situation has changed obviously after the Cold War. In 2018, China’s GDP has reached 2/3 of the United States, and the willingness, determination and ability of the United States to control the regional and international situation alone have obviously declined.⁶ From a global perspective, the trend of multipolarization is deepening, the factors of international chaos and disorder are obviously increasing, the uncertainties and risks continue to be high, the cooperation among big countries is obviously declining, and the competition is obviously getting more intense. In the aspect of international trade, the United States that vigorously promoted free trade has now started trade wars against many countries including its allies. In the aspect of ideology, extremist, populist and racist thoughts are becoming increasingly active, open and influential. At the social level, many countries are faced with increasingly acute domestic contradictions. At the level of order, various conflicts are intensifying; many international conventions and norms are losing efficacy or being reconstructed; some countries tend to solve problems by using force and deterrence; and the degree of disorder in the international situation is generally more serious than most of the time after the Cold War.⁷

⁶ Zhang (2019).

⁷ Jin (2019).

This kind of “great change” in the world is very complicated. Although its duration and evolution prospect are uncertain, it can be judged that the next five-year period will be a continuous deepening period of “great changes in the world unseen in a century”. In the complicated international situation, Chinese people’s wisdom and courage will be tested by how to grasp this “great change”, give full play to various forces at home and abroad, unswervingly follow our own path, concentrate on doing our own things well, and push the international pattern and international order forward in a direction conducive to the peaceful development of mankind.

(3) The accelerating and expanding period of the new round of technological and industrial revolution

After the outbreak of the international financial crisis in 2008 and under the background that developed countries have promoted “re-industrialization”, it is generally believed that the world has entered the information age brought about by the third industrial revolution after experiencing the age of steam initiated by the first industrial revolution and the age of electric power marked by the second industrial revolution. Since the second half of the twentieth century, a new round of technological revolution and industrial transformation characterized by the integration of IT application and industrialization has been gestated and developed, which can be regarded as a new round of technological and industrial revolution. From the perspective of technological and economic paradigm, the new round of technological and industrial revolution are characterized by: (1) reforming social productive forces based on breakthrough applications of information technology, (2) improving the efficiency of economic and social operation with information (data) as a core input factor, and (3) constructing a modern industrial system based on intelligent manufacturing.⁸

The new round of technological and industrial revolution is a great historic opportunity for the process of China’s industrialization and modernization. From the perspective of economic growth theory, the new round of technological and industrial revolution has improved the quality of labor, capital and other factors of production, so it will be very likely to improve the total factor productivity, and then create new kinetic energy to economic growth. From the perspective of aggregate demand, the development of the new round of technological and industrial revolution will lead to huge investment demand for new generation infrastructures such as big data, cloud technology, the Internet, Internet of Things and intelligent terminals, and will directly increase the economic growth rate. From the perspective of division of labor, due to great changes in cooperation modes under the new round of technological and industrial revolution, the degree of information asymmetry has decreased, and cooperation modes such as flexible production, sharing economy, network collaboration and crowdsourcing cooperation have become increasingly popular. On the basis of ensuring economies of scale, they have greatly expanded the economic scope and exploited new sources of economic growth. The new kinetic energy of world economic development shaped by the new round of technological and industrial revolution has thus begun to emerge and show huge potentials in the future. China

⁸ Huang (2016).

has entered the post-industrial period and is at a critical period of economic restructuring and upgrading. The new round of technological and industrial revolution has promoted a large number of new technologies, industries, formats and models, laying a technical and economic foundation for China's industry to move from low end to high end. It has also pointed out the development direction, and provided an important opportunity for China to scientifically formulate industrial development strategies, accelerate transformation and upgrading, and enhance development initiative.

When formulating the next five-year plan, we should focus on analyzing the characteristics and trends of the new round of technological and industrial revolution, and accordingly determine the direction of China's industrial upgrading and high-quality development and embody policies and measures to accelerate the expansion of the new round of technological and industrial revolution in specific plan, so as to seize the important opportunity of the new round of technological and industrial revolution in 2021–2025 to push China's economic and social development to a new level.

1.3.2 Basic Conditions and Key Issues in Relation to the Next Five-Year Development

The historical experience of five-year plans has shown that the combination of problem-oriented and goal-oriented strategy is based on identifying the basic conditions and key issues of national development to determine development strategies and major tasks. In 2020, China completed building a moderately prosperous society in all respects, with all aspects of its economic and social development up to a new level. China has developed into a super-large-scale economy, and the socialist system with Chinese characteristics has also matured day by day, laying a solid foundation for the country to develop towards the second centenary goal in the next five-year period. However, we must also realize that China is still faced with prominent imbalance and inadequacy of development, that the socialist market economic system needs to be further improved, and that the innovation ability of technology and industry needs to be improved urgently. These are key problems hindering China's future development.

(1) Material base advantages of a super-large-scale economy

Since the founding of the People's Republic of China 70 years ago, especially since the reform and opening-up more than 40 years ago, China has accumulated a relatively solid material foundation, and its comprehensive national strength has ranked first in the world. In 2019, China's GDP was close to 100 trillion yuan, making it the world's second largest economy, the largest manufacturing country, the first largest country of trade in goods, the second largest country of goods consumption, and the second largest country of foreign capital flow. China's reserves of foreign exchange ranked first in the world for many years, and have formed a super-large-scale economic foundation. On the one hand, from the perspective of production and

supply, China has the most complete and largest industrial supply system, with 39 industrial categories, 191 middle categories and 525 small categories, making it the only country in the world with all industrial categories in the United Nations industrial classification. It is this complete modern industrial system that has enabled China's industry to have the most perfect supporting capacity, and ensured that China's economy still has great resilience under the impact of external uncontrollable factors. With China's rapid industrialization process, China's manufacturing industry continues to grow and develop. "Made in China" products are seen in over 230 countries and regions in the world. After 2010, China has become the world's largest manufacturing country in terms of output, with its added value of manufacturing industry being almost the sum of the added values of manufacturing industry in the United States (ranking first) and Japan (ranking third). On the other hand, from the perspective of consumer demand, China has a vast domestic consumer market with diverse demands. In 2019, China had a population of 1.4 billion, with per capita GDP of 10,000 US dollars, and had the largest middle-income group in the world. In 2018, if residents with per capita income above the middle income group level were regarded as a broad middle income group, 60% of them could be classified as middle income groups in 2018, and the population of this middle income group ranged generally between 500 and 700 million. This is undoubtedly the largest middle-income group or a potential consumer group in the world, laying a population foundation for the formation of a super-large-scale consumer market.⁹ A super-large-scale consumer market can create super-large-scale domestic demand, which will become the great potential of China's future economic growth.

(2) The socialist system with Chinese characteristics and China's institutional advantages of national governance system

Since the founding of the People's Republic of China 70 years ago, the Communist Party of China has led Chinese people to create a rare miracle of rapid economic development and long-term social stability, and the Chinese nation has made a great leap from standing up, getting rich to being strong. The socialist system with Chinese characteristics and a national governance system have been formed in the long-term practice and exploration of the CPC and its people. The strengths of China's socialist system and governance system are manifested in many ways, including: (1) ensuring the country follows the socialist path, (2) relying on the people to drive national development, (3) ensuring social fairness and justice, and guaranteeing the rights of the people, (4) coordinating all our efforts to complete key national undertakings, (5) fostering a strong sense of national identity, and working together for common prosperity, effectively combining the socialist system and the market economy and helping create and unlock additional productive forces, (6) uniting the nation in shared beliefs and convictions, (7) improving quality of life and achieving prosperity for all, (8) leading to a more vibrant and dynamic society, (9) preparing talent for the country's future needs, (10) safeguarding China's sovereignty, security and national interests, (11) promoting the peaceful reunification of China, and (12)

⁹ Cai (2020).

making greater contribution to the construction of Community of Shared Future for Mankind.¹⁰ These strengths are fundamental bases for us to maintain confidence in the path, theory, system and culture of socialism with Chinese characteristics, and have constituted the strengths of China's state systems.

(3) Inadequate and imbalanced development

After China completed building a moderately prosperous society in all respects in 2020, the level of social productivity has improved significantly on the whole, but the problem of inadequate and imbalanced development has become the main constraint factor to meeting the people's growing needs for a better life. This includes imbalanced and inadequate economic development in all aspects, and also includes imbalance and inadequacy between economic and social development. From the perspective of economic development, China's economic development achievements since the reform and opening-up can be attributed to the rapid advancement of industrialization and urbanization, but there are many problems of inadequate and imbalanced development in China's industrialization and urbanization. First, industrial development levels are imbalanced. This is manifested in that, on the regional structure of industrialization, the level of regional industrialization generally shows the gradient gap that the eastern, central and western regions gradually decrease; in the industrial structure of industrialization, low-level and low value-added industries have overcapacity, and high-quality, personalized and complex products and high value-added industries are insufficient; on the resources and environment of industrialization, the speed of industrialization is not balanced with the carrying capacity of resources and environment. Resources and environment still can't bear such a rapid industrialization process; in the relationship between industrialization and informatization, further integration between them is needed. Second, the development of high-quality urbanization with people as the core is not sufficient; the imbalance between urban and rural development is still very prominent; and the benign interactive development between urbanization and industrialization is not sufficient. Third, agricultural modernization has become a shortcoming that restricts China's modernization process. And the coordinated development of agricultural modernization, industrialization and urbanization is not sufficient. From the perspective of economic and social development, social development has lagged behind rapid economic development. There are also many shortcomings in social development, including: inadequate total amount of basic public services such as education, medical care and social security, low degree of equalization, and big gap between urban and rural areas in medical care, education, employment, health and infrastructure. Generally speaking, the development in democracy, rule of law, fairness, justice, security and environment cannot meet the growing needs of the people. The prevailing COVID-19 pandemic is one of the major challenges facing China's social development.

(4) Imperfection of the socialist market economic system

Allowing market to play its decisive role in resource allocation is an important experience of China's development and a principle that must be adhered to in formulating five-year plans. After more than 40 years of market-oriented reform, there are

¹⁰ Writing Group of This Book (2019).

still many problems in China's market economic system that needs to be improved. First, the property rights system and the market-oriented allocation mechanism of factors need to be improved, which requires the realization of effective incentives for property rights, free flow of factors, flexible price response, fair and orderly competition, and survival of the fittest for enterprises. Second, the management system of state-owned assets needs to be improved, which requires further reform of the authorized management system of state-owned capital, optimization of the layout, structural adjustment and strategic restructuring the state-owned economy, deepening the reform of state-owned enterprises and developing a mixed ownership economy. Third, the market system and market competition rules need to be further improved, which requires cleaning up and abolishing various regulations and practices that hinder the unified market and fair competition, deepening reform of the commercial system, breaking administrative monopoly, preventing market monopoly, accelerating the market-oriented reform of factor prices, and improving the market supervision system. Finally, the government's macro-control system needs to be improved, which requires allowing the national development plan to play its strategic guiding role, deepening reform of the government system, continuously optimizing the business environment, improving the coordination mechanism of financial, monetary, industrial and regional economic policies, and deepening reform of investment and financing, fiscal taxation, financial system and marketization of interest rates and exchange rates. Since 2015, China has continuously advanced the supply-side structural reform, aiming to promote the adjustment of supply structure and improve the quality of supply by reforming the system and mechanism, so as to better meet demand and achieve stable and healthy economic development. The supply-side structural reform has become the main line of economic work. The essential requirement of supply-side structural reform is to deepen market-oriented reform, improve the market economic system, and promote the adjustment of economic structure through a more perfect market system and mechanism. We must avoid seeing supply-side structural reform as government's direct intervention in the supply structure to realize the adjustment of economic structure.¹¹

(5) Weak links in technological and industrial innovation capability

Under the guidance of the strategy of rejuvenating China through science and education, the innovation-driven strategy and the concept of innovation and development, great achievements have made in China's science and technology and industrial innovation and development. In general, however, China's technological and industrial innovation capabilities remain weaker than that of developed countries. In particular, China is still faced with many problems, in particular, the original innovation ability is still relatively low, some major core key technologies need to be broken through, the commanding heights of global competition in emerging technologies and industrial fields are not well controlled, the industrial basic ability needs to be improved, and the key equipment, core components and basic software in the manufacturing industry are heavily dependent on imported and foreign-funded enterprises. According to the

¹¹ Huang (2016).

ranking of global innovation index released jointly by the World Intellectual Property Organization, Cornell University and the INSEAD, the ranking of China's technological innovation capability has increased year by year from the 34th place in 2012 to the 13th place in 2019.¹² However, this is not commensurate with China's status as the second largest country in the world in terms of total economic output. As President Xi Jinping said, "China's total economic volume has leapt to the second place in the world, but there are prominent problems of 'being big but not strong, puffy and weak', which are manifested in the weak innovation capability. This is the Achilles' Heel of China as an economic power".¹³ Improving the innovation capability of technology and industry has become a more urgent problem facing China's development, which is the development requirement in the initial stage of building a great socialist modern country, the need to accommodate and usher in the changes in the world unseen in a century, and the inevitable choice to seize the opportunity of the new round of technological and industrial revolution.

1.3.3 Research on the Concept and Guiding Ideology for Development in Next Five Years

The historical experience of five-year plans has shown that the development concept for exploration and innovation of five-year plans should be guided by latest theoretical achievements in localization of Marxism in China. Xi Jinping's thought on socialism with Chinese characteristics for a new era encapsulates Marxism in contemporary China and Marxism in the twenty-first century, and adapts Marxism to China's practice. It has created a new realm of Marxism and provided guidance for the completion of building a moderately prosperous society in all respects. In addition, the thought has contributed Chinese wisdom and Chinese solutions to the development of socialism in the world, the exploration of a more reasonable social system for mankind and the modernization of developing countries. Therefore, the historical position of China's development in the new era of socialism with Chinese characteristics and the historical node of the initial stage of building a great socialist modern country in all respects have ensured that the next five-year plan must be formulated under scientific guidance of Xi Jinping's thought on socialism with Chinese characteristics for a new era.

Faced with the new trends, new opportunities, new contradictions and new challenges of economic and social development in the new era, we must establish new concepts for development and use them to lead development actions. The five concepts for development that is innovative, coordinated, green, open, and inclusive have become an important part of Xi Jinping's thought on socialism with Chinese

¹² Global Innovation Index 2019 (2019).

¹³ Compiled by the Literature Research Office of the Central Committee of the Communist Party of China (2017).

characteristics for the new era. Innovation is the first driving force to lead development; coordination is the inherent requirement for sustainable and healthy development; green is the necessary condition for sustainable development and an important embodiment of people's pursuit of a better life; openness is the only way for national prosperity and development; and sharing is the essential requirement of socialism with Chinese characteristics. The five concepts for development, in a very succinct manner, present the theories, course of action, and priorities for China's development in the 13th Five-year Plan period, and for many years to come, which reflects our Party's deep understanding of the laws of economic and social development.¹⁴ To grasp the new development concept, we must observe the viewpoint of dialectical unity. On the one hand, the new development concepts are problem-oriented. For example, innovative development focuses on developing new drivers for China's development; coordinated development addresses imbalances in development; green development highlights the importance of harmony between man and nature; open development means pursuing development in the context of a closer relationship with the rest of the world; and inclusive development is aimed at promoting social equity and justice.¹⁵ On the other hand, the five concepts form an integral whole with mutually complementing components, and the development process would suffer serious harm if any of them is not properly managed.¹⁶ Innovation is the first driving force to lead development and is at the core of overall development of China. It is the fundamental policy to cope with changes in the development environment, enhance the driving force for development, grasp the initiative in development and better lead the new stage of development. It is also the cornerstone for realization of all-round development in all fields of economy and society. Coordination is the inherent requirement of sustainable and healthy development. It is not only a means but also a goal of development. It is also a criterion for evaluating development. Green is a necessary condition for sustainable development and a prerequisite for realizing people's needs for a better life. Without the support of green development, all aspects of economic and social development will lose their bearing foundation. Openness is the only way for a country to prosper and develop. Innovation, reform and development driven by opening wider to the outside world are important magic weapons for China to continuously achieve brilliant achievements. Sharing is the essential requirement of socialism with Chinese characteristics. It represents the superiority of the socialist system, and the ultimate goal of economic and social development in all aspects.

Standing at the historical position and node of the period from 2021 to 2025, we must adhere to new development concepts, implement them in national economic and social development, and give new meanings to them, as compared with the

¹⁴ Compiled by the Literature Research Office of the Central Committee of the Communist Party of China, *Excerpts from Xi Jinping's Discussion on Socialist Economic Construction*, Central Party Literature Press, and 2017. p. 20.

¹⁵ Compiled by the Literature Research Office of the Central Committee of the Communist Party of China, *Selected Important Documents since the 18th National CPC Congress (Part Two)*. Central Party Literature Press, 2016, pp. 825–827.

¹⁶ Xi (2016).

13th Five-Year Plan. Specifically, the next five-year development plan should clearly promote the following strategic tasks.

First, we follow the five-sphere integrated plan to actively promote China's comprehensive and high-quality development. The report of the 19th CPC National Congress has made clear that the principal contradiction facing Chinese society in the new era is that between unbalanced and inadequate development and the people's ever-growing needs for a better life, that we must therefore continue commitment to our people-centered philosophy of development, and that China's economy has shifted from high-speed growth to high-quality development. High-quality economic development means the economic growth guided by five concepts and aimed to address imbalanced and inadequate development and better meet the people's ever-growing needs for a better life. China is faced not only with imbalanced and inadequate economic development but also with imbalance and inadequacy between economy and all social aspects. In the next five years, we will solve the problem of inadequate and imbalanced development in five major areas based on the "five-sphere integrated plan" (economic, political, cultural, social and ecological civilization) under the guidance of five new concepts for development, so as to meet the people's ever-growing needs for a better life and promote comprehensive and high-quality development of the whole country.

Second, we must see that new industrialization, IT application, urbanization, and agricultural modernization go hand in hand to accelerate the construction of a modern economic system. According to the strategic plan of the 19th CPC National Congress, we will embark on a journey to fully build a modern socialist China in the next five years. The socialist modernization must be new industrialization, IT application, urbanization and agricultural modernization, and the economic system of a socialist modern country must be a modern economic system. The report of the 19th CPC National Congress specifically stressed hand-in-hand advancement of new industrialization, IT application, urbanization, and agricultural modernization, stating that building a modern economic system is a strategic goal of China's development. Therefore, the next five years will be the initial stage of building socialist modernization in an all-round way, and it must be a major strategic task to promote hand-in-hand development of new industrialization, IT application, urbanization, and agricultural modernization. When President Xi Jinping presided over the collective study of the Political Bureau of the CPC Central Committee on January 30, 2018, he envisaged the "6 + 1" concept of a modern economic system, including building an industrial system led by innovation and coordinated development, a unified, open and competitive market system, an income distribution system that reflects efficiency and promotes fairness, an urban-rural regional development system featuring multi-agency and co-ordination, a green development system that is resource-saving and environment-friendly, a comprehensive and open system that is diversified, balanced, safe and efficient, and an economic system that allows market and government to play their respective roles.¹⁷ In the next five years, we must explore how to

¹⁷ Compiled by the National Editorial Steering Committee for Cadre Training Textbooks, *Building a Modern Economic System*, People's Publishing House, 2019, p. 13.

gradually realize the “6 + 1” modern economic system in pursuit of hand-in-hand development of new industrialization, IT application, urbanization, and agricultural modernization.

Third, we will further market-oriented reform and opening-up to the outside world, and substantially promote supply-side structural reform. It is required by the historical experience of five-year plans and the current situation of China’s market economic system that the socialist market economic system must be further improved in the next five years so that the market plays a decisive role in resource allocation, actively participates in and promotes the economic globalization process, and helps develop a higher-level open economy. The supply-side structural reform is essentially market-oriented reform aimed to improve the quality and efficiency of the supply system to better meet demand, so as to achieve sustained and stable economic development. In other words, the market-oriented reform is furthered to improve market mechanism and allow market to play its role in eliminating backward production capacity, improving supply quality and resolving structural contradictions between supply and demand. In the next five years, we must recognize the essence of supply-side structural reform, continue deepening market-oriented reform and opening-up to the outside world, and substantially promote supply-side structural reform.

To sum up, based on the historical experience of five-year plans and considering the historical node and background of China’s development in the next five years in response to the basic conditions and key problems of China’s development, the preparation and implementation of the next five-year plan should adhere to the following overall guiding ideology: (1) accepting the guidance of Xi Jinping’s thought on socialism with Chinese characteristics for a new era, (2) following the spirit of the 19th CPC National Congress and the Second, Third, Fourth and Fifth Plenary Sessions of the 19th CPC Central Committee, (3) relying on the historical position and node of China’s development, and grasp the direction of changes unseen in a century, (4) seizing the strategic opportunity of the new round of technological and industrial revolution, (5) making advantage of China’s super-large economy and give full play to the advantages of the socialist system with Chinese characteristics, (6) adhering to the concept for development that is innovative, coordinated, green, open and inclusive, (7) making a five-sphere plan to promote comprehensive and high-quality development of China, (8) further promote hand-in-hand development of industrialization, IT application, urbanization and agricultural modernization to accelerate the construction of a modern economic system, (9) continuing to deepen market-oriented reform and expand high-level opening up, (10) substantially furthering the supply-side structural reform to improve the ability of technological and industrial innovation, (11) continuously enhancing the people’s senses of acquisition, happiness and security, (12) continuously improving the modernization level of national governance system and capacity, (13) maintaining sustained and healthy economic development and overall social stability, and (14) embarking on a new journey to build a socialist modern country in an all-round way.

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