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China's 15th Five-Year Plan: A New Phase of Modernization Seventy Years in the Making

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Table of Contents

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Executive Summary

The History of Five-Year Plans

- In 1955, Mao projected that China would need "fifteen five-year plans" to surpass the United States. As the 15th Plan begins, that long-term ambition frames the present moment. Five-year plans are long-term strategic blueprints that blend state coordination and market tools to drive modernization and industrial transformation.

The Fifteen Plan: From Expansion and Efficiency To Resilience, With Greater Emphasis on Consumption

- China's 15th Five-Year Plan (2026–2030) marks a strategic pivot from rapid expansion to resilience-driven modernization, prioritizing innovation, technological sovereignty, and stability amid slowing growth and rising geopolitical constraints.
- The Plan pivots from efficiency to resilience, prioritizing industrial policy and tech self-reliance to strengthen advanced manufacturing and strategic autonomy.
- Debate centers on whether China needs deeper fiscal liberalization to boost demand, or whether global imbalances reflect Western underinvestment rather than Chinese overcapacity.
- It aims to revive weak household consumption through "dual circulation," raising incomes while building a unified national market to reduce fragmentation and strengthen domestic demand.

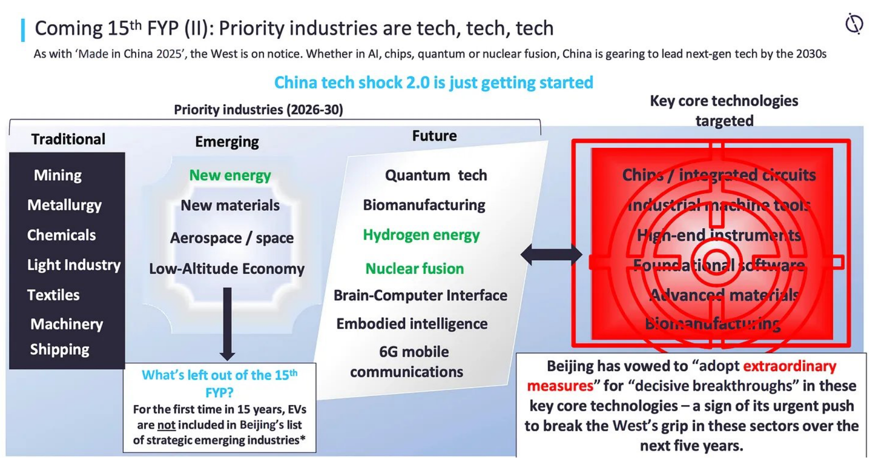
Socialism, Markets and State-Owned Enterprises (SOEs)

- The Plan advances a recalibrated socialist market economy in which market mechanisms are strengthened but the state, particularly centrally administered SOEs, retains a strategic leadership role.
- Supported by growing assets, record R&D spending, and targeted investment, central SOEs sit at the heart of China's innovation drive, while financial reforms advance cautiously to strengthen markets without undermining stability or national security.

The International Dimension of the Plan: BRI, RMB and e-CNY

- The 15th Five-Year Plan opens space for foreign firms in advanced, green, and digital sectors, but within a tighter, policy-driven framework shaped by self-reliance and geopolitical risk.
- The BRI is shifting toward more selective. Meanwhile, renminbi internationalization is advancing cautiously, aiming for flexibility within the dollar system rather than replacing it.

Key Picture: 15th Five Year Plan: Priorities



Source: GlobalData TS Lombard

Introduction

In 1955, Mao Zedong predicted that China would need roughly "fifteen five-year plans" , some seventy-five years, to catch up with and surpass the United States. As China now enters its 15th Five-Year Plan, that long-term strategic vision underscores the continuity and ambition embedded in its planning model. In late October, the Communist Party released the proposals for China's 15th Five-Year Plan (2026–2030), outlining the strategic direction of the world's second-largest economy at a moment of profound structural adjustment. The document is a consolidation blueprint — designed to steer China from high-speed expansion toward innovation-led, security-conscious, and politically disciplined modernization.

Reviewing the 14th Plan period, Beijing emphasizes achievements: GDP approaching 140 trillion yuan, breakthroughs in AI and advanced manufacturing, expanded trade partnerships, strengthened social welfare systems, and progress toward carbon reduction. But the 15th Plan marks a pivot: the challenge is no longer rapid expansion, but sustaining stability, technological sovereignty, and social cohesion amid slowing growth and intensifying geopolitical constraints.

Five-Year Plans as Strategic Architecture

To understand the significance of the 15th Plan, one must appreciate the institutional logic of China's planning system. Five-year plans have guided China's development since 1953, evolving with each era's challenges. Early plans emphasized heavy industry and basic subsistence; later ones targeted moderate prosperity and structural upgrading. Over time, their scope expanded from economic planning to a comprehensive framework covering society, innovation, environment, and culture.

At their core lies strategic thinking: a long-term perspective, a holistic view that integrates domestic and global dynamics, a future-oriented approach that anticipates uncertainty, and a focus on pivotal leverage points rather than short-term fixes. Each plan serves as a phased deployment of a broader national strategy, linking immediate tasks with long-term goals such as the 2035 modernization target.

Their effectiveness rests on continuity and disciplined implementation. The drafting process pools collective wisdom through structured consultation—combining top-level design with expert input and growing public participation. Increasing institutionalization, legalization, and the use of digital tools have further strengthened the scientific rigor and responsiveness of planning.

The results have been transformative. China rose from an agrarian economy to the world's second-largest economy, surpassed 100 trillion yuan in GDP by 2020, and lifted 800 million people out of poverty—over 70 percent of global poverty reduction. In essence, China's five-year plans integrate strategic vision with market mechanisms and implementation capacity, offering a structured and adaptive model for sustained national development.

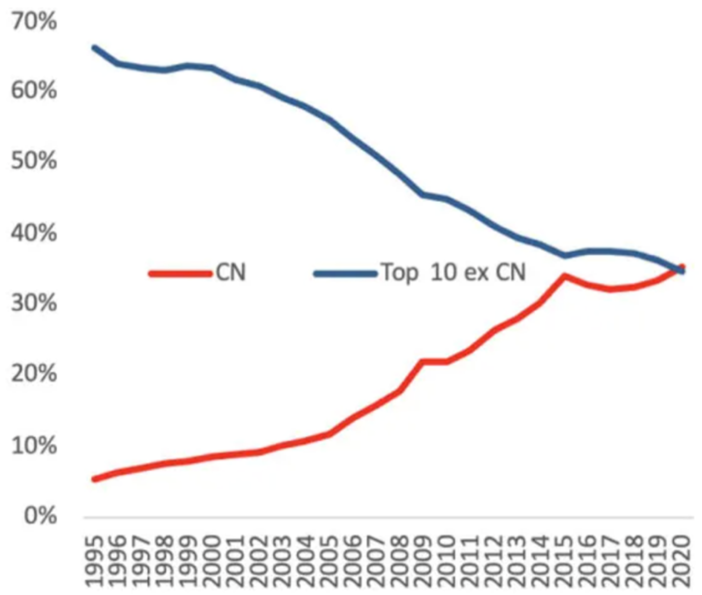
High-Quality Development Under Constraint

The language of "high-quality development" remains central to the new Plan, but the emphasis has shifted toward resilience. Industrial policy sits at the heart of the strategy. The objective is to construct a modernized industrial system anchored in advanced manufacturing and technological self-reliance. Traditional industries are to be upgraded, emerging and future industries accelerated, and digital infrastructure more deeply integrated into production networks.

The Plan places particular weight on integrating education, science, technology, and talent development. The concept of cultivating new "quality productive forces" reflects a deliberate effort to embed innovation within the industrial base. This push toward technological sovereignty is a direct response to export controls and technology containment measures. China is no longer optimizing primarily for global efficiency; it is optimizing for autonomy over critical technologies and supply chains.

The emphasis on advanced manufacturing also signals a broader reorientation. In previous decades, integration into global value chains allowed China to leverage foreign technology and capital for rapid catch-up. In the current environment, that pathway has narrowed. The 15th Plan therefore seeks to strengthen indigenous capabilities while selectively maintaining external linkages.

Figure 1: Manufactures (% of world gross output)



Source: CEPR

Domestic Rebalancing and the Unified Market

Weak household consumption has become one of China's most persistent structural challenges, particularly following the prolonged property downturn. The 15th Plan reaffirms the "dual circulation" strategy, placing domestic demand at the core of growth while external engagement plays a supportive role.

Policies aimed at raising household incomes, expanding employment, strengthening social protection, and improving public services are framed as essential to unlocking consumption potential. Yet this is not a turn toward unfettered consumerism. Rather, it is a managed rebalancing designed to sustain growth without reigniting speculative bubbles or undermining financial stability.

On the investment side, the Plan emphasizes maintaining effective investment while improving efficiency. Public spending will prioritize livelihoods, strategic sectors, infrastructure modernization, and security-related projects. Private-sector participation is to be encouraged through regulatory reform and improved transparency.

A particularly significant structural reform is the push to build a "national unified market." By dismantling regional protectionism and regulatory fragmentation, Beijing aims to improve resource allocation across provinces and reduce destructive internal competition, often described as "involution." Standardizing supervision, unifying market rules, and strengthening antitrust enforcement are intended to create a more integrated domestic economy capable of sustaining productivity gains. In effect, the unified market initiative seeks to deepen internal cohesion at a time when external fragmentation is accelerating.

Socialist Market Economy 2.0

The 15th Plan advances what may be described as a recalibrated version of the socialist market economy. Market mechanisms are to be mobilized more effectively, yet the strategic role of the state remains intact. President Xi Jinping has called on centrally administered state-owned enterprises (SOEs) to align more closely with the Party's strategic objectives and play a stronger role in advancing Chinese modernization. Speaking through instructions delivered at a meeting of central SOE leaders, Xi emphasized that these firms must support high-quality economic and social development, improve living standards, deepen reforms, and strengthen risk prevention.

Premier Li Qiang echoed these priorities, highlighting the role of central SOEs during the 15th Five-Year Plan (2026–2030) in supporting major infrastructure projects and accelerating the digital and intelligent upgrading of traditional infrastructure. He called on them to develop emerging and future industries aligned with national strategy, ensure stable energy and resource supplies, strengthen applied basic research, and deepen state capital reform.

China's centrally administered SOEs expanded significantly during the 14th Five-Year Plan period. According to SASAC, their total assets rose from 70 trillion yuan in 2021 to over 95 trillion yuan in 2025, with profits reaching 2.5 trillion yuan and average annual asset growth of 6.9 percent. Central SOEs have also deepened their role in technological innovation. In 2025, they invested 1.1 trillion yuan in R&D — the fourth consecutive year above 1 trillion yuan. Investment in strategic emerging industries reached 2.5 trillion yuan, accounting for 41.8 percent of total investment, nearly double the share at the start of the 14th Plan. To support this shift, SASAC launched a 51 billion yuan fund targeting industries such as AI, advanced materials, high-end equipment, and quantum technology. In parallel, central SOEs completed 5.1 trillion yuan in fixed-asset investment and contributed 2.5 trillion yuan in taxes and fees, with over 70% of revenues linked to sectors tied to national security and core economic infrastructure.

Looking ahead to the 15th Five-Year Plan (2026–2030), authorities have signaled a continued push toward independent innovation, core technology breakthroughs, and the scaling of strategic industries, reinforcing the central role of SOEs in China's state-led modernization drive.

At the same time, reforms aim to improve the market-based allocation of production factors — land, labor, capital, and technology — through more integrated land and capital markets and more efficient use of underutilized assets.

Financial reform proceeds cautiously. Capital markets will deepen, green and technology finance will expand, and the digital renminbi will continue to develop. Shanghai's role as a global financial center is to be reinforced. Yet capital account liberalization remains measured. Stability outranks speed. In a world characterized by volatile capital flows and geopolitical financial risk, maintaining control over systemic levers is viewed as essential to national security.

Intellectual Debate and Structural Choices

The policy debate surrounding the new Plan reflects broader tensions within China's development model. Some economists argue that revitalizing domestic demand requires bolder fiscal reform and deeper liberalization. Proposals include reducing state inefficiencies to enable tax and fee cuts, shifting fiscal burdens from local governments to the center, and expanding social security to strengthen household confidence. Structural reforms, such as stabilizing property rights and easing hukou restrictions to facilitate labor mobility, are seen as necessary to unlock internal dynamism.

Others offer a different diagnosis. From this perspective, the core problem in global trade is not Chinese overcapacity but Western underinvestment. The hollowing-out of industrial bases in advanced economies is attributed to financialization and shareholder primacy rather than Chinese competition. In this interpretation, China's sustained capital formation represents productive strength, and weak global demand stems from inequality in advanced economies.

The 15th Plan appears to navigate between these positions. It favors calibrated coordination and strategic investment over radical liberalization, seeking to preserve social stability while maintaining technological momentum.

Implications for Foreign Businesses

The 15th Five-Year Plan creates a more strategically structured environment for foreign firms, combining targeted opportunities with tighter policy alignment. With industrial policy at the core of China's development model, areas such as advanced manufacturing, green energy, digital technologies, and sustainable production offer scope for cooperation — even as domestic competitors become more capable and globally competitive.

The emphasis on technological self-reliance and new "quality productive forces" keeps frontier sectors like life sciences, renewable energy, and advanced industrial systems open to engagement. However, reduced reliance on imported technologies, stricter oversight in sensitive industries, and geopolitical tensions — including export controls — mean regulatory compliance and strategic positioning are increasingly critical.

Stronger support for domestic demand may also benefit consumer-facing sectors such as services, healthcare, education, and digital consumption. Yet foreign firms will face a more localized, policy-driven competitive landscape shaped by maturing domestic industries and targeted state incentives.

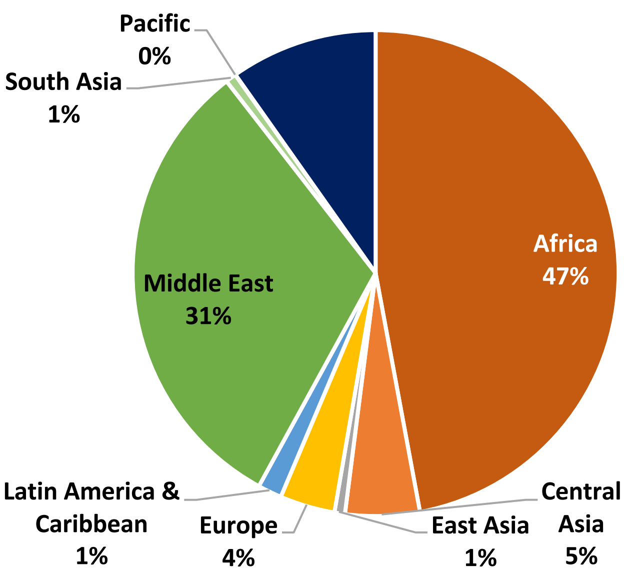
Selective opening-up initiatives suggest continued space for foreign investment, particularly in sectors aligned with modernization goals. Still, access will remain closely guided by national priorities. Navigating the next phase of China's development will depend less on broad market entry and more on understanding policy direction, aligning capabilities with strategic objectives, and adapting to an innovation-led, state-coordinated economy.

External Strategy: BRI and the Internationalization of the Yuan

While domestic consolidation dominates the 15th Plan, China's external economic strategy is also evolving. The Belt and Road Initiative, once associated with rapid expansion and large-scale infrastructure lending, has entered a more mature phase. Notably, 2025 marked the largest year of BRI spending to date, reaching approximately $213.5 billion. Africa emerged as the single largest recipient, underscoring China's continued engagement with the Global South.

Yet the character of BRI is shifting. Projects are becoming more selective, with greater attention to debt sustainability, risk management, and integration with green and digital priorities. Domestic fiscal pressures and geopolitical scrutiny have reshaped the initiative's structure. Rather than retreating, China appears to be recalibrating its global footprint toward strategic depth and long-term partnerships.

Figure 2: Chinese BRI Construction Engagement in Different Regions

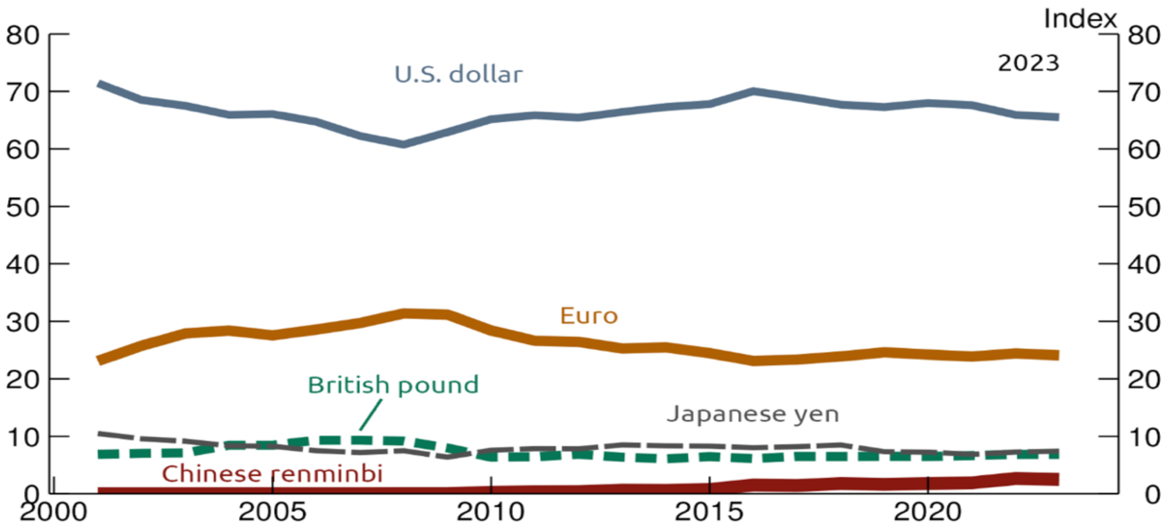


Source: Griffith University; Asia Institute

Parallel to this is the gradual push to internationalize the renminbi. Bilateral trade settlement in yuan, expansion of cross-border payment infrastructure, central bank swap lines, and experimentation with the digital renminbi all support this effort. However, structural constraints remain. Capital controls limit full convertibility, and China's financial markets do not yet match the depth and liquidity of the United States.

The renminbi is therefore likely to expand regionally and transactionally, particularly across emerging markets, but it is not poised to displace the dollar as the primary global reserve currency in the near term. Rather than seeking abrupt systemic replacement, China's strategy appears focused on building monetary optionality and reducing vulnerability within a dollar-centric system.

Figure 3: Index of International Currency Usage



Source: Federal Reserve 2024

Conclusion

In a 1955 speech, Mao Zedong declared that China's objective was not only to catch up with the United States, but ultimately to surpass it. He estimated that this would require at least fifty years, perhaps seventy-five — roughly "fifteen five-year plans", before China could truly claim success.

Seventy years later, China is entering its 15th Five-Year Plan at a moment when technological leadership, industrial capacity, and geopolitical influence stand at the center of global competition. Whether or not surpassing the United States is the appropriate benchmark, the historical symmetry is striking. The five-year planning system was conceived as a multi-generational project, anchored in patience and strategic continuity.

The 15th Five-Year Plan thus represents more than a routine policy cycle. It reflects the unfolding of a long-term national strategy, one that has steadily narrowed the gap between ambition and capability, and that continues to shape the trajectory of both China and the global economic order.