

# *China's 12th Five-Year Plan*

## *– Good Will Hunting*



“Lianghui” – the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC) – is the most significant get-together of the Chinese Communist Party members on China’s political agenda, and despite this year’s unexpected shift in media attention due to the Japan earthquake, the strategic importance of the conferences remain indisputably authoritative in terms of summarizing and reviewing China’s major achievements and lessons over the past year, as well as providing guidelines for future economic and social development. And in addition this year, the 12th Five-Year Plan was finally released amid many predictions and varying expectations.

The 12th Five-Year Plan is the most comprehensive since the planning model was introduced in 1953. The astounding economic development that has been continuous over the past three decades is largely attributed to the Chinese government’s open and reform policy, which prioritizes economic growth and social stability. The next five years mark the beginning of a new phase of development where China’s top leadership hopes to build on quality rather than quantity. There are suspicions that it is simply meant to soothe the Chinese people and demonstrate the central government’s determination for change against a backdrop of a deteriorating environment, escalating labor tensions, an increasingly widening income gap, growing inflation and people’s resulting fear, increasing unemployment (particularly a quickly growing number of out-of-work university graduates), and various other thorny economic and social issues. However, as true as the existing problems are, good will has now been demonstrated on paper, and the Chinese government is a step further in its reconsideration and review of the growth model’s pains and gains, as well as putting forward new initiatives to reallocate resources that both suffice economic development and better address the conspicuous disharmonies. It will take some time for the central government to filter the ambitious goals down to the local levels with a strong consciousness of the GDP while giving much less attention to other requests. Despite the interest disparities between the central and local government, as well as the varying opinions of different interest groups on the central level, the mainstream efforts are nevertheless going in a positive direction, mainly as seen in:

- Nine-year free compulsory education
- Wider healthcare coverage, particularly with the introduction of rudimentary insurance programs and upgrading to medical facilities in rural areas
- Restructuring the taxation system in an aim to reduce the burden on low-to-mid income families
- Implementing both administrative and financial initiatives to regulate and control skyrocketing property prices
- Increasing minimum wage
- Improving social welfare and public service systems
- Introducing stricter environmental protection regulations



Certainly, none of the above changes indicate conversions to the very foundation – economic development. The government may be willing to sacrifice certain immediate GDP growth to balance major urgent issues, but in the end, the number on the paper must never fall below the expectations set by the consensus. Take environmental protection for instance. China is faced with both external and internal pressure: it is a member of quite a few international environmental protection protocols related to carbon emissions and hazardous chemicals management, and the Chinese government realizes the past growth model is not sustainable and urgently needs adjustments. But the decision is never easy to make, because the willingness to stay the course is oftentimes as strong as the push for change. Usually, the industry regulator will jump in and hold progress back. His actions in turn make the environment regulator reluctant to leverage its authority to the fullest, with concerns that any achievements would be thwarted by unpredictable consequences like high unemployment, fatal damage to a certain industry/resources and a negative impact on the local economy.

There is constant fine-tuning to reach a consensus when all stakeholders are somewhat unwilling to challenge it further and are able make both ends meet.

Despite the criticisms and suspicions over the success of some reform policies, the 12th Five-Year Plan's promptness in addressing certain urgent controversies and its quick pace of positive changes to areas concerning most people's benefits, are heading in the right direction. In addition, some "old topics" are addressed, including:

- Further developing agriculture and improving people's living conditions in rural areas
- Industry transformation and improvement based on a functional mix of stronger manufacturing and emerging industries, driven by innovation and informatization
- Exploring the potential of tertiary industries, and creating a favorable policy environment for them
- Continuing urbanization

Again, all of this is committed to serving the very foundation of economic development. Now, a significant emphasis has been placed on non-GDP related "soft factors" such as:

- Environmental protection, which now specifically covers the rural areas that have been traditionally overlooked, as well as building a green economy with effective resources conservation and recycling systems
- Improving people's livelihood: building better social services and public healthcare systems, readjusting income and distribution/redistribution policies, proceeding with education reforms
- Speeding up reforms in government structures and responsibilities (including streamlining administrative approval procedures) to improve public services
- Continuing to optimize the taxation systems, aiming at individuals' "fair" tax burdens

These policies and initiatives are all aimed at ultimately giving more benefits to the Chinese people, particularly to the less advantaged who are sometimes believed to have been left behind by China's achievements in the past decades. Undoubtedly, after all, stability and a truly "harmonious society" are the underlying premise of all of these good wills.

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