

**CHINA'S "TWO CENTENARY GOALS":
PROGRESS AND CHALLENGES**

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Executive Summary

1. The Chinese Communist Party (CCP) has committed itself to fulfil the “*Liang Ge Yibai Nian* (Two Centenary) Goals” in its Constitution versioned in 2012. The CCP’s legitimacy of rule hinges on the success to fulfil these goals by sustaining the growth momentum of the economy. Endeavours to fulfil these goals set the tone of China’s macroeconomic policy making and long-term economic planning.
2. The first Centenary Goal aims at year 2021, the 100th anniversary of the founding of the CCP. The goal is to double gross domestic product (GDP) and per capita income from the levels of 2010 (by reaching the level around \$11,400 by constant 2014 US dollar) and transform China into a “moderately prosperous society” to benefit well over one billion people by the time of the Party’s centenary.
3. The second Centenary Goal targets year 2049, the centenary of the founding of the People’s Republic of China. The goal is to “uplift per capita GDP to the level of moderately developed countries” (around \$55,500 by year 2049 in constant 2014 dollars) and “realise modernisation by and large”.
4. To achieve these goals, China has to maintain an annual growth rate of per capita GDP of at least 5.9% through 2021 and 5.8% through 2049. Given the projected median population growth rates, it would require an annual growth rate of total GDP above 6.3% through 2021 and over 5.6% through 2049.
5. These goals face serious challenges, first with a slowing economy, from an annual growth rate of 10.6% in 2010 down to 7.3% in 2014. The government targets 7% growth rate in 2015 but many doubt whether this is achievable.
6. Analyses of historical data suggest that the risk of a substantial slowdown in China’s growth is high in the coming years. Demographic and structural changes in the economy indicate that the main factors that drove hyper economic growth in the past three decades are either diminishing or exhausted.

7. To sustain sufficiently high growth rates in order to achieve the centenary goals, China has to boost productivity growth. Recent records of total factor productivity growth, however, have yet to exhibit promising trends.
8. The Chinese government has used everything in its macroeconomic toolkit to avoid a hard landing of the economy in the short run. For long-term growth, the strategy is to invigorate entrepreneurial innovation by reforms to transform the economy into one with an innovation-driven growth pattern.
9. Programmes to develop science and technology and higher education since the mid-1990s have substantially enhanced China's innovation capacity. To translate this growing capacity into a powerful driver for productivity growth requires structural reforms to nurture a business environment conducive for entrepreneurial innovation.