CHINA'S 13TH FIVE-YEAR PROGRAMME: INNOVATIVE DEVELOPMENT TOPS THE ECONOMIC AGENDA

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Executive Summary

1. In March 2016, the Chinese government announced its latest guideline for the country's economic and social development in the next five years (2016-2010). The document serves as an important supplement to the Proposal for the Five-Year Programme (FYP) promulgated by the party in late 2015.

2. The proposal emphasises the importance of the next five years in building China into a moderately prosperous society by 2020, and further reiterates the prominence of the five guiding principles of "innovative development", "coordinated development", "green development", "open development" and "shared development".

3. Innovative development takes top spot in the overall development agenda and is fully elaborated in two sections, "Implementing the innovation-driven development strategy" and "Expanding the internet-based economy". The notion is also constantly referred to in other sections.

4. The guideline is however ambiguous on the role of the market. The government seems committed to upholding and improving the basic economic system with the dominance of state ownership in the building of a new development system.

5. The government aims to further reform state-owned enterprise (SOEs) by making them stronger, better and bigger and cultivating a group of key SOEs with independent innovation capability and international competitiveness. Little details were however listed.

6. The guideline sets relatively clear objectives and specifies relevant policies to overhaul China's fiscal arrangement, including re-configuring central-local fiscal relations and taxation reforms. A blueprint has been drawn to reform the country's underdeveloped financial sector.

7. The One Belt, One Road (OBOR) initiatives have taken central importance in the opening up. The guideline further elaborates the undertakings in several aspects,

including improving strategic planning, institutional renewal, OBOR initiatives and global governance.

8. The implementation of policies faces various challenges. The medium- to long-term development and restructuring could be side-tracked by short-term issues such as reining in growth deceleration and rising unemployment pressure. Policy ambiguity may lead to delays and contradiction in the implementation.

9. Other factors also come into play. The Party's sustained anti-corruption campaign has negatively impacted the overall morale of local officials and bureaucrats. To avoid becoming a victim to the campaign, many may prefer to adopt a hands-off approach to economic affairs thus jeopardising any top-down efforts to reinvigorating the economy.