

**INNOVATION AND DOMESTIC CAPACITY
TOP CHINA'S DEVELOPMENT
PRIORITIES**

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Executive Summary

1. China's five-year plans (FYPs) issued since 1953 were renamed in 2006 as five-year programmes to indicate their largely non-compulsory nature. China's leadership uses these documents to highlight development directions and policy priorities, and China scholars use them to enhance their understanding of China's policymaking and policy shifts.
2. Every FYP is preceded by a proposal issued by the Chinese Communist Party's (CCP) Central Committee. The FYP, once drawn, will be discussed at the National People's Congress (NPC). Thereafter, the ministries and localities will follow with their own FYPs.
3. The "Proposals on Formulating the 14th Five-Year Programme for National Economic and Social Development (2021-2025) and the Long-term Goals for 2035" was published after CCP's Fifth Plenum of its Central Committee held in late October 2020. An Outline of the FYP will be issued early this year, after the *lianghui* of the NPC and National Political Consultative Conference.
4. There were clear shifts in economic policy priorities but few surprises in the *Proposals*. First is the strong emphasis on Dual Circulation, particularly the importance of domestic industrial and production chains from the supply side, and the domestic market from the demand side. This is perhaps the most meaningful departure from the past.
5. Second is the attention paid to science and technology, and innovation, especially basic science, given their importance in safeguarding security in areas such as economics, national defences, health industry, food and energy supply, and in sustaining China's long-term development amid an increasingly hostile external environment.
6. Third is the state's role in achieving China's development objectives as evidenced by the emphasis on the new type of "whole-of-nation" approach to attaining progress

in science and technology and using government investment funds to direct resources to preferred industries.

7. China's emphasis on security is likely caused by two developments. First is the increasingly hostile external development environment, including the growing tension with the United States in trade and technology. It exposed the country's weaknesses and vulnerability in its heavy reliance on foreign technology and markets. The COVID-19 pandemic further exacerbates such challenges.
8. Second is the quick economic turnaround after a virus slump, which gives the leadership more confidence in its ability and capacity to pursue a state-directed development agenda.
9. In view of the various domestic and international challenges that China faces, China's leadership has also demonstrated its tolerance for lower growth. Market-oriented reforms such as those in land management have been included in various sections of the *Proposals*. It is unclear, however, how substantive and effective these reforms will be in their implementation.