

THE WALL STREET JOURNAL.

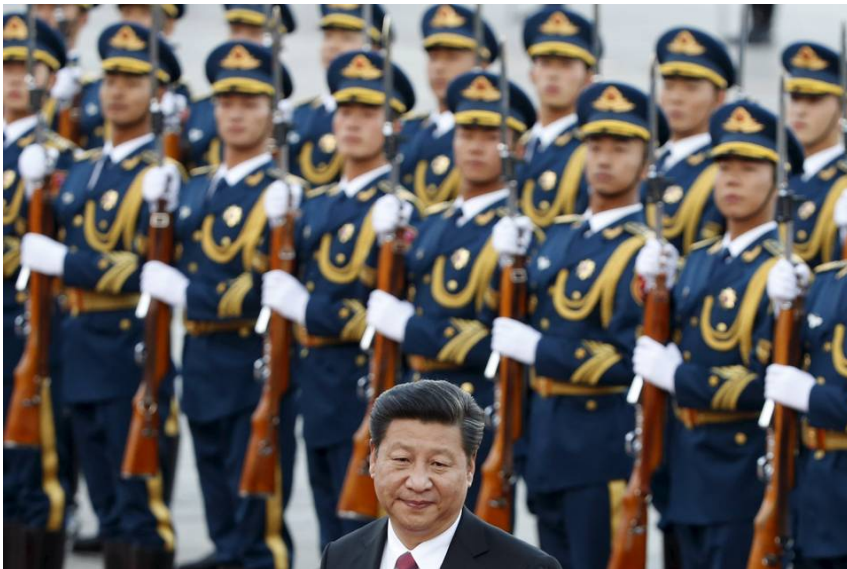
This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/chinas-communist-party-approves-five-year-plan-1446124597>

WORLD | ASIA | CHINA NEWS

China's Communist Party Approves Five-Year Plan

Economists will be watching to see whether it sets ambitious or moderate growth targets



This is the first five-year plan generated under China's President Xi Jinping. *PHOTO: KIM KYUNG-HOON/REUTERS*

By **MARK MAGNIER**

Oct. 29, 2015 9:16 a.m. ET

BEIJING—China's Communist Party approved a five-year plan setting out the country's strategic vision, vowing to speed up urbanization, encourage consumption and target "moderately high growth."

Details of the 2016-2020 plan—the first one generated under President Xi Jinping—won't be released until March, when it goes before China's rubber-stamp legislature for approval. Economists will be watching closely to see whether it sets ambitious or more moderate growth targets, and whether it will help turn much-discussed reforms into decisive action.

RELATED

- China Abandons One-Child Policy (<http://www.wsj.com/articles/china-abandons-one-child-policy-1446116462>)
- Five Things to Know About One-Child Policy (<http://blogs.wsj.com/briefly/2015/10/29/5-things-to-know-about-chinas-one-child-policy/>)

Official media on Thursday said the plan was approved at the conclusion of the Fifth Plenum, one of a number of roughly annual meetings of top Communist Party leaders. The five-year plan—China’s 13th since 1953—represents a broad economic, political and social blueprint for government policy over that period.

Most economist expect the five-year growth target to be between 6.5%—the minimum needed to meet a Communist Party goal of doubling the economy’s size and per-capita income between 2010 and 2020—and the current plan’s 7%. The lower range would signal a tolerance for slower growth and reform, economists say, while the higher range suggests a preference for stimulus that could fuel more leverage and encourage factories to pump out more unneeded production.

“Given the level of debt in the system and the amount of wasteful investment, one would hope that they would set a low growth target,” said University of California San Diego professor Victor Shih. “However, because of the obsession with surpassing the West sometime in the near future, the leadership almost certainly will set a target that will require more wasteful investment.”

Guided by the current five-year plan—which called for 7% annual growth—China this year set its target for about 7%, down from 7.5% in 2014.

This summer, global markets swooned on lower Chinese growth prospects and a stock-market slump. In the third quarter, the economy grew by 6.9%, in a sign that it could miss the 2015 target of about 7%—already its slowest pace in 25 years.

The next five-year plan, reviewed at the secretive plenum in a heavily guarded Beijing hotel attended by the party’s top 300 or so leaders, comes at a key juncture for the world’s second-largest economy as traditional growth engines sputter and Beijing attempts to shift from manufacturing to consumption.

In a vaguely worded communique issued at the conclusion of the plenum, the party said it would ease restrictions on rural residents moving to cities, spur consumption-led growth and make innovation a central part of economic planning, according to the

Xinhua News Agency, without providing details. This comes as China tries to become more technologically competitive, expand into higher-value industries and identify new growth engines.

China's five-year plan is expected to focus on the environment as part of a bid to improve people's quality of life and build a "moderately prosperous society," with implications for many industries including the energy sector. On Wednesday, National Energy Administration deputy coal office director Li Haofeng said the government would strictly limit total coal consumption in coming years and push ahead with production cuts, without providing details, according to the official Xinhua news agency.

Experts say the plan could also include hard targets capping China's coal consumption—a step academics say is necessary if China is to meet its pledge to cap carbon emissions by 2030 or earlier—signaling more trouble for the global industry. "Coal is not coming back," said Lin Boqiang, an expert on Chinese energy policy at Xiamen University.

The world's largest manufacturing nation is grappling with widespread overcapacity in the glass, cement, auto and steel industries, among others. A draft plan released on the website of the Ministry of Industry and Information Technology appeared to signal consolidation. Within a decade, China should have three to five super-sized steel companies, the ministry said. This compares with some 20 major steel companies now.

China recently outlined a plan to create fewer, larger state firms and introduce more outside shareholders, but some critics have said it doesn't go far enough.

—Rose Yu, Grace Zhu and Brian Spegele contributed to this article.