



China's 13th Five-Year Plan: Likely Aims and Implications

At the fifth plenary session of the 18th Central Committee of the Communist Party of China, held on 29 October 2015, the *Suggestions of the Central Committee of the Communist Party of China on the 13th Five-Year Plan for National Economic and Social Development (Suggestions)* were passed. It was later stated at a State Council Executive Meeting that the [13th Five-Year Plan](#) (2016-2020) will be formulated according to the *Suggestions* [1].



China's 13th Five-Year Plan (2016-2020): on the drawing board

President Xi Jinping and Premier Li Keqiang also remarked that the core goals of the 13th Five-Year Plan are to build a “moderately well-off society” and to overcome such challenges as the “medium-income trap”. While efforts will be made to optimise the economic structure, improve the environment, and enhance the quality and benefit of development, steps will be taken to achieve economic growth. Specific goals include: [2]

- Maintaining economic growth at a medium to high speed, with average annual growth over 6.5%
- Raising per-capita GDP to US\$12,000 (up from around US\$7,600 in 2014)
- Accelerating industrial upgrade and propelling the economy to develop at medium to high level
- Balancing urban and rural development and ecological construction
- Strengthening social fairness and justice and balanced development

Where Hong Kong is concerned, the *Suggestions* mention that efforts will be made to deepen the joint development of the mainland and Hong Kong (as well as Macau and Taiwan), including giving support to Hong Kong to strengthen its position as an international financial, shipping and trading centre; participate in China's two-way opening-up and [Belt and Road Initiative](#); consolidate its position as a global hub for offshore renminbi business; and deepen Guangdong-Hong Kong-Macau cooperation.

From the *Suggestions* and the statements made by the leaders, it can be gathered that the 13th Five-Year Plan to be launched next year is likely to cover the following development directions, which can bring about new opportunities for Hong Kong players.



Encourage Innovation and Enhance Quality of Economic Development

According to the *Suggestions*, the 13th Five-Year Plan will place emphasis on advancing mass entrepreneurship, encouraging technological innovation, and promoting the development of new industries, in a bid to inject new vigour into the economy. It will focus on developing high technology and high value-added industries, while strengthening supporting infrastructure, revamping related financial systems, and improving the business environment to promote further growth of related industries. The target industries and development sectors will include:



13th Five-Year Plan: Technological innovation a priority



13th Five-Year Plan: New energy industries to receive boost

- Developing emerging industries

This includes developing such emerging industries as energy saving and environmental protection, biotechnology, information technology, smart manufacturing, high-end equipment, and new energy, as well as giving support to traditional industries to undergo upgrade.

- Bolstering infrastructure construction and encouraging innovation

This includes building high-speed and safe next-generation information infrastructure, as well as quickening the pace of implementing the "Internet +" action plans, developing IoT (Internet of Things) and big data technology and application, and formulating plans to develop the next generation of Internet and related technology.

- Encouraging corporate innovation

Efforts will be made to encourage R&D, strengthen technology integration capability, and import technology from abroad, targeting advanced technologies including next-generation information communication, new energy, new materials, aviation and space, biomedicine, and smart manufacturing. Action will also be taken to improve tax concession policies for corporate R&D expenses, and expand preferential treatment for accelerated depreciation of fixed assets to encourage enterprises to replace their equipment and apply new technology.

- ["Made in China 2025"](#)



Steps will be taken to encourage mainland industries to develop from “Made in China” to “Created in China”, and to achieve the task of industrial upgrade moving “from big to strong”. This includes raising the level of product technology, technical equipment, energy efficiency and environmental protection across the board, as well as liberalising market access for modern services in a bid to promote development of the specialised high-value producer service industry, and assist the manufacturing industry in increasing value-added.

- Developing new systems

Action will be taken to simplify the industry and commerce administration systems, accelerate the pace of financial system reform, raise the efficiency of the financial sector in serving the real economy, and further develop the capital market in a bid to lower the financing costs of medium, small and micro enterprises.

Based on the above development directions, it can be expected that implementation of the 13th Five-Year Plan will boost the mainland's demand for various types of new and high technology. However, in certain high-tech industries such as IoT applications and development of the next-generation Internet, as China is currently still short of total and standard solutions and lacks user experience in certain areas, related R&D and technology application is somewhat constrained. Hong Kong's technical personnel, who are well-versed in advanced foreign technology and excel in using technologies developed by international standards/frameworks to provide technological and management system solutions, can assist in the commercialisation of related projects in the mainland and meet the technological demands listed in the 13th Five-Year Plan.

Meanwhile, the mainland hopes to make use of innovation to facilitate industrial upgrades. For instance, the policy paper “Made in China 2025” stated that enterprises will be encouraged to strengthen their product design capability and brand building so that more enterprises will shift from OEM to ODM, as well as develop their own branded business. This should provide opportunities for Hong Kong's design and branding service suppliers. A recent survey conducted by the Hong Kong Trade Development Council found that mainland enterprises wish to obtain service support from Hong Kong or foreign countries in the following areas: (i) product development and design; (ii) brand design and promotional strategy; and (iii) marketing strategy. [3]

Hong Kong, as an international financial centre in the region, can provide mainland enterprises with the necessary loan and financing services, such as providing cost-effective capital for relevant technology and industrial projects, helping mainland enterprises to lower financial cost. Also, as Hong Kong is one of the largest venture capital management centres in Asia, a large number of top-notch international fund managers wishing to grasp business opportunities in China have already established a foothold in Hong Kong, which can offer more financing channels for mainland enterprises. It can be expected that during the 13th Five-Year Plan period the mainland will further open up its financial services market, this should bring about more opportunities for Hong Kong financial service suppliers to enter the mainland market.

Balanced Regional Development

The Suggestions also stress that during the 13th Five-Year Plan period efforts will be made to strengthen the balanced development of various regions, including placing equal



emphasis on urban and rural development, as well as synchronising the pace of development of the more developed eastern coastal region with that of the central and western regions. The emphasis of the plan is expected to include:

- Advancing coordinated regional development

This includes deepening the Go West initiative and promoting development of the central region. Emphasis will be placed on encouraging the coordinated development of certain regions, such as advancing the coordinated development of the Beijing-Tianjin-Hebei region and the Yangtze River Economic Belt. Regional development will be achieved by way of optimising urban development planning, encouraging regional transportation integration, and improving regional environmental planning.

- Advancing new urbanisation construction

Steps will be taken to advance a people-centred new urbanisation plan; enhance the level of urban planning, construction and management; deepen household registration system reform; and assist rural migrants capable of working steadily in urban areas in obtaining urban resident status.

The importance attached by the Suggestions to the strategy of balanced development of the eastern and western regions and urban and rural areas aims to tackle problems brought about by disparities in regional development in the past and by the rapid pace of urbanisation of some localities. These problems include:

- Insufficient transport facilities, environmental resources and supporting municipal facilities in certain city clusters
- The polarised development of the urban and rural areas has quickened the pace of people flow into cities, increasing the pressure on urban development
- As the pressure on the transportation and communication systems continues to grow, the efficiency of logistics services is in dire need of improvement
- Water and air pollution problems are increasingly serious, creating a strong demand for environmental services, such as energy saving and emission reduction



Integrated regional transport links a development focus



New-style urbanisation in full swing



The rate of urbanisation in the mainland rose rapidly from 36% in 2000 to 55% in 2014. The pace is particularly fast in more developed regions, for instance, the urbanisation rate in some of the YRD provinces exceeds 65%, which has created the problems mentioned above. [4] In view of this, the 13th Five-Year Plan is likely to take a further step in making “new” urbanisation a development direction, devoting great efforts to enriching the content of urban and rural development and making the enhancement of urban quality a development objective, instead of simply seeking urban construction or expanding the boundary of cities.

Against this backdrop, the 13th Five-Year Plan will not only bring about the upgraded development of coastal cities, but will also stimulate the construction and economic activities of urban and rural areas in the central and western regions, as well as the old industrial regions in the northeast. For instance, where building new city clusters is concerned, efforts will be made to strengthen the construction of daily-life supporting facilities in the relevant urban and rural areas, and to upgrade infrastructure, such as cross-regional intercity and trans-regional transport systems.

Hong Kong is not only an international financial centre, but also an important commercial services platform in the Asia-Pacific region. With a pool of local and foreign infrastructure construction service suppliers in extensive fields, Hong Kong has rich experience in different modes of urban development and management. Meanwhile, in the mainland, as the scope of urban construction continues to expand, infrastructure enterprises with comprehensive service abilities are needed to satisfy market demand for infrastructure and overall planning services. Also, as mainlanders' income level continues to rise, they are becoming more demanding where the quality of urbanisation is concerned. Hence, when government departments in charge of planning and developers set out to advance urbanisation, priority is given to development quality over speed and quantity. This will create opportunities for qualified service suppliers wishing to tap the China market.

On the other hand, regional development and urbanisation are bound to change the urban landscape rapidly in different regions. The emergence of new commercial districts will prompt the distribution and retail sector to shift toward modern business modes, as well as bolster development of the consumer market in small coastal cities and in the central and western regions. However, Hong Kong companies wishing to enter these “emerging markets” must assess local purchasing power, pay attention to the consumption pattern of different cities, and avoid intense price competition from online businesses.

Moreover, under the 13th Five-Year Plan, the mainland may quicken its pace of building smart city clusters and apply next-generation information technology to raise the efficiency of city management. This should directly boost the demand for the application of IoT technology in a number of areas, such as transport, environmental monitoring and municipal management, generating opportunities for relevant service suppliers to enter the market.

As development of the transport logistics network in the mainland becomes increasingly mature, it will promote the further development of logistics services and e-commerce. For instance, as the mainland's demand for cold chain logistics is rising rapidly, it is in urgent need of importing advanced cold chain solutions in order to raise overall operation efficiency and quality. Moreover, while domestic online shopping is growing in leaps and



bounds in the mainland, cross-border e-commerce and related logistics services have yet to develop. In comparison, Hong Kong not only has rich experience in cold chain logistics management but also a sound e-commerce and logistics platform. Hong Kong is therefore well positioned to capture additional opportunities created by the 13th Five-Year Plan.

Sustainability is Main Development Strategy

Both the Suggestions and the leadership have stressed on many occasions that, while efforts will be made to advance social and economic construction, action will also be taken to accelerate the building of a resource-efficient, eco-friendly society and strengthen environmental protection in order to ensure sustainable social and economic development. In fact, the extensive growth mode of China's economic development in the past has caused serious environmental pollution, with the resulting economic cost and social problems arousing great concern from both the government and the general public. Against this background, it can be expected that the 13th Five-Year Plan will include the following development plans:

- Strengthening environmental protection measures

Action will be taken to implement the green city development plan, strengthen clean production management, encourage enterprises to upgrade and revamp their technical equipment, develop green finance to help enterprises strengthen environmental management and green operation, and encourage society to pursue green consumption.

- Tightening pollution control

This includes optimising the industrial structure of the developed Beijing-Tianjin-Hebei, YRD and PRD regions and encouraging these regions to move towards high-end production and low pollution. In key ecological functional zones, the negative list will apply to industrial market access; greater efforts will be made to contain air, water and soil pollution; regulatory requirements for industrial pollution sources to meet emission standards will be fully implemented; urban domestic sewage and refuse treatment will be fully advanced; and enforcement of relevant laws will be strengthened.

- Developing environmental protection and related industries

This includes expediting energy technology innovation; encouraging the development of the new energy industry, such as wind, solar, bio, water and geothermal energy; strengthening smart power grid construction; continuing to promote the development of the new energy car industry; popularising green construction; and boosting development of the waste recycling system and industry.

During the 13th Five-Year Plan period, the mainland will further strengthen energy saving, emission reduction and environmental protection policies. In particular, the new Environmental Protection Law, which came into effect on 1 January 2015, aims to tackle environmental pollution issues, including authorising environmental protection departments to close down facilities which have caused serious environmental pollution and to order units emitting excessive pollutants to limit or cease production; as well as impose heavier penalties and punishment on non-compliance. [5]



Tougher punishments for violations of environmental laws



Greater efforts to tackle environmental problems

The demand of mainland enterprises and relevant units for environmental protection services such as energy saving and pollution prevention and containment is bound to rise rapidly. These enterprises, while facing more stringent legal requirements, are also encouraged by government policies, such as green finance measures. As such, they will take greater initiative to seek environmental protection services in order to meet requirements for energy saving, emission reduction and emission standards. In view of this, the 13th Five-Year Plan should provide environmental protection service and technology companies possessing the right technology and expertise with extensive room for market expansion.

Hong Kong's environmental protection companies and technical personnel have accumulated rich experience in specialised project management throughout the years. As such, they possess advantages in providing one-stop services and excel in combining advanced environmental protection technology in foreign countries with low cost parts and components in the mainland. With the support of various financial services in Hong Kong, they can also provide mainland clients with project financing services, such as performance contracting for energy and water efficiency, hence they are well-positioned to make a foray into the mainland environmental protection market. This, coupled with Hong Kong's favourable business environment, has made Hong Kong companies ideal cooperation partners for foreign environmental protection technology players interested in undertaking technology transfer and licensing in the mainland.

It is worth noting that Hong Kong companies wishing to capitalise on the environmental protection opportunities in the mainland have to obtain a qualification licence issued by the relevant department of the mainland government. For instance, if they wish to provide environmental protection system engineering design services or environmental protection facilities operation services, they may need to obtain a qualification licence from the national or local environmental protection department. However, CEPA [6] has introduced a lot of liberalisation measures facilitating Hong Kong companies' provision of environmental protection services in the mainland (including establishing wholly-owned enterprises in the mainland to provide such services as sewage and waste treatment) and to apply for qualifications to operate environmental pollution control facilities. Furthermore, as Hong Kong has signed an agreement on the liberalisation of trade in services with the mainland, Hong Kong service suppliers entering the mainland environmental protection market are entitled to national treatment. This has given Hong Kong companies the advantage of entering the mainland environmental protection market earlier than their foreign counterparts. [7]



New Horizon in Opening Up

In recent years China has significantly liberalised administrative measures on outbound investment to encourage enterprises to “go out” and invest overseas in a move to establish sales networks in foreign markets and at the same time “bring in” the advantages of foreign partners, in order to enhance competitiveness and seek transformation and upgrade. Meanwhile, China is proactively encouraging free trade zones in Shanghai, Guangdong, Tianjin and Fujian to open up, as well as advancing the Belt and Road initiative in the hope of capitalising on the comparative advantages of the PRD, YRD and Bohai Rim in order to strengthen economic ties with countries along the route. Against this backdrop, the Suggestions point out that the 13th Five-Year Plan should strengthen the following liberalisation measures and development directions:

- Strengthening two-way opening up

Steps will be taken to strengthen the construction of ports and infrastructure facilities in inland border areas, build cross-border multimodal transport corridors, and bolster the development of border economic cooperation zones and cross-border economic cooperation zones. Efforts will be made to expedite the optimisation and upgrade of foreign trade, further develop trade in services, implement positive import policies, and further open up the market to the rest of the world.

- New opening-up measures

Action will be taken to encourage enterprises to expand outbound investment and promote “[going out](#)” with their equipment, technology and services so that Chinese industries can integrate further with global industry and logistics chains. Meanwhile, efforts will be devoted to encouraging the development of new trade modes, such as cross-border e-commerce, and advancing the construction of free trade zones and related opening-up measures. Besides, steps will be taken to further open up the service sector to the outside world, especially expanding the two-way opening-up of the financial sector, orderly realising convertibility of the RMB under the capital account and paving the way for internationalisation of the RMB.

- Advancing the Belt and Road initiative

This includes improving bilateral and multilateral cooperation mechanisms, encouraging enterprises to invest in countries and regions along the route, advancing infrastructure connectivity, and strengthening energy cooperation in a bid to jointly build an offshore industry cluster and establish a local industry system. At the same time, cooperation in such areas as education, technology, culture and environmental protection will be unfolded. Detailed measures include enhancing cooperation with international financial institutions; participating in the establishment of the Asian Infrastructure Investment Bank and New Development Bank BRICS; giving full play to the Silk Road Fund; and attracting international funds to jointly build a diversified financial cooperation platform.

The 13th Five-Year Plan enhances foreign trade and economic cooperation and introduces positive import policies, and the mainland encourages Guangdong and Hong Kong to jointly expand the international market and strengthen trade ties with economies along



the Maritime Silk Road. These efforts should help to consolidate Hong Kong's position as a trade and shipping hub in the Asia-Pacific region.

The deepening of the opening-up policies in Guangdong and other free trade zones under the 13th Five-Year Plan, and the deepening of liberalisation of trade in services between Guangdong and Hong Kong under the CEPA framework, will further increase the room for Hong Kong companies to enter the Guangdong and the entire mainland market.

Where further financial sector opening up is concerned, in recent years many Hong Kong companies have proactively taken advantage of the mainland's liberalising financial policies and CEPA concessions to gradually participate in the mainland financial market, set up networks and accumulate practical operation experience. Today, Hong Kong is a leading RMB offshore trading centre and has developed cross-boundary RMB lending business via Qianhai. All these factors will give Hong Kong financial players the first-mover advantage during the 13th Five-Year Plan period when the mainland further liberalises related policies.



Hong Kong a preferred platform for mainland's outward investment

Moreover, China's Belt and Road initiative will further encourage mainland enterprises to invest in countries along the route. Hong Kong has always been acting as the bridgehead for the mainland's foreign trade and economic cooperation activities, and is also the mainland's preferred service platform for making offshore investments. In the past, Hong Kong has handled trade and investment business in overseas markets for a lot of mainland enterprises, providing a full range of professional services, such as financial, legal, taxation, sustainable operation risk assessment, and international certification and inspection services. With the 13th Five-Year Plan strengthening the "going out" strategy and advancing the Belt and Road initiative, it can be expected that more opportunities will be made available to Hong Kong service suppliers.

Raise Level of Social Development

The Suggestions also mention that efforts will be made to strengthen public services, enhance the quality of education, and guarantee people's basic livelihood in order that the country will evolve into a moderately well-off society. Therefore, it can be expected that where social development is concerned, the 13th Five-Year Plan will cover the following directions for reform and development:

- Promoting balanced growth of the population

The two-child policy will be fully implemented, proactive action will be taken to tackle the problem of ageing population, and the elderly care service market will be fully liberalised.

- Reforming the social security system

This includes improving the employee pension insurance system, broadening social insurance fund investment channels, strengthening risk management, and raising



investment return rate. Action will be taken to improve the sustainable development of the medical insurance system and deepen medical and health system reform, including introducing separation of consultation from medication, and establishing a basic medical and health system and modern hospital management system covering both urban and rural areas.

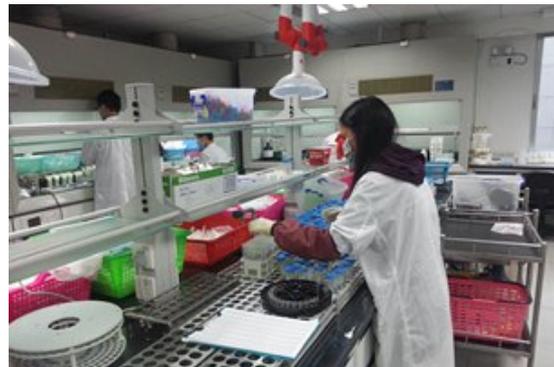
- Tightening food safety

Steps will be taken to advance a stringent and highly efficient food safety management system.

In a bid to promote balanced growth of the population, the two-child policy will be fully implemented during the 13th Five-Year Plan period. This represents a step to be taken to further improve the country's population control policy after introducing the policy of allowing single-child parents to have two children in November 2013. According to the estimates of the National Health and Family Planning Commission, the new second child generation will mainly concentrate in urban areas, accounting for 76% of all newly born second children. It is projected that by the year 2030 China's total population will reach 1.45 billion. And by 2050, the population of the labour force aged 15-59 will increase by about 30 million, this will help alleviate the problem of population ageing and contribute to population structure optimisation.



China set to adjust family planning policy



Food safety an issue of wide public concern

In the short term, introduction of the two-child policy can directly stimulate the demand for maternity, baby and infant products and services, such as food, health food, daily use articles, as well as mother and child health service and child care service. In the long run, it will boost the demand for housing, education and medical care. As mainland parents are attaching more and more importance to product quality and safety, as well as the level of professional services, such as education and medical care, Hong Kong companies can capture the opportunities arising from this new development.

Moreover, the 13th Five-Year Plan's aim to accelerate the pace of old-age insurance and medical insurance system reform is bound to stimulate the growth of the insurance market. Currently, as China liberalises its financial and services markets, financial and insurance industry players stand to benefit from the emerging market opportunities.

As China's population gradually ages and the pace of life quickens in tandem with rapid urbanisation, the health care expenses of mainlanders continue to rise, particularly the



case with middle-class or above citizens. Coupled with the proposal put forward in the 13th Five-Year Plan for medical system reform and market liberalisation, this will generate opportunities for Hong Kong service suppliers in related fields.

Hong Kong medical service suppliers, by combining health, medical and leisure services and taking advantage of the policy offered by the mainland allowing Hong Kong players to set up wholly-owned hospitals and traditional Chinese medicine hospitals in the mainland on a pilot basis starting from mid-2014, can tap the mainland's high-end health and medical services market. Apart from capitalising on Hong Kong's financial services to offer strategic recommendations on financing arrangements for these health and medical projects, Hong Kong companies can also make use of next-generation IoT technology and their experience in providing sustainable medical care service to Hong Kong's diversified community in the form of private institution to offer custom-made management solutions to mainland projects.

The 13th Five-Year Plan also devotes great efforts to food safety. It can be expected that the mainland government will strengthen food safety system management as well as food certification, supervision and random check measures in a move to protect public health. At the same time, in order to boost consumer confidence, many food production enterprises have joined voluntary food certification schemes, including food safety and green and organic certification.

These developments will directly bolster market demand for food testing, inspection and certification services. Under CEPA, Hong Kong companies are granted concession to enter the mainland testing and inspection service market, this includes allowing Hong Kong testing and inspection organisations offering certification services to expand their business scope to cover food products and voluntary food certification in Guangdong province on a pilot basis. This can help Hong Kong industry players to capture opportunities arising from the 13th Five-Year Plan.

[1] For more details, please see:

http://www.gov.cn/quowuyuan/2015-10/31/content_2957504.htm (31 October 2015);
http://www.gov.cn/quowuyuan/2015-11/05/content_5004881.htm (4 November 2015)

[2] For more details, please see:

http://news.xinhuanet.com/ttqg/2015-11/03/c_1117029621.htm (3 November 2015);
http://www.gov.cn/quowuyuan/2015-11/10/content_5006876.htm (10 November 2015)

[3] For details, please see HKTDC research report: [*Outbound Investment of Chinese Enterprises: Hong Kong the First Port of Call for Professional Services*](#)

[4] Source: China Statistical Yearbook

[5] For more details, please see HKTDC research article: [*Green Opportunities in the Yangtze River Delta amid China's Urbanisation Drive*](#)

[6] CEPA here refers to the *Mainland and Hong Kong Closer Economic Partnership Arrangement* and its supplementary agreements.



[7] For more details about CEPA, please see HKTDC industry profile: [*Environmental Protection Industry in Hong Kong*](#)

Find this page at

<http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/China-s-13th-Five-Year-Plan-Likely-Aims-and-Implications/rp/en/1/1X000000/1X0A4K2A.htm>

Copyright©2015 Hong Kong Trade Development Council. Reproduction in whole or in part without prior permission is prohibited. While every effort has been made to ensure accuracy, the Hong Kong Trade Development Council is not responsible for any errors. Views expressed in this report are not necessarily those of the Hong Kong Trade Development Council.