

Presented by:
Bin Sheng
Felix Sutter

Succeed Consulting

14th Five-Year Plan (2021-2025)

SC | S U C C E E D
C O N S U L T I N G

02/09/2021

Speakers



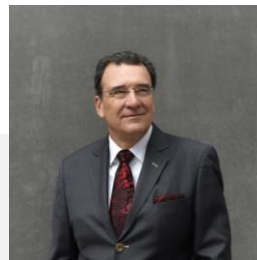
Bin Sheng

Founder, Partner

Bin Sheng served as the managing Director of SDIC Fund and COS Capital and invested in the fields of life science, new electric vehicle, AI and ICT. Most of his professional experience is based on finance and investment in China, with a long history of network links with Swiss Financial and Innovation Institutions. In the past years he was actively involved in building sustainable economic ties between China and Switzerland.

Bin is focused on enabling Swiss innovations market access to mainland Chinese markets, while at the same time identifies investment and cooperation opportunities for Chinese investors.

02/09/2021



Felix Sutter

Founder, Partner

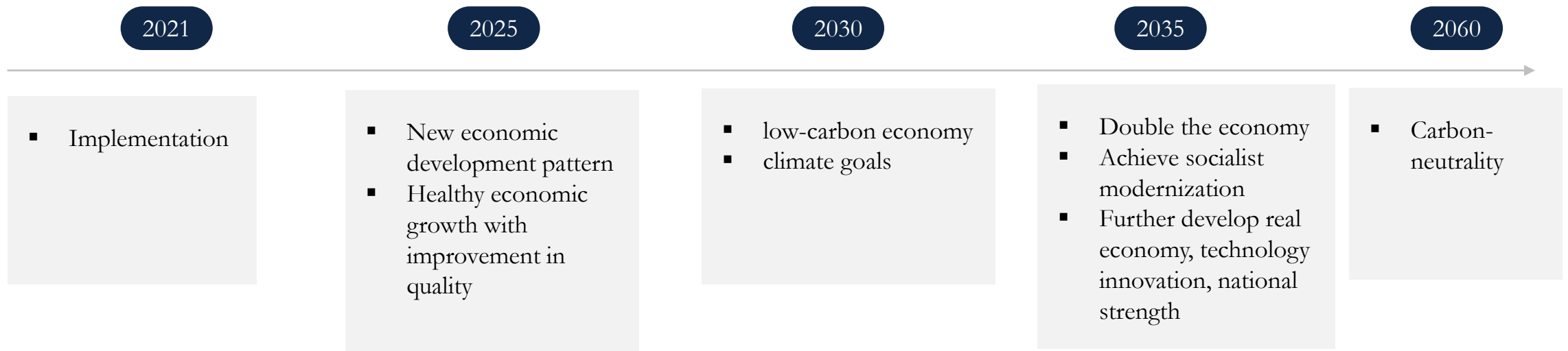
Felix Sutter serves as the President of the Swiss Chinese Chamber of Commerce (SCCC) since 2015. He has been a Partner at PwC Switzerland for more than 19 years. Felix has been nominated in November 2017 as “Visiting Leaders” at the China European International Business School (CEIBS) Shanghai Campus. Recently he has joined AMROP Singapore as a partner and will be active in leadership consulting activities as well as being a x-culture mentor for business executives in Asian and European Markets. In 2020 he founded with Bin Sheng Succeed Consulting GmbH.

Introduction China's Five-Year Plan

China's five-year plans are a series of social and economic development initiatives. The Chinese economy was and is shaped by the Chinese Communist Party through the plenary sessions of the Central Committee and National Congresses.

The five-year plan sets out policies for social development and economic growth. It identifies promising areas for investment and indicates where governmental resources will be concentrated.

The 14th Five-Year Plan was built on the 13th Five-Year Plan and will serve as a framework to advance key national reforms introduced under Xi Jinping's administration and adjust China's economic growth model to maintain stable growth considering a slowing economy.



Highlights of the 14th Five-Year Plan

1 Dual Circulation Strategy (DCS)

- Greater emphasis on Domestic Circulation
- Maintain Domestic and International Circulation

2 Innovation-Driven Development

- Strategic Vision for Building Strength in Science and Technology
- Technological Innovation Capability of Enterprises

3 Industrial Modernization

- Strengthening Manufacturing
- Capital for Manufacturing

4 Global Leadership

- Double the Size of the Economy
- Take over leading role from the USA

5 Urbanization, Poverty alleviation

- Integrated Urban-Rural development
- Rural Revitalization

6 Environment

- Improving the Ecosystem
- Green development

Dual Circulation Strategy (DCS)

The new “dual circulation” strategy (DCS), in depth called the “Domestic-international dual circulation”, will be the core of China’s economic growth model in the coming years.

While the main drive of the DCS will be to reorient China more towards its vast domestic market, as a greater domestic circulation creates a dynamic domestic market, spurs trade, attracts global resources, and inbound and outbound investment.

Furthermore, Beijing has continually emphasized that deepening China’s integration with the global economy remains an absolute priority.

China will continue to place equal emphasis on bringing in foreign investments and going global, make efficient use of global resources and market space with high-level two-way investment

1

Reorientation towards vast domestic market

2

Economic self-reliance

3

Absolute Priority: Deepening China’s integration with the global economy

4

International Two-way Investments

Innovation-Driven Development

Innovation remains at the heart of China's modernization drive. The development of science and technology has increasingly assumed strategic importance for China's national development. It is crucial to build cutting-edge technologies to spur economic growth. China's focus will be on strengthening institutional support on a national level and leveraging the advantages of the socialist market economy. The aim is to encourage innovation and breakthroughs in core technologies in key areas and improve the overall efficiency of the innovation chain.

More efforts will be made to implement inclusive policies such as granting an extra tax deduction on R&D costs and offering preferential tax treatment to high-tech enterprises to in order to further encouraging R&D spending.

China will focus strongly on intellectual property rights, implement a strict intellectual property protection system, improve the related laws and regulations, and accelerate the legislation in emerging fields and new forms of business. Moreover, they will strengthen judicial protection and administrative enforcement related to intellectual property rights

1 Innovation key for modernization drive

2 Leveraging the advantages of socialist market economy for innovation

3 Tax subsidies for all R&D costs and high-tech enterprises

4 Improve intellectual property rights

Industrial Modernization

Building national strength requires strengthening manufacturing and improving product quality. Further integration of advanced manufacturing and modern services is called for. Improving infrastructure provides support and paves the way for new growth. To establish more innovative, higher value-added, safer, and more reliable industrial chains and supply chains, China will pursue both economic efficiency and security and do a good job in strategically designing supply chains and adopting targeted policies for different sectors. Implementation of intelligent manufacturing and green manufacturing projects, develop new service-oriented manufacturing models, and promote high-end, intelligent, and green manufacturing. China will intensify efforts to ensure the supply of factors of production, provide efficient services, consolidate and expand the results of tax and fee cuts, reduce the production and operating costs of enterprises, and enhance the embeddedness and competitiveness of the manufacturing industry. Planned is the increase of medium- and long-term loans and lines of credit for manufacturing, increase loans for technological transformation, and make sure equity investment and bond financing are more heavily weighted towards manufacturing.

02/09/2021

1

Strengthening manufacturing and improving product quality

2

Intelligent & green manufacturing

3

Improvement of Infrastructure

4

Equity investments and bond financing more heavily on manufacturing

Global Leadership

China plans on pushing to elevate its leadership role throughout Asia and globally with deepening of multilateral, bilateral and regional economic cooperation over the next five years. This includes specific ratification and implementation of partnerships such as the China-EU Comprehensive Agreement on Investment (CAI) or the Regional Comprehensive Economic Partnership (RCEP).

Beijing is expected to continue leveraging multilateral and bilateral frameworks, to further deepen China's integration with the global economy and strengthen its position as the foremost leader of the next round of globalization.

China plans on promoting the growth of mutually beneficial China-U.S. business relations. However, the DCS shows that the Chinese government is also preparing for the probability of continued tensions not only with the U.S. but other major economies as well.

1 Expanding Partnerships globally

2 Deepen integration with global economy

3 Managing great-power rivalry with U.S.

Urbanization, Poverty alleviation

Support will continue to be provided to rural low-income groups and underdeveloped areas. The level of government funding for this purpose will stay stable and assistance programs will continue to be implemented even after the target communities have been lifted out of poverty, a move that is intended to keep the momentum going and prevent the vulnerable from slipping back into poverty. China's aim is also to spread the wealth from the big cities to the rural areas.

China will implement a new urbanization process. The process should be people-centered. It aims to promote coordinated development of large, medium-sized, and small cities and small towns that make up urban clusters and metropolitan areas, while helping local cultural traditions and industries and services with local characteristics thrive. The goal is to allow more people to enjoy better city life. The household registration system will undergo an overhaul to ensure full access to basic urban public services for all urban residents and allow rural residents who have moved to urban areas, especially those who have been living for a long time in cities to gain urban residency, to facilitate their integration into city life.

1

Continuous support for rural low-income groups and underdeveloped areas

2

Spread the wealth from cities to rural areas

3

Promote urban clusters and metropolitan areas

4

Reform of the household registration system

Environment

China will strengthen the planning of territorial space and control over its use, draw red lines for ecological protection, boundary lines for permanent basic cropland and land for urban development, and protection lines for all types of sea areas, and ensure that these lines are not crossed.

Furthermore, they will carry out weather modification initiatives based on science; promote the rehabilitation of grasslands, forests, rivers, and lakes.

A main objective is to continue to prevent and control pollutants at sources and adopt a comprehensive approach to strengthen coordinated control of multiple pollutants and coordinated treatment among regions. China will improve the management for meeting required air quality standards in urban areas.

In regard of the climate change, China will improve the double control system of total energy consumption and intensity with a focus put on controlling fossil energy consumption.

China will prioritize the ecology and pursue green development, promote overall resource management, scientific allocation, comprehensive conservation, and recycling, and high-level ecological environment protection.

1 Improving the eco-security shield system

2 Furthering pollution prevention and control

3 Coping with climate change

4 Faster Transformation for Green Development

Summary Slide

Proactive, forward-looking approach to the 14th FYP

Critical to first map out the major opportunities and challenges that lie ahead for all China related business activities

Adjust the strategies accordingly

Impact and Opportunities for Overseas Investors

Impact

- Enhanced one party leadership vs Free market competition
- Leading role vs Follow up on international stage
- Domestic circulation vs International collaboration
- Chinese quarantine vs International exchange
- Capital allocation driven by FYP priorities

Opportunities

- Foreign investments and global resources are welcome
- Share the market growth in line with Chinese strategy
- Domestic circulation requires foreign innovation instead of products
- Green technologies helps Chinese manufacturing

Comparisons between BRI and FYP

Four aspects of BRI

1. Strategy and policy alignment
2. Infrastructure connectivity
3. Economic and investment cooperation
4. Bridging cultures and civilizations

Six themes of the 14th FYP

1. Expand domestic consumption and demand
2. Continued investment in strategic sectors
3. Boost innovation
4. Structural optimization of the economy
5. Green development and carbon neutrality
6. Deepen reform and opening

Self centered and leading to BRI as responses of FYP

Reconsider its assumptions about the international reception (market and political) of China's growth. The "dual circulation" concept (domestic circulation and international circulation) was proposed and then enshrined in the 14th FYP. Home market will become the main theatre of China's development story. International circulation should serve the needs of domestic circulation.

The new plan is more concerned with maintaining a stable presence of manufacturing inside China, instead of exporting China-made industrial equipment and industrial capacities which mentioned many times in the last FYP. That means more investment will be encouraged to strategic sectors in China and offshore investment will be managed more carefully and strategically.

New geopolitical realities convince China must change from following developed countries to leading other developing countries, who are following China's steps in the ladder of industrial upgrading, from labour-intensive to technology-intensive industries. Instead of spreading supply chains, FYP now intends to better utilize development cascades along with BRI.

1

Reconsider assumptions about international reception

2

Stable presence inside China

3

China change into leader role

Thank You

Contact details



Email

bin.sheng@succeedconsulting.ch
felix.sutter@succeedconsulting.ch



Phone

+41 76 412 99 89 Bin Sheng
+41 79 405 27 85 Felix Sutter



Website

www.succeedconsulting.ch
(in development)



Office

Technopark
Bahnhofstrasse 11
7302 Landquart
Switzerland