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Report on China's 12th Five-Year Plan (2011 - 2015)

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12th Five-Year Plan (2011 - 2015)

In order to restructure the state economy and social development in next five years, China released the People's Republic of China's 12th Five-Year Plan of National Economy and Social Development Outline after the approval by the PRC National People's Congress on 14th March, 2011. This plan is the major guideline for the execution of government economic regulation, market supervision, social management and public services responsibility. Then overview of the 12th Five-Year Plan is outlined by topics and shown below.

➤ Economic Growth

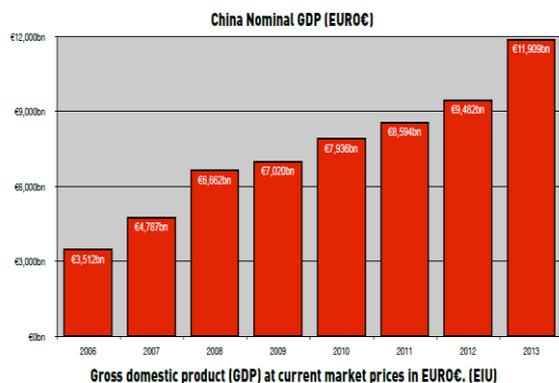
During the 11th Five-Year Plan, comprehensive national capability dramatically improved. In 2010, Chinese total GDP reached 39,800 billion RMB (6,073.09 billion USD) which made China the second largest economy in the world. The true average growth rate during that period was 11.4%, which was higher

than the 7.5% target.

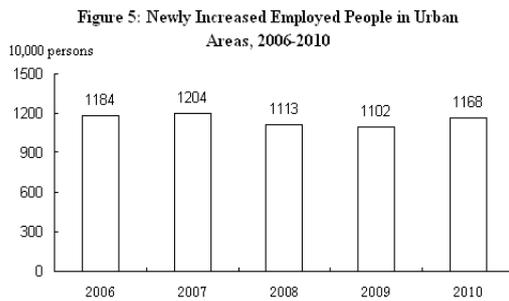
In the 12th Five-Year plan, the target of average economy growth is 7%. In the past five years, the actual average economic growth was 11.2%, higher than the 7.5% GDP growth goal. China will slow the development of its economy and focus on the quality and performance of economic growth. The slower quantitative growth will lead China shift from an export-oriented economy to focus more domestic consumption of goods and services; shift from low labor cost market to home-grown innovation; change from traditional industries to emerging strategic and modern services industries; reform from energy and resources consuming development to low-carbon and green growth.

➤ Employment

During the 11th Five-year period, the population of urban employment increased from 758.25 million in 2005 to 779.5 million by the end of 2009, an increase of 21.7 million employees. The annual income of its urban citizens increased by 82.1% and reached \$2912 in 2010; moreover, the income of rural citizens was up by 81.1% and reached \$902 in 2010. The true average income growth rate for citizens was 5% from 2005 to 2010



EUCCC, Eurobiz



Source: National bureau of statistics of China

At the end of 2015, China will provide 45 million urban jobs, and the registered urban unemployment rate will be 4.6% by 2016. Additionally, the annual average growth of per capita disposable income for urban residents and the net income for rural residents is 7%, which is higher than the average growth rate of 5% in last five years and it is clear that the income growth will over the GDP growth. In the next five years, the minimum annual increase of minimum wage will be 13%.

In order to achieve the employment target, the central government dedicated RMB 42.3 billion to assist and promote employment.

➤ Economic Restructuring

The government will pay more attention on economic restructuring, and provide priority to improve small and medium enterprises, in particular small hi-tech enterprises, and develop the service sector, which includes producer services (services during producing: professional services, information & intermediary services, financial and trade services).

In the service industry sector, China plans to increase the proportion of its service industry in GDP by 4%. Through the development of small and medium enterprises and services industries, it will help to spur more jobs.

➤ Urbanization

China will improve the quality and standard of urbanization, and will increase the urbanization rate from 47.5% to 51.5%. China will further improve its infrastructure and new countryside development.

➤ Power saving & environment protection

During the 11th Five-Year, China reduced its energy consumption per unit of GDP by 19.06%, which almost completed the target of 20%. The major pollutions decreased much more than the target of 10%. The Chemical Oxygen Demand decreased 12% and Sulfur Dioxide pollution decreased 14% from 2005 to 2010.

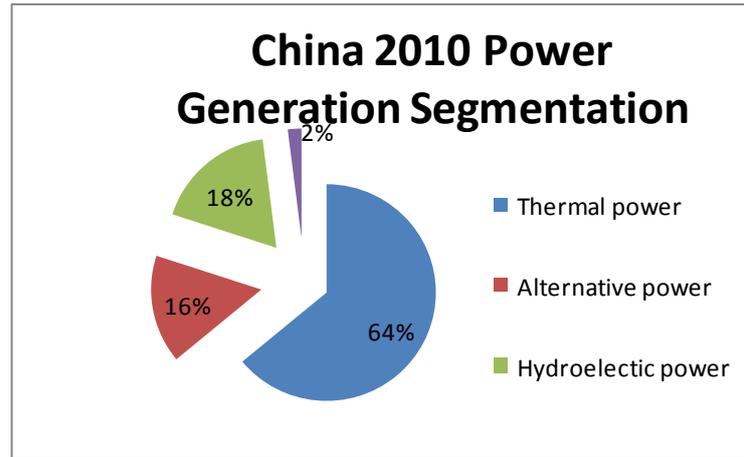
In the 12th Five Year, China will maintain to reduce the pollution and concentrate on the global climate change, and by using the technology progress and completing policy system in order to improve its capability on facing the climate change. Additionally, China will raise the efficiency of its resources utility and environment protection. The energy saving and environment protection target in the next five

years is as follows:

- Reduce energy consumption per unit of GDP by 16% in 5 years;
- Decrease Carbon dioxide emission per unit of GDP by 17%;
- Rise proportion of non-fossil energy consumption by 11.4%;
- Decrease the total discharge of major pollutions by 8%;
- Decrease the discharge of ammonia, nitrogen oxide emissions by 10%;
- Cultivate land maintain at 1.818 million mu;
- Reduce water consumption per unit of value-added industry by 30%;
- Increase efficient utilization index for irrigation water to 0.53;
- Increase forest stock by 600 million cubic meters and forest coverage to 21%.

➤ Energy

Due to the replacement of outdated thermal power plants, during 11th Five Year, China saved more than 300 million tons of coal. The utilization of clean energy was improved. Hydro, Nuclear, and Wind power generated over 3 trillion kilowatts of electricity, which saved 1.5 billion tons of coal and reduced carbon dioxide emissions by nearly 3 billion tons. The paragraph below is the segmentation of new installed capacity of power generation of China in 2010.



Source: EURObiz magazine from European Union Chamber of Commerce in China

During the 12th Five Year Plan, coal energy will still be on the main statue in China, and the government will prioritize on developing the hydroelectric power as the major power generation, restructure the thermal power generation industry, and promote nuclear power. Additionally, China will expand its utility and production of various alternative power generations, such as wind power, geothermal energy, solar, and biological energy. The solar energy will be the most potential industry, and improve the bio-energy to diversity development. Target Points on energy generation in 2015:

The capacity of installed hydroelectric power will reach 280 million kilowatt, with power volume of 8482 kilowatt per hour, which is the same as 2.67 tons coal;

The capacity of installed Wind power will reach 90 million kilowatt, with power volume of 180 billion kilowatt per hour;

The capacity of installed Bio-energy power will reach 1300 kilowatt, with power volume of 65 billion kilowatt per hour;

The capacity of installed Nuclear power will reach 30 million kilowatt;

The capacity of installed solar power will reach 5 million kilowatt, with power volume of 7.5 billion kilowatt per hour.

The capacity of installed Newly-built coal-fired power generation will hit 80 million kilowatts in 2011, nearly 270 million kilowatts by the end of 2015;

In 2015 the proposed energy capability as expressed in coal equivalent is 4 billion tones;

In 2009 China pledged to reduce its carbon dioxide emissions per unit of gross domestic product by 40% - 45% by 2010 from 2005 levels;

Encourage clean and new energy development such as hydro, nuclear, wind, solar and biomass energy, which contributes 70% of China's total energy consumption.

In order to raise the non-fossil energy consumption, the government will build 120 million kilowatts of new water resources, 40 million kilowatts of nuclear power, 70 million kilowatts of wind power and 5 million kilowatts of solar generation capacity in next 5 years.

➤ Financial Reform

The People's Bank of China will increase the proportion of direct financing, and use financing tools such as stocks, bonds and private equities to better satisfy the diverse demands for investment and financing.

The State Administration of Foreign Exchange's proposed reforms will impact the supervision of cross-border capital flows, strengthen off-site inspection and post-regulation implementation and broaden Yuan convertibility in capital accounts.

State Council approved a pilot program to support international trade in Yiwu city of Zhejiang province as a major commodity-trading centre in China.

➤ Structuring Regional Open-up

● Coastal regions

Opening economic development level will be completely improved in coastal areas that will transfer from global processing and assembly base to research, advanced manufactory and services base, improve and attract international services trade, and accelerate the opening development of Shenzhen and other economic special regions, shanghai-Pudong new areas, Tianjin-Binhai new areas.

● Inland regions

Base on the centre city and other main cities, governments in these cities will expand its competitive industries for foreign investment, actively receive international and coastal industry shift, cultivate the international processing and services bases, especially improve Chongqing Liangjiang new areas (north of Yangtze River and east of Jialing River).

● Borderland regions

China's central government will give its support to improve infrastructure and cross-border communication, and develop the specific outgoing industry base. The city of Hei Longjiang, Jilin, Liaoning, and Inner Mongolia will be built as major hub for Northeast Asia open market. Xinjiang province will be the important west open base. Guanxi province will be set up as ASEAN cooperation region, and Yunnan province will majorly open up to the Southwest regions.

➤ Encouraging Overseas investment

Import & Export Bank of China President Li Ruogu announced that the central bank will invest 200 billion RMB on supporting Chinese foreign trade business and encourages enterprises to "go out". EXIM bank is the policy bank on supporting international economic cooperation and the main channel for Chinese companies to "go out". At the end of

2010, it supported more than 1300 project worth over USD 190 billion on encouraging Chinese companies to "go out". They covered more than 100 countries and regions.

The Beibu Gulf Economic Zone in south China's Guangxi Zhuang Autonomous Region would receive a total investment of 2.6 trillion yuan (about 393.9 billion U.S. dollars) over the next five years for its development.

➤ Education

Education levels were significantly improved. The enrollment rate of nine-year compulsory education will be 93% and the high school will be 87%. Anticipated investment in research and development as a percent of GDP is 2.2%. The amount number of invention patents will reach 3.3 per 10,000 people during the 12th five-year period.

➤ Social development

The total population will be kept within 1.39 billion;

The average life will increase 1 year to reach 74.5 years of age;

The disposable income of urban residents and net income of rural residents' annual growth rate will be more than 7%;

The number of population to participate in the basic old-age insurance will be 3,570 million people;

The urban and rural residents covered by three basic medical

insurance will increase by 3%;
The number of subsidized homes to be built between 2011 and 2016 will be 36 million (10 million in 2011).

➤ **Poverty**

The State Council is drafting a new ten-year poverty-reduction plan (2011-2020), in which the current poverty line of 1,196 yuan per year (about 0.5 U.S. dollars a day) will be greatly raised. According to the United Nations' standard of one dollar per person each day, China still has 150 million people under the poverty line.

➤ **Hong Kong**

China Central Bank announced that China will set an offshore RMB trading center in Hong Kong which would make the city Asia's major destination for RMB currency trading. The center will not only facilitate the evolution to full RMB convertibility, but will also endorse Hong Kong's position as the leading international financial center of China and the Asia-Pacific Region.

In 12th Five-Year Plan, the central government laid out a chapter about Hong Kong and Macao that will

support Hong Kong's development. Wen Jiabao noted that it will not be imposed on Hong Kong. China will still keep the principle of "one country, two systems", and will act in strict accordance the Basic Law.

China successfully completed its 11th Five year plan and achieved its performance targets, as a result the economy and society experienced rapid development. According to the outline of 12th Five Year Plan, China will slow its economic growth rate in order to improve the quality of growth, achieve the environment protection and energy promotion targets, and balance the economic and social development. As a result, people's livelihood will be improved and the energy and environment protection targets will be achieved.

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