**BRIEF**
NO. 2 2026

SWEDISH NATIONAL CHINA CENTRE

THE 15TH FIVE-YEAR PLAN

# What does China's new five-year plan mean for the EU?

Hannes Lenk

## Summary

- China's five-year plans are not exclusively economic policy instruments but function as tools for maintaining social stability and ensuring political legitimacy.
- Today's "frontier industries" may become the sources of tomorrow's global overcapacity. The pattern observed in solar panels, batteries and electric vehicles may be replicated in artificial intelligence, basic software, advanced materials, biotechnology and next-generation semiconductors.
- Trade defence measures alone cannot change the structural causes of overcapacity, which are deeply engrained in China's growth model. European policymakers need to invest in innovation, diversify supply chains and coordinate these efforts among allies.
- Europe should not attempt to replicate China's industrial policy or chase China's industrial capacity in technological sectors, but build competitiveness in the highest sectors of strategic technology value chains, such as advanced semiconductors, artificial intelligence infrastructure, quantum technologies and biotechnology.

## The role of five-year plans in the Chinese system

Although China has long moved away from the rigid command economy of the Mao Zedong (毛泽东) era, the institution of five-year plans has remained central to the functioning of its political economy. Rather than detailed production directives, contemporary plans serve as instruments of strategic coordination that combine central guidance on long-term priorities with decentralised implementation, whereby provincial and municipal authorities translate these objectives into concrete policies, investment decisions and industrial initiatives. The new law on national development planning further tightens this process and increase the value of five-year plans as a strategic planning tool.

The plans set a range of economic, social and environmental targets that guide policy across the party-state apparatus. Economic objectives – such as growth, industrial upgrading or technological development – are complemented with targets relating to social welfare, employment, environmental protection and regional development. This broader scope reflects the role of the plans not only as economic policy instruments, but also as tools for maintaining social and political stability. For the Chinese Communist Party (CCP), sustained economic performance remains closely tied to regime legitimacy. As China's growth model faces increasing structural pressures – such as slowing productivity growth, demographic change and declining returns on investment – the ability of the CCP leadership to maintain employment and rising living standards has become a central political concern. The 15th iteration of the plan therefore provides important signals on how the CCP intends to address domestic challenges while advancing its strategic objectives globally.

The drafting process itself reflects the institutional structure of China's party state. The CCP leadership, typically through the Central Committee, first articulates overarching priorities and ideological orientations. These priorities are then translated into a more detailed plan through an extensive consultative process coordinated by the National Development and Reform Commission, a body of the State Council. Ministries, provincial governments, state-owned enterprises, research institutes and industry representatives all contribute to the shaping of sectoral targets and implementation strategies. Although the National People's Congress formally adopts the plan, its substance is largely determined within the party-state system before legislative approval. The national five-year plan is then implemented through the adoption of sectoral plans and provincial five-year plans. The result is a planning process that combines centralised agenda-setting with decentralised policy experimentation and implementation.

This system of strategic coordination has proved influential in shaping China's industrial development. Through successive five-year plans, the CCP has mobilised a broad range of policy instruments, from industrial subsidies to regulatory reforms and public investment, to guide technological upgrading and structural transformation. The introduction of "strategic emerging industries" in the 12th Five-Year Plan (2011–2015), for example, helped lay the foundations for China's leadership in sectors such as electric vehicles, renewable energy technologies and advanced manufacturing. Strategic support for these policies was gradually scaled-up in subsequent plans. Long-term planning therefore provides the Chinese political economy with a degree of strategic continuity that is difficult to replicate in political systems driven by short-term electoral cycles.

At the same time, this model also carries risks. While central guidance can accelerate industrial transformation, it can also generate excessive investment and persistent overcapacity in strategically favoured sectors. Local government, the performance of which is often evaluated against national targets, competes to attract investment and expand production in prioritised industries, reinforcing cycles of capacity expansion. As a result, the same planning mechanisms that enable rapid industrial upgrading can also contribute to structural imbalances in the domestic economy and tensions in global markets.

## Continuity over change: Key takeaways

It is notable that some issues expected to feature prominently in the 15th planning cycle have received limited attention. Despite widespread discussion of the need to rebalance China's economy towards stronger household consumption, particularly in services, along with concerns about employment pressures, the draft plan contains no specific policy commitments in these areas. While the document emphasises social welfare, domestic consumption and the development of services as future drivers of growth, the plan overall suggests that supply side policy and technological self-reliance will remain the hallmarks of China's economic strategy.

The plan sets a GDP growth target in the range of 4.5 to 5 percent, the lowest since 1991. The adoption of a growth range rather than a fixed target reflects the leadership's recognition of slowing economic momentum and is intended to provide greater fiscal flexibility to address domestic structural challenges.

In the area of critical raw materials, the plan signals continued efforts to consolidate China's leading position in rare earth value chains while further refining the country's export control regime. The stated objective is to maintain China's strategic advantage in upstream processing while ensuring stable global supply and avoiding disruptions that could undermine downstream industries.

Environmental policy remains an important component of the plan. Beijing aims to reduce carbon intensity by 17 percent relative to economic output by 2030 and to increase the share of renewable energy to roughly a quarter of total energy consumption. While these targets signal continued commitment to the green transition, this intensity-based framework is less ambitious than it sounds. If the Chinese economy grows at the expected rate, 17 percent of that economic activity would actually amount to a net increase in carbon emissions.

Finally, the plan places new emphasis on addressing what Chinese policymakers describe as "involution", a term used to describe inefficient domestic competition characterised by vicious price wars, duplicated investment and declining profitability. The plan proposes measures to break down provincial protectionism and reduce recurrent low-end investment across regions. These initiatives could indirectly mitigate the concerns of European policymakers about the industrial overcapacity that has been affecting global markets. The primary motivation, however, is more likely to be domestic economic stability rather than addressing external trade imbalances, given the potentially devastating effects of involution on employment and wage depression in the Chinese economy.

## From emerging industries to industries of the future

Several elements stand out either as newly elevated priorities or as areas where existing policy agendas have been significantly expanded. These priorities are likely to shape research funding, industrial policy and resource allocation in the coming years.

In certain areas the 15th Five-Year Plan doubles down on the strategic direction established under the previous planning cycle. This is particularly visible with respect to "emerging technologies", such as new energy, new materials, aviation and aerospace. Another area that has gained particular prominence ahead of the new plan is the so-called low-altitude economy (低空经济), which refers to economic activities based on the use of low-altitude

airspace, such as drones, urban air mobility and aerial logistics. Although many of the underlying technologies were already supported under the 14th Five-Year Plan through broader industrial policy frameworks, the concept has only recently emerged as a distinct policy category and is now explicitly recognised as a potential growth sector. In respect of emerging technologies, the plan envisages a scaling-up of existing efforts at technological upgrading.

In addition, the plan deepens policy support for "future industries", such as quantum technology, biomanufacturing, hydrogen and nuclear fusion energy, brain–computer interfaces, embodied artificial intelligence and 6G mobile communications Notably, rather than identifying new research fields, the emphasis is on scaling existing technologies from laboratory research to industrial deployment and commercial integration. In the life sciences, for example, biotechnology had already been prioritised in earlier plans, but the new plan places stronger emphasis on biomanufacturing as an industrial system capable of scaling biological processes for materials, chemicals, food and medicine.

To achieve this, the plan introduces measures designed to accelerate the commercialisation of scientific research. These include measures to reduce the time between laboratory discovery and market application through expanded patent licensing from universities to small and medium-sized firms, experimental "buy now, pay later" licensing models and more flexible regulatory approval processes. These initiatives reflect a growing recognition that China's primary bottleneck is the effective scaling and commercialisation of technological breakthroughs, rather than basic research capacity.

Artificial intelligence remains a central pillar of the innovation agenda but the scope of policy support is expanded to include several frontier areas. The plan highlights technologies such as multimodal artificial intelligence, agent-based systems, embodied intelligence in robotics and swarm intelligence. In particular, AI is to play a greater role in the research system itself, including applications in areas such as crop breeding and agricultural innovation. The plan makes cautious references to artificial general intelligence, indicating awareness of its potential strategic significance while framing it primarily as an exploratory research direction.

The plan also highlights computing power as a critical enabling infrastructure for digital innovation. Proposed policies include expanding data-centre capacity, improving the utilisation of existing computing resources and promoting greater cloud adoption among state entities and enterprises. These measures are intended to strengthen China's AI ecosystem by ensuring that firms and research institutions have access to the computational resources required for large-scale model development and deployment.

## Balancing security imperatives and economic growth

More broadly, the latest planning cycle places economic growth and economic security more explicitly on an equal footing. Earlier plans already sought to balance economic expansion with strategic objectives such as technological self-reliance or food security. The 15th plan, however, clearly emphasises the importance of controlling critical supply chains for geopolitical purposes, and integrates the strategic objectives of technological self-reliance and economic growth with national security imperatives. Overall, this provides an image of national security and industrial development as better integrated. This could reflect a growing view in Chinese policymaking circles that national power depends not only on participation in global markets, but also on the ability to restrict access to strategic resources when

necessary. This perspective is particularly visible in discussions around export controls and China's position in critical raw material supply chains.

Beijing has also signalled a shift to a longer strategic horizon. The previous plan already integrated innovation and technological development with long-term objectives such as the socialist modernisation (2035) and China's national rejuvenation (2049). However, while previous plans described technological achievements within the planning cycle, the 15th Five-Year Plan refrains from setting granular goals and instead frames technological leadership implicitly as steps towards these longer-term objectives.

Lastly, in referring to "new quality productive forces" (新质生产力) as a technological development philosophy for the first time, the plan clearly situates innovation, technological development and security within an integrated and sustained process of industrial transformation that is expected to unfold across multiple planning periods.

## Implications and recommendations for Europe

For European policymakers, China's five-year plans provide important insights into the strategic direction of the world's second-largest economy and one of the most relevant actors in global manufacturing and trade. The 15th iteration of the plan is particularly relevant because it confirms that Beijing intends to double down on technological self-reliance, industrial upgrading and supply-chain control as central elements of its economic strategy. This trajectory will have direct implications for patterns of global trade and technological competition, as well as Europe's economic security. To respond effectively, European policymakers will need to pay strict attention.

**A first implication relates to the growth target itself and the structural consequences it could generate for the global economy.** A GDP growth target of 4.5 to 5 percent might appear modest by Chinese standards, but remains ambitious given China's current economic headwinds, linked to demographic decline, increasing debt levels, sluggish household consumption, involution and slowing productivity growth. Sustaining this level of growth is likely to require continued expansion of industrial capacity, particularly in strategically prioritised sectors. As domestic consumption remains relatively weak, additional production capacity will inevitably translate into higher export volumes. China recorded a record trade surplus of approximately US$ 1.2 trillion in 2025, and in the first month of 2026 exports increased by 21.8 percent. While the lion's share of exports appears to be routed to the ASEAN countries and Africa, exports to EU member states increased by 27.8 percent compared to the same period in 2025. Further industrial expansion is therefore likely to intensify trade frictions with major trading partners.

In practice, many of the sectors currently designated "future industries" could become the sources of tomorrow's global overcapacity. The pattern observed in solar panels, batteries and electric vehicles could be replicated in emerging sectors such as artificial intelligence, basic software, advanced materials, biotechnology and next-generation semiconductors. For the EU this means that Chinese exports will continue to exert pressure on European competitors.

**Second, the plan highlights the limits of relying primarily on defensive trade instruments.** For the European Union and other advanced economies, trade defence measures can help to mitigate the symptoms of industrial overcapacity and persistent trade imbalances, but they

cannot address their underlying causes. Overcapacity is not a temporary policy misalignment but a structural feature of China's growth model, which relies on investment-driven industrial expansion supported by state-directed finance and industrial policy coordination. As a result, defensive measures such as anti-dumping and countervailing duties might slow import surges but will not fundamentally alter China's industrial trajectory.

European policymakers need to work beyond defensive instruments with a much broader strategy focused on facilitating possibilities for EU business to invest in innovation, research and development in Europe, supply-chain diversification and closer coordination among like-minded partners. In particular, maintaining competitiveness in frontier technologies, such as advanced semiconductors, artificial intelligence infrastructure, quantum technologies and biotechnology, will be critical if European economies are to avoid falling behind in sectors that China has identified as strategic priorities.

**Third, the plan underscores that China's economic policies are increasingly guided by strategic considerations that go beyond purely economic objectives.** Measures that appear to signal market liberalisation, such as selective opening up in parts of the services sector or efforts to address involution, should therefore be interpreted in the broader context of China's industrial strategy. The push for technological self-reliance remains closely tied to the dual circulation paradigm, which prioritises the development of domestic technological capabilities for later roll out in global markets. Liberalisation measures may therefore be designed to facilitate the acquisition of technology, attract foreign expertise and support domestic industrial upgrading, rather than to increase reciprocity. European businesses need to continuously secure their technology against these risks when pursuing market opportunities in China. Governments, through their export and investment promotion authorities could provide appropriate methods for risk assessments as a means of assisting European businesses..

**Finally, the 15th Five-Year Plan reflects an increasingly geopolitical approach to economic policy.** The document places economic security and supply-chain resilience closer to the core of China's industrial strategy, emphasising the need to secure control over key technologies and upstream resources. This includes strengthening China's position in areas such as semiconductors, critical minerals and advanced manufacturing inputs. In this context, China's industrial policy is not only about economic competitiveness, but also about strategic leverage.

Indeed, China's use of export controls on critical raw materials towards the end of the previous planning cycle illustrates the growing role of economic coercion in the intensifying geopolitical competition. While China has previously leveraged economic dependencies, the more systematic use of export controls marks a clear escalation and a shift to a more coordinated strategic approach. Inclusion in the 15th Five-Year Plan reinforces this signal and suggests that export controls will remain a central tool of China's economic statecraft.

For European policymakers, this reinforces the importance of viewing economic relations with China through both an economic and a geopolitical lens. It is conceivable that Beijing will use its economic leverage to interfere with Europe's efforts to diversify supply chains and build a European technological industrial base. Understanding the priorities embedded in China's economic planning is therefore essential for anticipating future developments in global markets and designing policy responses that are both economically effective and strategically coherent.


**Hannes Lenk**

Hannes Lenk is legal advisor at the National Board of Trade as well as a member of the expert group at the Swedish National China Centre.


## About the Swedish National China Centre

The Swedish National China Centre was established in 2021 as an independent unit at the Swedish Institute of International Affairs (UI). The Centre conducts policy-relevant research and aims to contribute to a long-term improvement in the state of China-related knowledge in Sweden. UI's publications undergo internal quality control. Any views expressed are those of the author.

## Other reports on the 15th Five-Year Plan:

**A new Great Leap Forward? China's race for tech supremacy despite costs** by Alexis von Sydow
*NKK Brief No. 6 2026*

**Technology as leverage: The rationale behind China's export controls** by Anton Irekvist Rehn
*NKK Brief No. 5 2026*


SWEDISH NATIONAL CHINA CENTRE

THE SWEDISH INSTITUTE OF INTERNATIONAL AFFAIRS