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XV Five-Year Plan: main objectives and significance for Chinese modernization

(Keynote Speech held at the
International Symposium on Exchanges and Mutual Learning among Civilizations and the Chinese Path to Modernization, Nanchang, China, November 7, 2026,
organized by:
Academy of Marxism, Chinese Academy of Social Sciences,
Nanchang Hangkong University Center for Contemporary Theoretical Trends
Think Tank on Ideology Research, CASS)

The XV Five-Year Plan is the key document for understanding the direction of the Chinese economy in the five-year period 2026-2030.

Obviously, it is not possible to dwell on the whole content of the Plan here. I will therefore limit myself to two key themes: innovation-driven development and the expansion of domestic demand. Then I'll propose some general remarks on Five-Years Plans.

1. *Innovation* is essential to achieve *the "high-quality development"* that is one of the basic objectives of the Plan. In the exposition of the Plan's cornerstones offered by President Xi Jinping in October 2025, we read: "To promote high-quality development, we must first and foremost intensify efforts toward achieving greater self-reliance and strength in science and technology, actively develop new quality productive forces, and deliver substantial progress and new breakthroughs in boosting scientific and technological innovation, fostering new drivers of growth, and promoting economic structural improvement and upgrading".[1] The emphasis on new technologies is not new: it is at least since Deng Xiaoping launched the "*National Science & Technology Development Plan, 1978-1985"* that the goal of technological *catching-up* has been considered strategic by the Chinese authorities and has found a prominent place in all five-year plans.[2] The novelty of the latest plans is represented by the increasingly clear push to develop "original innovation" to reduce dependence on imported technologies. And in fact, in the XV Plan we find the goal of an annual growth in spending on research and technological development of more than 7% and that of bringing the added value of the main industries of the digital economy to 12.5% of total GDP.[3]

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[1] Xi Jinping, *Explanation of the Recommendations of the Central Committee of the Communist party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development*, 28 October 2025, pp. 5-6; link:
https://english.www.gov.cn//english.www.gov.cn/news/202510/28/content_WS6900ad32c6d00ca5f9a07212.html.

[2] See K. Chan, *China's Technology Long Game,* 20 March 2026;
https://www.highcapacity.org/p/chinas-tech-long-game .

[3] *The Fifteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China*, 13 March 2026, table 1;
https://www.news.cn/politics/20260313/085af5de5a4b4268aa7d87d90817df2f/c.html

Another noteworthy aspect is the insistence on the fact that innovation must not be limited to specific products and sectors, but must innervate and support a more comprehensive transformation of the production apparatus. This is what is happening in relation to AI, with the spread of *open source models* that aim to develop the productivity of the largest number of companies. The objective of "promoting the construction of open source systems and improving the operation mechanism of open source" is explicitly referred to in the Plan.[4] As you may know, this approach is having disruptive consequences in the US AI sector, whose big players nurtured the dream of being able to build a lasting global monopoly position on the basis of which they thought to accumulate huge profits by *not* opening up models.

The other central aspect concerns the *growth of domestic demand*. Xi Jinping himself has identified among the main objectives of the Plan that of "delivering a significant increase in the rate of consumer spending and reinforcing the role of domestic demand as the *main* driver of economic growth". The increase in consumption will also make it possible to "leverage the stability of the domestic economy as a hedge against uncertainties in the international economy". A ″strategy of expanding domestic demand″ must therefore be pursued, and it is necessary to "work toward improving living standards while increasing consumer spending, make investments in both physical assets and human capital, boost consumption, expand effective investment, and eliminate bottlenecks and obstacles hindering the development of a unified national market".[5]

It is important to note that the Plan proposes interventions on two structural constraints that have so far hindered the development of domestic consumption: the gaps in welfare coverage and the rigidity of the so-called *hukou* system, which, by linking access to essential services to registration in the place of residence at birth, penalizes workers who move from the countryside to the cities.[6]

As for the first constraint, the "constant improvement of social security levels" is explicitly provided for with the expansion of the coverage of welfare systems, including pension services.

With reference to the second constraint, the *hukou* system, not only is the reform of the system explicitly mentioned, but it is proposed to "explore the creation of a unified national population management system"; and among the objectives there is in any case "the constant increase in the percentage of migrant workers participating in social insurance for urban workers", as well as the inclusion of the "qualified non-resident population" among the beneficiaries of public rental housing; finally, more favorable rules are provided for access to basic and secondary education.[7]

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[4] See *The Fifteenth Five-Year Plan, cit.,* Chapter 13, Section 1: “Promoting Deep Integration of the Real Economy and the Digital Economy”.

[5] Xi Jinping, *Explanation…*, cit. pp. 5, 6; italics are mine.

[6] More detail on these issues and the related debate can be found in V. Giacché, M. Tonoletti, *Fine del sottoconsumo? La difficile transizione dell’economia cinese [End of underconsumption? The difficult transition of Chinese economy]*, *Focus*, Banca del Fucino, May 2025.

[7] *The Fifteenth Five-Year Plan...* , cit.: see Chapter 43 and Chapter 31.

The explicit intention to intervene on these structural obstacles to the development of consumption is an element that gives substance to the objective of expanding domestic demand.

2. Now I will propose some more general considerations. The specific characteristics of the Chinese model of modernization can be summarized in four points in particular: 1) A development strategy drawn up by the state; 2) The coexistence of this state-directed economic policy and market mechanisms that determine the prices of goods and services; 3) The coexistence of many forms of business and ownership; 4) The political power held by the Communist Party of China.

We can consider the Five-Year Plans as the embodiment of state-led development policy. Why is this so important? An article published in May 2011 by Stephen Roach, then chairman of Morgan Stanley Asia, offers us a good answer to that question. Roach mentioned ten reasons why he believed it was wrong to think that the Chinese miracle was destined to come to an abrupt halt. And placed this reason first: *"Strategy.* Since 1953, China has framed its macro-objectives within the context of five-year plans, with clearly defined targets to be achieved and policy initiatives designed to achieve them".[8]

Obviously, the structure and objectives of the five-year plans have changed over time. China's five-year plans today are no longer rigid *top-down* 'plans', but *strategic guidelines* that steer local governments and the public and private sectors of the economy to align their efforts with national priorities during the reference period. This presupposes anyway the centrality *of the state, and the will and capacity* – on the part of the political authorities – *to provide a strategic direction for the economy*.

This is an aspect as central to China's modernization as it is now forgotten in the West, where, particularly since the 1990s, the role of driving economic development has been entrusted only to market forces. It is interesting to note that, in the conclusion to the article cited above, Roach explicitly contrasted China with the West, "where the very concept of strategy has become an oxymoron".[9]

At the root of this lies the rise of the neoliberal model in the West, at least since the 1990s. This rise was linked, on the one hand, to the collapse of the Soviet Union, and on the other hand to "globalization" – that is, the expansion and deepening of the world market – which was interpreted in the West as a golden opportunity to establish, on a global scale, a model of economic development reliant on the investment decisions of large corporations in the manufacturing and financial sectors.

The neoliberal model enjoyed its heyday during the 1990s and the early years of the following decade, before beginning to decline. This decline was sealed by the Great Financial Crisis started in 2007. Since then, low real growth and rising inequalities, accompanied by significant asset inflation, have been the defining features of the Western countries.

The problem lies at the very heart of the model. A development strategy cannot be the result of the mere operation of market forces, nor can it be identified with the

[8] S. Roach, *"Ten Reasons why China is different", Project Syndicate*, 27 May 2011.
[9] *Ibidem*.

pursuit of short-term private profits by big corporations: this is what the history of the last decades teaches us.

In this context, the pattern of Chinese modernization takes on particular importance because it demonstrates actual existence and superiority of a different model of development, based on *public governance of the economy* and *effective planning, implemented within a well-functioning market in which a variety of business forms - characterized by different ownership relationships - operate.*

The most striking aspect of China's modernization, and the one from which the West could – and should - learn the most, lies precisely in this: in proving to us that the collective planning of a prosperous, shared and equitable future is truly possible.