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EDITORIAL ANALYSIS

China's 15th Five-Year Plan — Innovation Drive Meets a Debt Dilemma

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INTERVIEW ANGLE

"China's Five-Year Plans are state-directed — India is not. Yet China achieved 9%+ growth for decades through them. What can India selectively learn from Chinese planning models, and where does the planning-vs-markets debate apply to India's own industrial policy?"

THE CORE ARGUMENT

China's 15th Five-Year Plan (2026–2030) prioritises innovation-led "high-quality development" — shifting from quantity to quality of growth. But by sidestepping the deeper structural reforms needed to boost domestic consumption, the plan risks perpetuating the twin problems that have plagued China's economy for a decade: **excessive debt** (at the local government and property sector level) and **insufficient domestic demand**, which forces continued dependence on exports and industrial overcapacity.

CHINA'S FIVE-YEAR PLAN SYSTEM

China has issued Five-Year Plans (FYPs) since 1953, rooted in Soviet planning traditions. Unlike India's Planning Commission (dissolved 2014), China's planning machinery remains fully operational — with the National Development and Reform Commission (NDRC) translating Party priorities into binding targets for provinces, SOEs, and ministries.

PLAN	PERIOD	KEY FOCUS
11th FYP	2006–10	Scientific development; energy efficiency
12th FYP	2011–15	Domestic consumption; social safety net
13th FYP	2016–20	Innovation; poverty elimination; made-in-China 2025
14th FYP	2021–25	Dual circulation; tech self-reliance; carbon peak
15th FYP	**2026–30**	**High-quality development; AI/quantum leadership; green transition**

THE CORE STRUCTURAL PROBLEM CHINA REFUSES TO FIX

Why China Has Low Domestic Consumption

China's household consumption as a share of GDP (~38%) is abnormally low compared to India (~60%), the US (~70%), or other major economies. The reasons are structural:

1. **Absence of a robust social safety net:** Without universal healthcare, education, and pensions, Chinese households save excessively as precautionary insurance — money that doesn't circulate as consumption
2. **Repressed wages:** Factor pricing favoured capital over labour for decades — keeping the corporate profit share high and household income share low
3. **Property sector as savings vehicle:** The collapse of the property market (Evergrande crisis 2021–ongoing) destroyed household wealth and confidence simultaneously
4. **Local government fiscal model:** LGFVs (Local Government Financing Vehicles) accumulated debt by selling land to developers — a model that collapsed when the property bubble burst

What the 15th Plan Doesn't Address

The 15th FYP focuses on:

- AI, quantum computing, biotechnology — high-tech industrial policy
- Green energy transition (solar, EVs, batteries — already world leaders)
- "Common prosperity" rhetoric without structural redistribution

It **avoids:**

- Meaningful expansion of the social safety net (would require fiscal transfers from centre to local governments at scale)
- Property sector restructuring (politically explosive — involves local government balance sheets)

- Labour income redistribution (challenges SOE and corporate profit interests)

THE OVERCAPACITY EXPORT PROBLEM AND INDIA

China's inability to absorb its own industrial output domestically means it exports the surplus — driving down global prices for steel, solar panels, EVs, chemicals, and consumer electronics.

For India, this creates a dilemma:

- **Cheap Chinese imports** benefit Indian consumers and downstream industries (solar energy)
- But **dumped Chinese goods** undercut Indian manufacturers (steel, chemicals, electronics)
- India has imposed safeguard duties on Chinese steel and solar panels — but these are temporary fixes, not structural solutions

INDIA-CHINA ECONOMIC COMPARISON

INDICATOR	INDIA (FY26)	CHINA (2025)
GDP	~$4.0 trillion	~$18.5 trillion
GDP growth	~6.5%	~5.0%
Household consumption/GDP	~60%	~38%
Debt/GDP (total)	~85%	~290%
Manufacturing/GDP	~17%	~28%

UPSC MAINS RELEVANCE

GS3 — Economy: China's economic model, overcapacity, industrial policy, India's response to Chinese dumping (safeguard duties, PLI).

UPSC RELEVANCE

High-quality development; AI/quantum/biotech focus; green transition; avoids structural consumption reform

NDRC:

National Development and Reform Commission; China's macro planning agency

DUAL CIRCULATION (14TH FYP):

Domestic demand as primary, external demand as supplementary — aspiration not yet achieved

LGFVS:

Local Government Financing Vehicles; off-balance-sheet borrowing by Chinese provinces for infrastructure; estimated $7–9 trillion in liabilities

EVERGRANDE CRISIS (2021):

China's largest property developer defaulted; triggered broader property sector collapse; ~$300 billion in liabilities

MADE-IN-CHINA 2025:

Industrial policy targeting 10 high-tech sectors; triggered US-China tech war

INDIA'S SAFEGUARD DUTY ON STEEL:

Imposed to counter cheap Chinese and other steel imports; separate from standard anti-dumping duties

PLI (PRODUCTION LINKED INCENTIVE):

India's industrial policy answer to Chinese industrial subsidies; 14 sectors; total outlay ~Rs 2 lakh crore

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