FGS Global Report:

China’s 4th Plenary Session and 15th Five-Year Plan

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Background

The external environment for China's economic development is much more complex than five years ago, which explains – and translates into -- all the judgments behind the decisions made at the 4th plenary session as well as the policy directions laid out in the Recommendations for the country's 15th Five-Year Plan (FYP), covering 2026 to 2030.

First and foremost, the session defined the last five years (covered by the 14th FYP) as an extraordinary period during which China successfully pursued its development against the background of a complicated international landscape as well as the challenging domestic tasks of advancing reform, promoting development, and ensuring stability.

Building on that, the session sees the 15th FYP period as a critical time to consolidate past successes and use them to break new ground for achieving 'socialist modernization'. The strategic significance of the next five years lies in the objective of seizing the strategic initiative amid intense international competition and securing major breakthroughs in strategic tasks of overall importance to Chinese modernization. **The next five years are therefore a "critical stage" to decide if China will realize its overarching goal of reaching the status of a mid-level developed country in terms of per capita GDP and achieving socialist modernization by 2035**.

Echoing the geo-economic and geo-technological tug of war between China and the U.S., the session concluded with **a much more cautious assessment** as far as the external environment for China's economic development during the 15th FYP period is concerned: a period in which "strategic opportunities exist alongside risks and challenges and uncertainties and unforeseen factors are rising". Therefore, all the Party members have been called upon for their "courage for acid tests from high winds, choppy waters, and even dangerous storms".

4th Plenary Session Highlights

The 4th Plenary Session of the 20th CPC Central Committee was concluded on October 23. The main meeting outcomes are two key documents published on October 28: ‘Recommendations for Formulating the 15th FYP’ and ‘Explanation of the Recommendations’ submitted in the name of President Xi Jinping.

According to the two documents, key policy areas include:

- ***Modernizing the industrial system and reinforcing the foundations of the real economy***
- ***Achieving greater self-reliance and strength in science and technology***
- ***Building a robust domestic market and fostering a new pattern of development***
- ***Accelerating the development of a high-standard socialist market economy and boosting the momentum for high-quality development***
- ***Promoting high-standard opening-up and mutually beneficial cooperation***
- Accelerating agricultural and rural modernization and taking solid steps to advance all-around rural revitalization
- Refining the regional economic layout and promoting coordinated regional development
- Inspiring cultural creativity and fostering a thriving socialist culture
- Improving public well-being and promoting prosperity for all
- Accelerating the green transition across the board to build a Beautiful China
- Modernizing national security system and capacity and advancing the Peaceful China Initiative to a higher level.
- Modernizing national defense and the armed forces

The top five policy areas outlined above are the solutions coming out of the 4th plenary session to address the external and internal economic challenges that China will need to cope with for the 15th FYP period – and they correspond to the supply and demand sides of the Chinese economy, respectively.

As China moves toward its goal of “socialist modernization” despite “high winds” and “dangerous storms” over the next five years, **upgrading and securing supply is still the top priority, followed by boosting domestic consumption and upgrading opening-up**.

Supply: modernizing the industrial system and boosting tech self-reliance

To upgrade and secure supply, China will promote high-quality development as the focus of economic and social development during the 15th FYP period. **Modernizing the industrial system and boosting self-reliance and strength in science and technology are the two top policy priorities for ensuring high-quality development**.

As technological self-reliance has shown positive momentum, for the next five years, China has decided to firstly reinforce its growing advantages in manufacturing and upgrade to a “modernized industrial system”. The 15th FYP provides clear development guidance for the modernized industrial system as “**smart, green, and integrated**”. The guiding principles will apply to both traditional industries[1] and emerging industries[2] as

[1] Mining, metallurgy, chemical industry, light industries, textiles, machinery, vessels, and construction specified in the Recommendations for the 15th Five-Year Plan

[2] New energy, new materials, aviation and aerospace, and the low-altitude economy specified in the Recommendations for the 15th Five-Year Plan

well as “industries of the future”[3]. By developing a modernized industrial system underpinned by advanced manufacturing, China aims to be a “**strong nation in manufacturing, product quality, aerospace, transportation, and cyberspace**”.

Compared with the 14th FYP, the sequence of technology self-reliance and industrial system modernization has been reversed. Market observers believe the sequence change reflects the changing landscape of the Chinese economy and the global economic and trade landscape over the last five years. The bargaining chips for China behind the recent negotiations are also the results of such policy priorities. On the one hand, China has put a lot of effort into, and made strides in, developing self-reliance in various technologies, such as semiconductor manufacturing equipment. On the other hand, China has learnt to more adeptly use its accumulated advantages in mature supply chains to create a “counter-stranglehold effect” to escalating US export controls.

For technological self-reliance, China will “improve the new system for mobilizing resources nationwide and adopt unconventional measures to drive decisive breakthroughs in core technologies across entire chains in key fields”[4]. This is a continuation – indeed, a doubling-down – on existing policies which is gradually strengthening the weakest areas of Chinese innovation.

Demand: stimulating domestic consumption and expanding opening-up

On the demand side of the Chinese economy, **“strengthening domestic economic flows” and “promoting unimpeded dual circulation (domestic and international economic flows)” are the major focuses for the 15th FYP**, which will be facilitated by stimulating domestic consumption and expanding opening-up, respectively.

The policy measures to boost domestic consumption are a challenge for China, as its governance system and economic growth model have been designed to be driven by investment and manufacturing. The solution proposed by the 4th plenary session for the 15th FYP is “improving living standards while increasing consumer spending”, “making investments in both physical assets and human capital”, and “eliminating bottlenecks and obstacles hindering the development of a unified national market”. Building a unified national market is regarded as a key to unlocking China’s untapped consumption potential.

For the dual circulation and China’s opening-up, China is seeking to **facilitate a “high-level opening-up” mainly by alignment with high-standard international economic and trade rules and expanding two-way investment cooperation**. It is a reinforced commitment to maintaining multilateral trading system and joining more regional and bilateral trading agreements.

Chinese regulators have been strengthening their engagements with MNCs and foreign investors in recent years. Prior to the 4th plenary session, the Ministry of Commerce (MOFCOM) co-organized a policy interpretation roundtable for more than 170 foreign businesses and chambers of commerce along with Ministry of Finance (MOF) and Ministry of Industry and Information Technology (MIIT). Right after the 4th plenary session, China’s vice premier He Lifeng met with International Advisory Committee members of China Securities Regulatory Commission (CSRC) to brief them on China’s financial market opening-up. MOFCOM minister Wang Wentao also said the opening-up of China’s service sector will be a priority while

[3] Quantum technology, biomanufacturing, hydrogen and nuclear fusion power, brain-computer interfaces, embodied artificial intelligence (AI), and 6G mobile communications specified in the Recommendations for the 15th Five-Year Plan
[4] Integrated circuits, industrial machine tools, high-end equipment, basic software, advanced materials, and biomanufacturing specified in the Recommendations for the 15th Five-Year Plan

mentioning sectors such as telecom, biotech and completely foreign-invested hospitals as well as education and culture for expanding market opening-up.

On the one hand, China will try to foster new strengths in attracting foreign investment and facilitate reinvestments from existing foreign investors. On the other hand, China will better manage outbound investment and guide the overseas distribution of industrial and supply chains in a rational, orderly manner.

Taiwan: more proactive attitude and approach to "advance the cause of national reunification"

Apart from strengthening and upgrading the supply and demand sides of the Chinese economy, a primary risk factor which has drawn overwhelming global attention is China's policy rhetoric from the 4th plenary session on Taiwan. The Recommendations for the 15th FYP contains slightly updated rhetoric regarding "promoting peaceful development of cross-Strait relations and advancing the cause of national reunification".

"Advancing the cause of national reunification" reflects a more proactive attitude and approach that China will adopt to resolve this lingering issue. Some recent moves and signs echoed such a change. For example, for the first time, the official Xinhua News Agency published a series of long commentaries – apparently written by the Taiwan Affairs Office of the CPC Central Committee – on the historical context and nature of the issue, the benefits of national reunification, and the outlook for national reunification. Such signals, alongside other recent events, are being interpreted as China's new and integrated strategy towards its national reunification goal.

Market Reactions from China and Overseas

Chinese media have extensively reported on the 15th FYP, describing it as a pivotal strategy for a critical period. They have emphasized that during this phase, China will remain focused on economic development and continue to pursue high-quality growth as its central objective, with particular emphasis on China's heightened focus on opening-up amid shifting global geopolitical dynamics.

Domestic media highlight that China's approach to opening-up is evolving from "lowering market entry barriers" to "establishing regulatory frameworks", underscoring its transition from goods exports to technology empowerment, with services and digital trade positioned as new frontiers for high-level opening-up.

International media have primarily characterized the 15th FYP as a strategic response to escalating trade tensions, focusing extensively on the Plan's emphasis on tech self-reliance and its implications for geopolitical competitions. They acknowledged that the focus on advanced manufacturing industries could further alter supply chain dynamics, challenging established players in the western world. In the meantime, for foreign investors in China, they need to contribute to China's local supply chain development rather than simply selling into the market.

Capital markets reacted bullishly with China's major stock indexes rising around the Plan's announcement and tech stocks leading the surge. Chinese analysts noted that the inclusion of "new quality productive forces" in the Plan sent positive signals to specific sectors, particularly AI, semiconductors, and advanced technology companies. Notably, the EV industry was excluded from the Plan's strategic industries for the next five-year period.

Looking Ahead for Foreign Businesses

Despite the long-term structural geopolitical challenges from the competition between China and the U.S., foreign businesses can upgrade their China business strategy in line with the supply and demand side reform policies laid out in the Recommendations for the 15th FYP while continuing to adapt to the changing market landscape. For example, for manufacturing companies, China's push to build a modernized industrial system that is "smart, green, and integrated" should provide the guidance for them to review their investment in China. In the service sector, China's initiatives to boost consumption and facilitate a unified national market present opportunities to localize and standardize their service offerings and management systems.

Over the next five years, China vows to "create an institutional environment that is transparent, stable, and predictable" for foreign businesses but this will not be a short-term effort. Foreign businesses are encouraged to continue clearly articulating their China strategies and actively engaging with Chinese government stakeholders at both national and local levels. At the same time, teaming up with Chinese customers and partners (as they continue expanding overseas and navigating global markets) through two-way investment and collaboration which has already helped some MNCs achieve strategic outcomes and deepen relationships with key stakeholders.

Perspectives from FGS Global Team across Markets

Views from Japan

China's ambitions for advanced manufacturing will drive foreign investors to take a two-track approach

China's new five-year plan's manufacturing-centric orientation, backed by fiscal investment and directed capital, marks a shift toward more disciplined, state-steered growth, while signaling a stronger focus on import substitution and domestic value-chain capture that could challenge traditional supplier economies.

For open economies, this creates a dual dynamic: a more stable, investment-led China sustains opportunities in infrastructure, automation, and advanced manufacturing, yet it simultaneously heightens competitive pressure on firms supplying intermediates now targeted for localization.

The best-positioned companies will adopt a two-track approach: localize ("China-for-China") by aligning R&D, production, and compliance with Chinese priorities, while building portfolio resilience across markets and supply networks to navigate evolving trade, regulatory, and geopolitical realities.

Views from the U.S.

How the U.S. reacts to 4th plenary session and 15th FYP is subject to scenarios from U.S. election cycle

China's 4th plenary session was a few days ahead of a pivotal meeting between U.S. President Donald Trump and Chinese President Xi Jinping. Meanwhile, the United States government is stuck in a now month-long standoff over government spending and facing unease about slow hiring and the impact of aggressive trade and immigration policies on the economy.

Trump's interest in securing a major deal with China runs counter to the instincts of some of the most hawkish members of his party, though few are willing to contradict the President publicly. As the second Trump Administration nears the end of its first year, the U.S. looks ahead to the 2026 mid-term elections, the results of which could cement Trump's control with Republican wins, or hobble the Administration's most ambitious plans. If Democrats take control of one or both houses of Congress, the Trump Administration could confront extensive oversight and investigatory actions.

Trump has focused aggressively on his trade agenda with incomplete or mixed results. Major investments in manufacturing and other sectors have been announced this year, a key pillar of the President's effort to bring jobs back to the country, but many of those will take years to yield results. Meanwhile, American farmers and industry are feeling the sting of increased protectionism, limitations on visas for foreign workers, expanded deportations, loss of export markets, and supply chain disruption.

With President Trump not eligible for another term in office, attention will soon turn to the field of Republican and Democratic contenders for the 2028 presidential race. With no clear successor to Trump and no clear front-runner in the Democratic field, uncertainty prevails with regard to potential economic, foreign policy, and national security priorities for both parties.

Views from the EU

China's supply side ambitions will create trepidation to the EU seeking economic cooperation with China

The EU may see opportunities for its companies to participate in China's plans to move its manufacturing base up the value chain. Yet trepidation over the Plenum's commitment to manufacturing as the central driver of growth will be far stronger than any such optimism.

Notable in this regard is China's ambition to maintain and modernize its legacy manufacturing base even as its aims to make advanced manufacturing the backbone of its industrial system. European policymakers fear that these ambitions will exacerbate the existing challenges that China poses for Europe's own industrial base, and for the competitiveness of European companies in China, in their home markets, and in third markets globally. This includes Chinese policy measures that have led to manufacturing overcapacity and the associated contraction of margins in China and pressure on Chinese companies to boost exports.

Another challenge are policies that aim to strengthen domestic innovation capabilities of Chinese companies, as these will increasingly shrink the space for Europe's most advanced companies to compete in China's modernization. The frictions between the EU and China regarding overcapacity, subsidies and market access for European companies are set to be a permanent feature of EU-China relations.

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