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China's Leaders to Approve Economic Blueprint

Communist Party leaders meet this week to map out five-year economic reform plan



Communist Party merchandise on display at a market in Beijing. The party's Central Committee is meeting this week to flesh out a five-year economic plan. *PHOTO: GREG BAKER/AGENCE FRANCE-PRESSE/GETTY IMAGES*

By **JEREMY PAGE** And **MARK MAGNIER**

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BEIJING—China's Communist Party this week is expected to approve an economic blueprint for scaling back the role of the state over the next five years, while offering clues about the leadership's appetite for bold change in the face of slowing growth.

The four-day meeting of the Central Committee—the party’s top 300 or so leaders—is a test of whether the political clout President Xi Jinping has amassed since coming to power three years ago has enabled him to overcome resistance to the reform program he unveiled in 2013.

As China’s leaders struggle to steer the economy onto a different growth path, a central question around the meeting, which begins Monday, will be whether much-used reform mantras, some of which date back to a similar plenum in 1993, will translate into decisive action.

“The next five years will be very important for restructuring the economy,” said Jia Qingguo, associate dean at Peking University. “The traditional way of managing the economy is meeting more and more obstacles.”

Some party insiders say President Xi has neglected the economy in favor of pursuing his domestic political agenda, especially his anticorruption campaign. But the president’s supporters say he still faces fierce resistance to reforms from powerful business and political figures, including some retired leaders, with interests in maintaining the status quo. Personnel changes at the meeting will likely indicate whether Mr. Xi is able to promote key allies ahead of the next big leadership shuffle in 2017.

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—Jia Qingguo, associate dean at Peking University

The meeting, known as a plenum, could also be an indicator of whether the Chinese leadership, shaken by a stock-market crash over the summer, is shying away from bolder reforms and focusing instead on stemming a steeper-than-expected economic slowdown.

Once largely ignored by outsiders, the labyrinthine workings of the Communist Party have taken on more meaning for the global economy, in which China accounts for a third of growth. Markets tumbled this summer because of concerns over China’s slowdown, as well as Beijing’s interventions to prop up the stock market and its surprise currency depreciation.

The meeting starts a week after China posted third-quarter growth of 6.9% and as officials are signaling that the full-year growth target of about 7% may not be met.

On Friday, China cut interest rates for the sixth time in less than a year and reduced banks' reserve requirements, the latest in a series of measures to put a floor under a slowdown that has proved more persistent than leaders had expected.

In a speech Friday at the Central Party School, Premier Li Keqiang emphasized that the 7% growth benchmark is approximate, according to official reports. "We never said we must defend any target to the death, but that the economy should operate within a reasonable range," Mr. Li said, according to the central government's website.

PARTY PLANNING

Some of the roughly annual gatherings of the Communist Party's top 300 or so leaders have presaged important shifts in strategy.

- **1978** A historic plenum that signaled a new direction for China as the nation started opening its economy to international trade and edging away from the planned economy, gradually increasing its reliance on the marketplace.
- **1989** A specially scheduled plenum in June officially dismissed the party's general secretary, Zhao Ziyang, who had urged dialogue with student protesters in Tiananmen Square, a view opposed by leader Deng Xiaoping and other party elders.
- **1993** The party pledged to reduce the power of state-owned companies and increase reliance on the marketplace, paving the way for China's entry into the World Trade Organization.
- **2013** President Xi Jinping vowed to let the marketplace take a "decisive" role in allocating resources and treat the private sector and state-owned companies more equitably.

Economists have called on Beijing to set a five-year growth benchmark of 6.5% or less so it can focus on structural reform rather than scrambling to meet a too-high target.

However, the party has pledged to double the size of the economy and personal income in the decade leading up to 2021, its 100th anniversary. That would require growth of close to 7%; trying to get there would likely worsen China's debt and overcapacity problems.

On Saturday, a top central-bank official said China should be able to maintain growth in the 6% to 7% range over the next three to five years.

The closed-door meeting, held in a heavily guarded hotel in Beijing, will likely be followed by an official account of the proceedings, but details about the five-year plan aren't likely to be released until March, when China's rubber-stamp parliament meets.

Even as Beijing says it wants to reduce the state's clout, some experts say plenums and five-year plans still have their place by giving government-owned banks, companies and bureaucrats a blueprint to move ahead.

"The five-year plans provide a useful organizing framework for the government's reform agenda, despite the plans' rather paternalistic approach," said Cornell University professor Eswar Prasad, a former China head for the International Monetary Fund.

While China is aiming to shift toward an economy driven by consumption, a big focus of the plan is likely to be megaprojects such as the One Belt, One Road plan, one of the most ambitious infrastructure projects in history.

Its aim is to better connect the Chinese economy with the rest of Asia, Africa, the Middle East and Europe, but its form is more reminiscent of old-style investment-led growth than reform.

The president has made it clear he is pressing on with the anticorruption campaign: Last week, the agency in charge of it announced that it would expand inspections to major state firms, the central bank, financial regulators and China's two stock exchanges.

Mr. Xi could also enhance his control of the military at the plenum if he succeeds in engineering the promotion of Gen. Liu Yuan—a personal friend who is the son of former Chinese President Liu Shaoqi—to the Central Military Commission, which controls the armed forces.

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