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—China will begin to tackle structural problems while prudently searching for an exit strategy

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Industrial and Regional Policies

A Review of China's Low Carbon Development Policy and its Sustainable Development Prospects

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- Executive Summary -

China's Economy	Chinese Economic Policy in 2021
<p>When the Central Economic Working Conference met to set the direction of economic policy in 2021, it said the authorities would focus on exiting from the crisis response while prioritizing policy coordination, stability and sustainability as they aimed for a soft landing. The Conference also said the government would pursue fiscal policy in a targeted manner while responding flexibly to the extent/pace of the economic recovery and improvements in the external environment. It seems monetary policy will be normalized in stages, with the authorities set to avoid any sharp tightening. The eight key policies set out for 2021 include strengthening scientific and technological capacities, expanding domestic demand, and preventing monopolies by platform companies. China will soon begin moving to tackle the structural problems mentioned in the outline of the 14th 5-year plan.</p>	
Industrial and Regional Policies	A Review of China's Low Carbon Development Policy and its Sustainable Development Prospects
<p>This paper gives an overview of trends in the implementation of low carbon development-related policies and major achievements in this area during the 13th Five-Year Plan (2016–2020), which ended last year, providing an introduction to policy development and the results of efforts to implement the United Nations Sustainable Development Goals (SDGs), paying attention to the overlapping global policy background and the proactive efforts being made in Japan in recent years to meet its SDG targets, and concluding with a look at the major issues and future policy priorities China needs to address.</p>	

Chinese Economic Policy in 2021

—China will begin to tackle structural problems while prudently searching for an exit strategy

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1. The Central Economic Working Conference set economic policy for 2021

When the Central Economic Working Conference (hereinafter ‘the Conference’) met over December 16–18, 2020, it set the direction of economic policy for 2021 (Fig. 1).

The Conference recognised that 2020 had not been a normal year, with the real GDP figure for January–March 2020 plummeting -6.8% y-o-y as economic activity fell sharply on the spread of COVID-19. However, the economy had returned to positive growth of +3.2% y-o-y in the second quarter, with growth then hitting +4.9% y-o-y in the third quarter. It seems China’s economy is over the worst and is now heading toward normalization. The Conference gave a very high assessment of economic policy management in 2020, saying it had satisfied the people, attracted attention around the world, and set a historic precedent. The Conference also said China had been the only major country to achieve positive growth in 2020 and it insisted that China had achieved decisive results in the area of the ‘three tough battles’ (preventing and defusing major risks [financial risks], targeted poverty alleviation and pollution control) thanks to moves to eradicate poverty and tackle environmental pollution.

The Conference also spoke about how China’s economy was steadily recovering as a result of successfully

Fig. 1: Key policies of the Central Economic Working Conference

Item	Outline
Recognition of the current situation	<ul style="list-style-type: none"> There exist multiple uncertainties related to COVID-19 and the external environment. The foundations of the economic recovery are shaky. The global economic situation will be complex and tough in 2021, with any recovery likely to be unstable and imbalanced. Risks emerging as a result of the pandemic shock must not be taken lightly.
Key policies	<ul style="list-style-type: none"> Position 2021 as a special and important year when it comes to the basic realization of modern socialism. Stick firmly to ‘pursuing stable development’ and ‘deepening supply-side structural reform.’ Strengthen and expand successes in the area of pandemic control and economic/social development; strengthen the ‘Six Stabilities’ (the stabilization of employment, finance, foreign trade, foreign investment, investment, and expectations) and the ‘Six Guarantees’ (ensuring people’s employment, basic livelihoods, market independence, stable food and energy, stable industry chains and supply chains, and the operation of lower administrative organizations). Implement macroeconomic policy in a scientific, precise manner and ensure economic management moves within rational bounds. Adhere to the strategy of expanding domestic demand; strengthen support for scientific and technological strategies; and expand high-level external opening-up.
The policy direction	<ul style="list-style-type: none"> Macro policy: Ensure coordination, stability and sustainability. Guarantee the necessary support for an economic recovery and avoid any sharp shifts. Active fiscal policy: Improve quality and efficiency, strengthen sustainability, enhance the role in science and technology, structural reform and income distribution. Sound monetary policy: Ensure monetary policy is flexible, targeted, rational and appropriate; appropriately handle the relation between the economic recovery and preventing risks. Expansion of domestic demand: Focus on managing the demand side based on supply-side structural reforms.

Source: Prepared by Mizuho Research Institute based on XINHUANET, December 18, 2020, ‘China holds key economic meeting to plan for 2021’

getting to grips with the pandemic early on. It pointed to the superiority of China’s system, saying this had

provided the overarching security needed to overcome difficulties and mobilize strength. It added that scientific policies and a creative response had been the main ways to turn the crisis into an opportunity. The Conference extolled the way China had tackled the COVID-19 outbreak through lockdowns in infected regions, rigorous PCR testing, and the tracking of the whereabouts and health status of infected people through applications on smart phones.

However, the Conference said the foundations of China's economic recovery remained shaky, with China facing multiple uncertainties related to COVID-19 and the external environment. It also recognised the tough conditions in the external situation, such as the global spread of COVID-19, the intensified frictions between China and the US, and moves to rebuild supply chains for security reasons. The Conference said the global economic situation would be complex and tough in 2021, with any recovery likely to be unstable and imbalanced. It also emphasized the seriousness of risks emerging as a result of the pandemic shock and it voiced concerns about growing uncertainties associated with COVID-19, such as the soaring prices of resources and surging debt risks.

2021 is the first year of the 14th Five Year Plan (2021–2025) and it also sits at the beginning of phase one (2020–2035) of the second (1949–2049) of China's 'Two Centenaries' (a series of long-term policy goals to be achieved before the centenary of the founding of the Communist Party of China and the centenary of the founding of the People's Republic of China). As such, the Conference recognised how important it was that economic policy succeeded in this 'special and important year.'¹

The question now arises as to how China's leaders will guide economic policy based on this awareness of the issues. Outlined below are key points to consider when it comes to gauging policy management in 2021. These are based on the minutes released after the Conference had finished.

2. Economic policy management in 2021: Prudently searching for an exit from the crisis response

With regards to policy management in 2021, the Conference said China would stick firmly to 'pursuing stable development' while 'pushing forward with high-quality development.' In this sense, the Conference was following the policy of 'improving economic quality and efficiency,' as espoused by the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China (hereinafter: Fifth Plenum).² The Conference also spoke about 'implementing macroeconomic policy in a scientific, precise manner and striving to ensure that economic management moves within rational bounds,' thus confirming the importance of stability when pursuing economic growth. Furthermore, the Conference mentioned 'strengthening and expanding successes in the area of pandemic control and economic/social development while further unifying growth with safety.' This suggests the authorities will implement policy management with an eye on balancing safety with economic development.

China pursued an extremely active fiscal policy and large-scale monetary easing in 2020 to cope with the COVID-19 outbreak, so the focus in 2021 will be on how China shifts towards an exit from this pandemic response. The Conference emphasized policy continuity and the importance of ensuring economic stability when it commented on the need to maintain 'coordination, stability and sustainability of the macroeconomic policy.' It

¹ The 19th National Congress of the Communist Party of China (held in October 2017) split the second centenary into two phases: 2020–2035 and 2035–the middle of the 21st century. The target of the first phase was set as the basic realization of 'modern socialism' and the target of the second phase as the basic realization of a 'strong, democratic, civilized, harmonious, and modern socialist country.'

² Regarding the Fifth Plenum, refer to "Mizuho Insight", November 13, 2020, authors: Yoshino Tamai and Naoaki Sato, 'Outline of China's Five-Year Plan and Long-Term Goals -Enhancement of Innovation for Sustainable Growth through 2035-'

also spoke about the need to ensure the necessary support for an economic recovery while managing policy in a precise and effective manner and avoiding any sharp shifts, adding that the authorities needed to thoroughly comprehend the timing, extent and efficiency of its policies. This suggests the authorities are cognizant of the shaky foundations of the economic recovery, as mentioned above, so when normalizing economic policy, they will probably move prudently and avoid any sharp policy shifts as they aim for a soft landing.

As with the previous year, the Conference confirmed the government would maintain ‘an active fiscal policy and a sound monetary policy,’ with the authorities set to respond prudently and avoid any excessive tightening as they exit from the crisis response.

The wording on fiscal policy changed from last year’s talk of ‘significantly raising quality and efficiency while pouring energy into structural adjustment’ to ‘improving quality and efficiency while boosting sustainability.’ This suggests the authorities will manage policy in a more targeted, flexible manner this year in accordance with the extent/pace of the economic recovery and improvements in the external environment. China implemented several measures to support the economy in 2020. The fiscal deficit was expanded, for example, and more local government revenue bonds (local bonds repaid from revenue derived from infrastructure, etc.) were issued alongside special national government bonds designed to pay for the COVID-19 response.³ As they exit from this crisis response in 2021, the authorities will probably shrink the fiscal deficit and scale back the issuance of local government revenue bonds, with issuances of the special government bonds also shelved. However, the Conference talked about maintaining an appropriate level of spending, so it seems the authorities are prepared to keep spending to ensure economic stability. As for the usage of these funds, the Conference said enhancing financial security was a major national strategic task. It also said China would strengthen scientific and technological innovation while restructuring the economy and improving income distribution functions. The government will probably accelerate the shift to domestic-demand-led economy (as espoused by the Fifth Plenum) while strengthening innovation as a means to achieving scientific and technological ‘independence’ (policies related to science, technology and innovation are outlined in more detail below).

The Conference indicated that monetary policy would remain ‘flexible, targeted, rational and appropriate.’ When it met in May 2020, the National People’s Congress (hereinafter ‘NPC’) had said that growth in the money supply and total social financing (TSF) would be ‘notably higher’ than the previous year. The Conference shifted tone by saying that growth in the money supply and TSF would basically be kept in line with the nominal GDP growth rate, with the macro-leverage rate also kept stable overall. This suggests monetary policy will be normalized in stages. However, the Conference also spoke about ‘appropriately handling the relation between the economic recovery and preventing risk,’ so although total lending will be kept from expanding more than necessary, the authorities will probably avoid any sharp tightening. As with fiscal policy, the Conference confirmed that monetary policy would be targeted towards strengthening support for scientific and technological innovation, small and micro businesses, and green (environmentally-friendly) development (policies related to green development are outlined in more detail below).

The Conference also spoke about using the precious time when the economy steadily recovers to focus on reform and innovation, with the authorities set to embark upon the structural reform that was shelved in 2020 as

³ When it met in May 2020, the NPC announced it would expand the fiscal deficit (from RMB 2.76 trillion and 2.8% of GDP in 2019 to RMB 3.76 trillion and 3.6% of GDP in 2020) while expanding the issuance of local government revenue bonds (from RMB 2.15 trillion in 2019 to RMB 3.75 trillion in 2020) and issuing RMB 1 trillion in special government bonds to tackle the pandemic.

China dealt with the COVID-19 crisis. The Conference talked about strengthening initiatives to eliminate the hidden debt risks of local governments, with moves to eradicate local government debt forming a key plank of China's deleveraging strategy. It also spoke about replenishing bank capital stock through numerous routes. It confirmed that NPL ratios had risen during the crisis response, with bank earnings squeezed by a rise in allowances for bad debts and NPL depreciation expenses, so the authorities would now work to diversify the routes for replenishing bank capital stock.⁴ Furthermore, from late October 2020 onwards, the corporate bond markets had seen several defaults by regional state-owned enterprises (SOE), with illegal activities by some firms also becoming a problem, so the Conference said moves would be taken to improve bond market regulation.

3. Key policies in 2021 include strengthening technological capacities, expanding domestic demand, and preventing monopolies by platform companies

The Conference also announced eight key policies for 2021. As outlined in Fig. 2, these policies are (1) strengthen scientific and technological capacities as a national strategy, (2) strengthen China's independent capacity to control industrial chains and supply chains, (3) adhere to the strategic keystone of expanding domestic demand, (4) comprehensively promote reform and opening-up, (5) resolve seed and land cultivation problems, (6) strengthen measures to prevent monopolies and the disorderly expansion of capital, (7) resolve housing problems in major cities, and (8) work towards peak carbon emissions and carbon neutrality. Apart from (5) and (6), all these were also positioned as key policies in the outline of the 14th 5-year plan (hereinafter, 'the 5-year plan outline'), as announced at the Fifth Plenum. This suggests the authorities will soon launch initiatives to tackle China's medium-term structural problems.

The eight key policies are examined below based on four categories: technology and innovation (1 and 2), the economic structure (3 and 4), risk prevention (6 and 7), and agriculture and the environment (5 and 8).

Fig. 2: The Central Economic Working Conference's eight key policies

Item
(1) Strengthen scientific and technological capacities as a national strategy
(2) Strengthen China's independent capacity to control industrial chains and supply chains
(3) Adhere to the strategic keystone of expanding domestic demand
(4) Comprehensively promote reform and opening-up
(5) Resolve seed and land cultivation problems
(6) Strengthen measures to prevent monopolies and the disorderly expansion of capital
(7) Resolve housing problems in major cities
(8) Work towards peak carbon emissions and carbon neutrality

Source: Prepared by Mizuho Research Institute based on XINHUANET, December 18, 2020, 'China holds key economic meeting to plan for 2021'

(1) Technology and innovation

The two key policies related to technology and innovation are (1) 'Strengthen scientific and technological

⁴ When the Financial Stability and Development Committee met in September 2019, it announced it would accelerate moves to build a long-term effective framework for replenishing commercial bank capital stock while working to diversify funding sources for replenishing bank capital. It also said local government revenue bonds could be used to strengthen the capital stock of small and medium-sized local banks from July 2020.

capacities as a national strategy' and (2) 'Strengthen China's independent capacity to control industrial chains and supply chains.' These were both positioned as key policies in the 5-year plan outline, though the Conference's policies contain some new amendments.

With regards to (1), the Conference reaffirmed plans to support the strengthening of scientific and technological capacities nationwide while enhancing the leading role of corporations in innovation and strengthening the development of human resources. However, it also added a new phrase about 'striving to resolve the major issues blocking national development and security' while also discussing the formulation and implementation of a '10-year action plan for basic research' and calling for enhanced international cooperation in the field of science and technology. China will probably face a long-term stand-off with the US over advanced technology, even with the new Biden administration in power, with the US also likely to push its allies to fall into line when it comes to restrictions on advanced technologies. As such, China is being forced to develop its own independent core technologies. In 2021, China will swiftly launch moves to enhance time-consuming basic research⁵ while examining ways to cooperate with other technologically-advanced nations besides the US. As mentioned in the previous section, with the government expected to offer support on the fiscal and monetary front, investment will probably accelerate in China's hi-tech sector.

As for (2), the Conference reaffirmed the need to strengthen industrial chains and supply chains in the wake of the COVID-19 crisis. It newly added a phrase about strengthening 'China's independent capacity.' It also talked about 'shining a light on industry weaknesses and carrying out projects to resolve basic technological issues.' Furthermore, it discussed 'swiftly eliminating bottlenecks,' 'steadily implementing a project to restructure the industrial base,' and 'strengthening the foundations for key parts, technologies and materials.' Parts of this overlap with the aforementioned policy of enhancing China's independent innovation capacities, but given the ongoing uncertainty in the external environment (related to COVID-19 and US/China frictions, etc.), it seems the authorities intend to lessen the dependence on foreign technologies and products while strengthening China's uncompetitive industries and technologies and enhancing its domestic ability to supply necessary key components.

(2) The economic structure

The two key policies related to changing the economic structure are (3) 'Adhere to the strategic keystone of expanding domestic demand' and (4) 'Comprehensively promote reform and opening-up.' These were both positioned as key policies in the 5-year plan outline.

Based on the 5-year plan outline, (3) states that the key to expanding consumption lies in promoting employment, building up the social security system, improving the income distribution framework, expanding the middle class, and steadily working towards shared prosperity, thus reiterating that improvements to the employment/income situation and reforms to the social security system are vital for unleashing the potential for consumption. Policy (3) also follows the 5-year plan outline in calling for increased investment in 'new infrastructure' (digital infrastructure like 5G and AI) and urbanization, though it also talks about investing in the renewal of manufacturing facilities and technological improvements.

As for 'reform and opening-up,' (4) reiterates goals espoused in the 5-year plan outline, such as high-level external opening-up, the vitalization of market energies, and the promotion of marketization by easing the barriers

⁵ According to the National Bureau of Statistics, the amount spent on basic research has risen year on year to account for 6% of R&D investment in 2019, though this is still low compared to an average of above 15% in the developed nations.

to entry, promoting fair competition, and protecting intellectual property rights. When it comes to reform, the policy contains some new wording about enhancing the governance of financial institutions, promoting the healthy development of capital markets, raising the quality of listed companies, and cracking down on debt evasion. The number of corporate debt defaults rose from the end of October 2020 on moves to normalize monetary policy (Fig. 3), so it seems the government has moved to crack down further on malicious debt evasion (whereby a company transfers assets or uses other means to avoid repaying debts, even though it has the ability to repay them). The Conference's policy also contains new talk about carrying out a 'Three-year Action Plan for SOE Reform' up until 2022.⁶

As for external opening-up, it is worth noting that the Conference newly added a phrase about positively considering participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Fifteen countries (including Japan, China and the ASEAN10) signed up to the Regional Comprehensive Economic Partnership (RCEP) mid-November, but the CPTPP is more demanding when it comes to liberalization and rules, so there seems to be high hurdles in the way of China's participation. The fact China has formally voiced a desire to join the CPTPP suggests it is trying to show the outside world how serious it is about reform and opening-up. The Conference also added a new phrase about prioritizing national security by building a framework for national security reviews and applying international rules. This suggests China will also focus on 'national security' as it continues to pursue reform and opening-up. From here on, it seems China will utilize the 'Export Control Act' (effective from December 1, 2020; a piece of legislation the Chinese authorities say is based on similar legislation in other countries) and 'Measures Regarding a National Security Review of Foreign Investments' (effective from January 18, 2021; these measures strengthen the review system for investments in China by foreign companies).⁷

(3) Risk prevention

The two key policies related to risk prevention are (6) 'Strengthen measures to prevent monopolies and the disorderly expansion of capital' and (7) 'Resolve housing problems in major cities.'

Policy (6) was not included in the 5-year plan outline, with the phrase about 'strengthening measures to prevent monopolies and the disorderly expansion of capital' first mentioned without any explanation at a Central Politburo meeting on December 11. The Conference clarified that the national government is aiming to build up and standardize the rules governing the digital sector while helping platform companies to innovate and better compete. Specifically, the Conference mentioned 'improving the legislation and regulations governing monopolistic behavior by platform companies, the control of data collection and usage, and the protection of consumer rights' and 'financial innovation based on prudential administration.' There has been a series of moves related to the former recently. The State Administration for Market Regulation (SAMR) released a draft of 'Measures to Preventing Monopolistic Behavior by Platform Companies,'⁸ with the SAMR penalizing the subsidies of Alibaba,

⁶ The main text of the 'Three-year Action Plan for SOE Reform' has not been released yet, though the plan was outlined by the State-owned Assets Supervision and Administration Commission on October 12, 2020. The plan contains eight priority tasks, including optimizing the allocation of state-owned capital, promoting structural adjustment, and promoting mixed-ownership structures.

⁷ Announced on December 19, 2020 by the National Development and Reform Commission and the Ministry of Commerce. A prior review by the authorities is now required when it comes to (1) investment in munitions industries or in areas surrounding military facilities and (2) investment in sectors connected to national security (such important agricultural products, energy and resources, the construction of major facilities, infrastructure, transportation, cultural products and services, IT-related products and services, financial services, and core technologies).

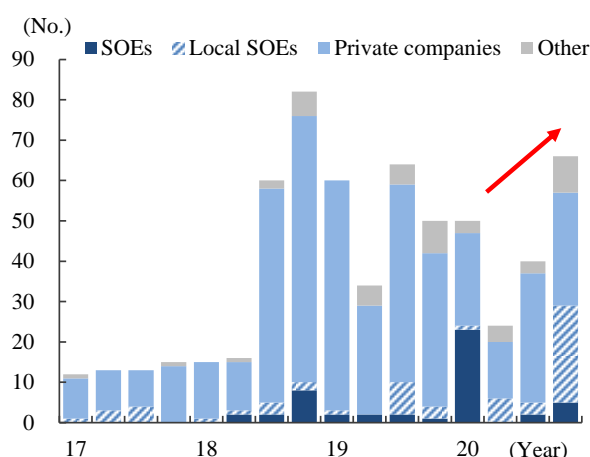
⁸ State Administration for Market Regulation, November 10, 2020, 'Antitrust Guidelines for the Platform Economy (Draft for Comment)'

Tencent and SF Express (a major logistics group) for infringing anti-monopoly laws.⁹ Also, the State Internet Information Office (SIIO) has released draft rules pertaining to the collection of personal data through smartphone applications,¹⁰ with administrative guidance also issued with regards to community group buying involving six platform companies.¹¹ The Chinese government looks set to continue strengthening regulation in 2021 as it seeks to tackle problems involving the handling of personal information, forceful demands for unfair price cuts in order to expand market share, and demands by internet platforms for clients not to use competing platforms, for example. Furthermore, financial services provided by platform companies were traditionally positioned outside the financial system framework and thus not subject to legislation, but the authorities have started to take a tougher stance as these platforms grow bigger. They have strengthened regulations governing internet micro-lending,¹² for example, while releasing guidelines banning major internet financial companies (Ant Group, etc.) from taking deposits on behalf of banks. The authorities have made it clear the rules and regulations governing financial institutions will be applied

to platform companies if they offer the same services as a financial institution.

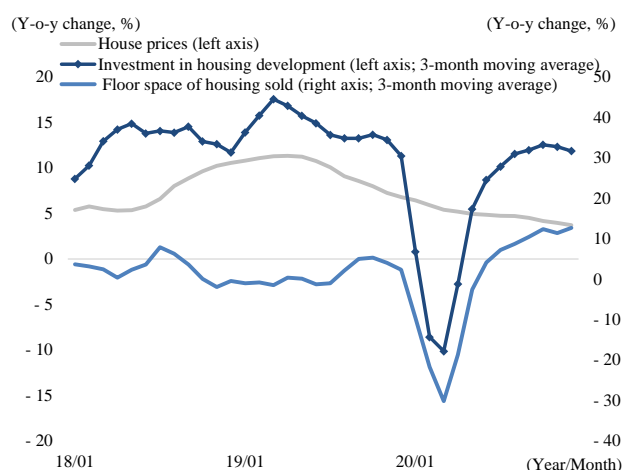
As for the housing market, (7) follows the 5-year plan outline in saying that ‘housing is used for living in, not

Fig. 3: No. of corporate debt defaults



Source: Prepared by Mizuho Research Institute based on wind

Fig. 4: House prices, investment in development, and the floor space of housing sold



Source: Prepared by Mizuho Research Institute based on data from the National Bureau of Statistics and CEIC

for speculation.’ The housing market overheated after the COVID-19 outbreak on monetary easing and a

⁹ State Administration for Market Regulation, December 14, 2020, ‘The State Administration for Market Regulation made an administrative punishment decision on three cases of illegal declaration of concentration of business operators, including the investment by Alibaba in the acquisition of Yintai commercial equities, the acquisition of equity shares of Samsonite Media by Yuewen Group, and the acquisition of equity shares of China Post & Smart Mails by Fengchao Network’

Toyo Keizai Online, December 22, 2020, ‘Chinese authorities fine three companies including Alibaba for violating antitrust laws’ The same three companies were fined RMB 500,000 for pursuing M&As with other firms in the same industry without notifying the authorities beforehand in accordance with China’s Anti-Monopoly Law.

¹⁰ State Internet Information Office, December 1, 2020, ‘Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (APPs)(Draft for Comment)’

¹¹ State Administration for Market Regulation, December 22, 2020, ‘State Administration for Market Regulation and Ministry of Commerce Jointly Hold Administrative Guidance on Regulating Community Group Buying.’ ‘Community group buying’ refers to the practice of communities (from the same apartment compound, etc.) grouping together to buy products (mainly fresh food and daily items) in bulk from platform companies, with the platforms dumping products at below-cost prices this way. The government has told the platforms to cease anticompetitive behavior involving dumping and false advertising, etc. while also cracking down on the illegal collection and usage of personal consumer information.

¹² This led to the postponement of the simultaneous listing of the financial company Ant Group (part of Alibaba) on the Hong Kong Stock Exchange and the Shanghai Stock Exchange STAR Market. For details, see ‘Mizuho Insight’, December 1, 2020, author: Kazuko Esaki, ‘The Future of Capital Market Reform on the Hong Kong Exchange - Ant Group’s Miscalculation of Delaying Listing and Next Steps -’

relaxation of the rules governing housing purchases in some cities (Fig. 4). The authorities have introduced several measures to prevent bubbles since summer while also trialing fundraising restrictions on some real-estate developers from September. As such, the sense of overheating has eased, though these anti-bubble measures will probably remain in place in 2021. The authorities have also emphasized the importance of moves to improve the rental market in order to promote the sound development of the housing market. Specifically, the government has discussed favoring the construction of rental housing when allocating land while also lowering taxes and fees on rental housing.

(4) Agriculture and the environment

Finally, the two key policies related to agriculture and the environment are (5) ‘Resolve seed and land cultivation problems’ and (8) ‘Work towards peak carbon emissions and carbon neutrality.’

As for (5), though the 5-year plan outline had set improving the quality of agriculture and ensuring food security as priority tasks, the recent Conference also emphasized the importance of nurturing new seed industries. Of particular note is a comment by the Conference about ‘moving to overcome technological difficulties that act as bottlenecks to seed resources.’ The word ‘bottleneck’ was also used in Policy (1) in discussions about strengthening supply chains. As the external environment grows more unstable on the spread of COVID-19 and US/China frictions, it seems the Chinese authorities are cognizant of the detrimental impact on food security of China’s substantial reliance on imports of seeds (a core component of agriculture),¹³ with the authorities recognizing the importance of boosting technological capacity in the seed industry too.

With regards to Policy (8), although the 5-year plan outline had also discussed green (environmentally-friendly), low-carbon development, the Conference added a new phrase about striving toward peak CO₂ emissions in China by 2030 and carbon neutrality before 2060. This reflects goals outlined by general secretary Xi Jinping at the United Nations General Assembly in September 2020. The Conference also discussed measures to promote the development of new energy sources. At the end of October 2020, the China Society of Automotive Engineers announced plans to phase out gasoline cars and raise the proportion of new energy vehicles (electric cars, plug-in hybrid cars, and fuel cell vehicles) to over 50% by 2035, with moves to achieve these goals commencing from 2021.

4. In 2021, China will fully engage with its structural problems while prudently pursuing an exit strategy

Based on the above, it seems the Chinese authorities will try to guide macroeconomic policy toward an exit from the crisis response in 2021 while still providing fiscal and monetary support as needed. At the same time, the government will also respond to medium-term issues like strengthening scientific and technological capacities and expanding domestic demand while moving to prevent risks involving monopolistic practices and overheating in real-estate markets, for example. However, the authorities will be unable to fully tackle China’s structural problems without economic stability, so they will probably focus first and foremost on ensuring the economy continues to recover. As China faces long-term uncertainty related to the spread of COVID-19 and tensions with the US, it will somehow need to promote reform while also maintaining a stable economy. The Chinese authorities will find it even harder to manage the economy in 2021 compared to 2020.

¹³ XINHUANET, December 19, 2020, ‘Why does the Central Economic Working Conference emphasize solving the seed problem?’

A Review of China's Low Carbon Development Policy and its Sustainable Development Prospects

—With an overview of trends in China's approaches to the SDGs

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1. Introduction

China began setting carbon dioxide (CO₂) reduction targets as core indicators for low carbon development at the start of the 12th Five-Year Plan in 2011, and developed various plans and execution policies for energy conservation and emissions reductions aimed at environmental conservation and sustainable development during the course of its 13th Five-Year Plan, which ended last year.

Table 1 lists the major environmental policies that were formulated and/or executed in the years covered by the 13th Five-Year Plan (2016–2020), of which the *Guiding Action Plan for Circular Development* of May 2017 (**Table 1-13**) as a comprehensive environmental policy is worthy of special note. This is the official version of the *Guiding Plan for Circular Development* that was issued as a draft for public opinion in August 2016 (**Table 1-2**), and provides well organized plans for a wide range of industries and areas of society.¹

Table 1: Major Environmental Policy in China's 13th FYP (2016–2020)

1	Soil Pollution Prevention & Control Action Plan	State Council	May 2016
2	Guiding Plan for Circular Development (Draft for public opinion)	NDRC	August 2016
3	National Plan on SDG Implementation	State Council	Sept. 2016
4	13 th FYP Work Plan for Greenhouse Gas Emission Control	State Council	Oct. 2016
5	13 th FYP for National Ecological Protection	Ministry of Environmental Protection	Nov. 2016
6	National 13 th FYP for Scientific and Technological Innovation (2016–2020)	Ministry of Environmental Protection, Ministry of Science and Technology	Nov. 2016
7	13 th FYP for Ecological & Environmental Protection (2016–2020)	State Council	Nov. 2016
8	Innovative Demonstration Zone Construction Plan for Implementation of SDGs in China	State Council	Dec. 2016
9	13 th FYP Energy Conservation and Emission Reduction Plan	State Council	Jan. 2017
10	Implementation Plan of Extended Producer Responsibility System	State Council	March 2017
11	Guiding Opinions on Promoting Green Construction of 'One Belt One Road'	Ministry of Environmental Protection, NDRC, etc.	April 2017
12	The Belt and Road Ecological and Environmental Cooperation Plan	Ministry of Environmental Protection	May 2017

¹ Please refer to the August 2017 issue of this report for further details of this policy.
<https://www.mizuho.bank.co.jp/corporate/world/info/cndb/economics/monthly/pdf/R512-0095-XF-0105.pdf>

1 3	Guiding Action Plan for Circular Development	NDRC, etc.	May 2017
1 4	State Council decision on revisions to the “Regulations on Environmental Management of Construction Projects”	State Council	Aug. 2017
1 5	Water Pollution Prevention and Control Law (2nd revision approved June 27, 2017)	Ministry of Ecology and Environment	Jan. 2018
1 6	State Council Opinions on Comprehensively Strengthening Ecological Environment Protection and Resolutely Fighting for Pollution Prevention and Control	State Council	June 2018
1 7	Three-year Action Plan for Winning the Blue-Sky War (2018–2020)	State Council	July 2018
1 8	Three-year Action Plan for the Successful Accomplishment of the Pollution Prevention Strategy for Industry and Telecommunications (2018-2020)	Ministry of Industry and Information Technology	July 2018

Source: Compiled from Chinese governmental websites

Note: Whilst this table covers major environmental protection plans (with the exclusion of their regional versions), it does not cover all relevant policy.

Table 2 summarizes the main policy measures presented in the *Guiding Action Plan for Circular Development*, calling for a focus on expanded resource recycling, stronger systemic development, and the showcasing of new circular development functions brought about through innovation, and these has been executed as major policy goals.

The 13th Five-Year Plan, which targeted the integrated construction of China’s economy, politics, culture, society and ecological civilization based on the principle of “innovative, coordinated, green, open and shared development,” set higher emissions reduction targets for major pollutants than its predecessor, and has led to the implementation of various policies and the strengthening of many initiatives in a bid to achieve its goals. With the end of this plan, China declared that it had succeeded in building a moderately prosperous society in all respects, marking a historic step towards the improved sustainability of Chinese society and the development of powerful response capabilities against the environmental destruction that has been wrought by poverty.

Table 2: Major Guiding Action Plan for Circular Development Policy Measures

[A] Resource Recycling Industry Expansion	
Promote recycling of industrial waste	Promote comprehensive utilization of accessory minerals and tailings. Develop a demonstration test for the comprehensive development and utilization of mineral resources such as iron ore, alumina, copper ore, zinc ore, gold ore, tungsten, tin ore, etc. that are symbiotic and of which China has large stockpiles.
Improve levels of resource recycling and reuse	Perfect the recovery system for recyclable resources, and promote the construction of a logistics and recovery system by utilizing the sales and distribution networks of traditional retailers, online distributors and logistics companies, etc.
Support the industrialization, standardization and up-scaling of re-manufacturing	Promote the remanufacturing of key products. Implement rigorous quality and labeling controls, and promote the remanufacturing of auto parts, industrial machinery, large-scale industrial equipment, and business machines, etc.
Build a system for region-based resource recycling and reuse	Develop a comprehensive plan for the recycling and detoxification of industrial waste, recyclable resources and household waste within respective regions centered on city clusters including Jingjinji Metropolitan Region, Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing, and Harbin-Changchun Economic Zone, etc.; build a resource recycling industrial base that straddles multiple administrative districts.
[B] Strengthen Systemic Supplies	
System for extended producer responsibility	Execute the Plan for the Promotion of the Extended Producer Responsibility System, and, as a forerunner to this, promote its enforcement in the fields of electronics, automobiles, storage batteries, and paper packaging for beverages.
System for promoting the use of remanufactured products and recycled materials	Implement a raw materials substitution strategy to induce expanded utilization of recycled materials by production companies. Promulgate categorized standards and catalogues of recycled products and materials, and create a system for prioritized government procurement of recycled (remanufactured) products.
Improve system for restrictions on the use of disposable consumer goods	Establish and promulgate a product catalogue and management methods for restricting the production and sales of disposable products, and implement classification management for the products included in the list.
Enhance the circular economy evaluation system	Develop a circular economic system focused on production rates of major resources and recycling rates of major waste products, and include achievements on circular economic indicators in the regional government evaluation process.
Strengthen circular economy standards and certification systems	Establish a system of standards for the circular economy, refine ecological standards for products, promote standardized technical management of circular economy production methods in the key industries, and formulate circular economy performance evaluation standards for industry.
Promote a green credit system	Use “Credit China” and the corporate social credit score disclosure system to publish information on administrative licenses, administrative penalties and blacklisted corporations, etc.
[C] Demonstrate New Functions of Circular Development	
Bolster the driving force behind scientific and technological innovation	Support research and development on shared and core technologies related to the circular economy and in line with the criteria outlined in the national special policy on science and technology (special projects, funding, etc.).
Sharing economy development	Reform consumption philosophy, broadly develop the sharing economy, make the sharing economy a new area for optimizing supply and manufacture and encouraging green consumption, extend product recycling and increase resource reuse rates.
Expanded green consumption	Encourage consumption of green products, promote energy conservation, water conservation, environmental conservation, comprehensive resource use, remanufacturing and utilization of recycled products across the board.
Innovation in service structures and methods	Promote the construction of a third-party service system for resource recycling, cultivate leading companies, and demonstrate the role of market mechanisms.
Support global expansion of the resource recycling industry	Fulfill the open development philosophy, implement the Belt and Road strategy, strengthen international exchange relating to circular economic principles, and expand trade in core technologies and equipment.

Source: Excerpted from the *Guiding Action Plan for Circular Development*, National Development and Reform

Commission (May 2017)

China's 13th Five-Year Plan, with its focus on low-carbon development, set far-reaching goals for the environment and energy conservation and although there have been no formal announcements to date, government statistics and related press releases suggest that it has attained its targets ahead of schedule (**Table 3**).

Table 3: Major Environmental Indicators in China's 11th, 12th and 13th Five-Year Plans

Targets/ achievements Major indicators	11 th FYP (2006–2010)		12 th FYP (2011–2015)		13 th FYP (2016–2020)	
	Target (over 2005)	Result (2010)	Target (over 2010)	Result (2015)	Target (over 2015)	Result (2020)
Sulfur dioxide (SO ₂)	-10.0%	-14.3%	-8.0%	-18.0%	-15.0%	✓
Nitrogen oxides (NO _x)	-	-	-10.0%	-18.6%	-15.0%	✓
Chemical oxygen demand (COD)	-10.0%	-12.5%	-8.0%	-12.9%	-10.0%	✓
CO ₂ emissions per unit of GDP	-	-	-17.0%	-20.0%	-18.0%	✓
Energy consumption per unit of GDP	-20.0%	-19.1%	-16.0%	-18.2%	-15.0%	✓

Source: Compiled from respective FYP as posted on Chinese governmental websites

Note: "✓" indicate targets for which official figures have yet to be released but which are expected to be either met or surpassed.

Table 4 presents China's performance against its key 13th Five-Year Plan indicators as of the end of 2019. Many of the targets had already been reached a year ahead of the official deadline, whilst those relating to pollutant emissions and energy conservation have all been eclipsed.

Table 4: 13th Five-Year Plan Targets Met in 2019

Key indicators for environmental resources and social development	Unit	2020 target	2019 status	Degree of attainment (2019 end)
Water consumption reduction per RMB10,000 of GDP	%	-23	-23.8	103%
Energy consumption per unit of GDP	Tce/RMB10 K	0.61	0.51	120%
CO2 emission reduction per unit of GDP	%	-18	—	—
Non-fossil energy share in primary energy supply	%	15	15.3	102%
COD (chemical oxygen demand) emission reduction	%	-10	-11.8	118%
Ammonia nitrogen emission reduction	%	-10	-12.1	121%
Sulphur dioxide (SO2) emission reduction	%	-15	—	—
Nitrogen oxides (NOX) emission reduction	%	-15	-16.6	111%
Agricultural land area	100M ridges	18.66	20.23	108%
Forest coverage	%	23	22.96	100%
Afforestation	100M cubic meters	165	175.6	106%
Ratio of days with good urban air quality in cities at or above prefecture-level	%	80	82	103%
Number of cities at or above prefecture-level that fail to meet PM2.5 standards		47	39	121%
Ratio of Grade III quality water from rivers, etc.	%	70	74.9	107%
Ratio of Grade V quality water resources	%	5	3.4	147%
GDP	Trillion RMB	92.7	89.2	96%
Research and development expenditure	% of GDP	2.5	2.19	88%
Labor productivity	RMB10K/person	12	11.5	96%
Invention patents per 10,000 head of population		12	12.5	104%
Contribution rate of scientific and technological progress to economic growth	%	60	58.5	98%
Fixed broadband penetration	%	70	86.1	123%
Mobile broadband penetration	%	80	93.6	117%
Share of service sector in GDP	%	56	53.92	96%
Urbanization rate of permanent population	%	60	60.6	101%
Urbanization rate of registered population	%	45	44.4	99%
Number of new urban employees	Cumulative 5-year total	5000	5024	90%
Reduction in rural impoverished population	Cumulative 5-year total	5575	5024	90%
Basic endowment insurance participation	%	90	91.5	102%
Average life expectancy	Years	77.34	77.3	100%
Number of urban barracks remodeled	Cumulative 5-year total	2000	2157	108%
Mean years of schooling of working population	Years	10.8	10.63	98%

Source: Calculated and compiled from official Chinese government statistics

In addition, many of the plan's targets relating to the United Nations 2030 Agenda for Sustainable Development have also been achieved, suggesting that the novel coronavirus pandemic has not had a significant impact on China's implementation of these Social Development Goals (SDGs) on its pathway to a low carbon economy. Emphasis continues to be placed on China's policy of

environmental regulation, and the achievements of the plan will serve as a critical foundation for the implementation of China's 14th Five-Year Plan, which goes into action this year, and its long-term agenda for carbon neutral development targeting 2035.

2. Trends in China's approaches to the SDGs

The first year of the 13th Five-Year Plan coincided with the year in which the United Nations SDGs came into force and there is a sense that policy formulation and the development of SDG-related initiatives in China has been both highly instinctive and well-timed.

As is widely known, the United Nations Agenda contains 17 overarching goals and 169 outcome targets covering a broad range of sustainable development issues.

The 17 SDGs are as presented by the infographic given in **Figure 1**. Ending poverty in all its forms and zero hunger are raised as SDGs 1 and 2, followed by ensuring healthy lives and promoting well-being for all at all ages and quality education for all as SDGs 3 and 4. SDG 5 calls for achieving gender equality, SDG 6 for ensuring access to water and sanitation for all, SDG 7 for ensuring access to affordable and clean energy, SDG 8 for decent work and economic growth, SDG 9 for the building of infrastructure, sustainable industrialization and technical innovation, SDG 10 for reducing inequality within and among countries, SDG 11 for making cities sustainable, SDG 12 for responsible consumption and production, SDG 13 for concrete action to combat climate change, SDG 14 for protecting the richness of our oceans, SDG 15 for protecting the richness of the land, SDG 16 for peace and justice for all, and SDG 17 for global partnership in achieving the goals. Whilst this is not the natural order of importance, SDGs 1-4 concern basic human rights and are thus of paramount importance, whilst SDG 7 and SDG 13, which relate to energy and environmental conservation, and SDG 9 and SDG 11, which concern economic and social development, can also be regarded as being relatively important.

Figure 1: The Far-reaching 17 SDG Icons of the 2030 Agenda for Sustainable Development



Source: Reprinted from <https://www.unicef.org/georgia/sustainable-development-goals>

Table 5 presents the action plans for and progress reports on the implementation of the SDGs that have been released by the Chinese government to date. During the period of the 13th Five-Year

Plan, the government used announcements on policy formulation and the compilation of progress reports both to raise awareness of and disseminate knowledge on the SDGs to domestic industry and as a means of promoting China's efforts and of generating synergies with the global community and other nations around the world. The promotional document on efforts to eradicate poverty on the pathway to a moderately prosperous society and the report on big earth data in support of the SDGs that were released last September, were especially useful in communicating China's progress on poverty reduction and its expanded efforts to globalize innovation and development, and provided a boost to efforts to meet the major targets called for by the SDGs.

Table 5: Major Policy Documents on the SDGs Formulated by China During the 13th FYP Period

Document title	Date	Purpose/Overview
13 th Five-Year Plan for Economic and Social Development (National People's Congress)	March 2016	The United Nations 2030 Agenda for Sustainable Development is included in Chapter 53 of the plan on "proactively assuming international responsibilities and obligations," where it is positioned as a comprehensive plan for economic and social development in China.
China's Position Paper on the Implementation of the 2030 Agenda for Sustainable Development (Ministry of Foreign Affairs)	April 2016	At the UN General Assembly, China's Vice-Minister for Foreign Affairs handed over a document stating that China would actively participate in the SDGs and promote the implementation of various measures.
National Plan on the Implementation of the 2030 Agenda for Sustainable Development (Ministry of Environmental Protection)	October 2016	Clarification of China's plans and actions on the 17 main SDG goals and 169 outcome targets.
Innovative Demonstration Zone Construction Plan for Implementation of SDGs in China (State Council)	December 2016	Incorporation of demonstration zone construction, a move frequently adopted on conventional new development projects, to enhance the effects of SDGs implementation, targeting the instruction and ripple effects thereof.
Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2017) (Ministry of Foreign Affairs)	August 2017	The report detailed China's progress on the implementation of each of the SDGs as of 2017, and presented future measures and the outlook going forward.
Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2019) [Ministry of Foreign Affairs]	September 2019	The report detailed China's progress on the implementation of each of the SDGs as of 2018, and presented future measures and the outlook going forward.
Evaluation and Outlook Report on Regional Implementation of the SDGs in China (Tsinghua University)	May 2020	This report by a university research institution utilized and analyzed data from administrative districts to assess China's implementation of the SDGs by region, made policy recommendations and provided an overview of progress nationwide.
Eradication of Extreme Poverty: China's Practices Report (Ministry of Foreign Affairs)	September 2020	This report presented the outcomes and approaches to achieving poverty reduction targets in China, publicizing China's achievements in an attempt to share its expertise with developing nations, etc.
Report on Big Earth Data in Support of the SDGs (Ministry of Foreign Affairs)	September 2020	The report expressed China's commitment to supporting the SDGs using big earth data from technological development, introduced its response methods, and stressed the efficacy of harnessing the latest science and technology in support of the SDGs.

Source: Compiled from Chinese governmental websites and relevant press releases

Table 6 summarizes China's policy efforts both domestic and international in pursuing the SDGs. It shows that China is preparing to establish measures to address each (but not all) of the SDGs and outcome targets. Of note, too, is the fact that China is proactively involved on both the domestic front and in global efforts to meet the SDGs.

Table 6: China's Domestic and International Efforts for the UN 2030 Agenda on Sustainable Development

The 10 SDGs and 20 outcome targets covered by domestic initiatives	1. SDG2: Zero Hunger	National Sustainable Agriculture Development Plan (2015–2030)	T2.4
	2. SDG5: Gender Equality	National Program for Women's Development, Law on the Protection of Women's Rights and Interests, etc.	T5.1 and T5.3
	3. SDG6: Clean Water and Sanitation	Water Pollution Prevention and Control Action Plan	T6.3
	4. SDG8: Decent Work and Economic Growth	Employment Promotion Law, Plan for Advancing the Development of Financial Inclusion	T8.5 and T8.10
	5. SDG9: Industry, Innovation and Infrastructure	Made in China 2025, National Innovation-Driven Development Strategy	T9.2 and T9.5
	6. SDG11: Sustainable Cities and Communities	Road Traffic Safety Law, China's Actions for Disaster Prevention and Reduction	T11.5
	7. SDG13: Climate Action	13th Five-Year Work Plan for Greenhouse Gas Emission Control	T13.2
	8. SDG14: Life Below Water	Regulations on Fishing License Management	T14.6
	9. SDG15: Life on Land	Wildlife Protection Law, List of Wild Animals under State Priority Conservation	T15.7
	10. SDG16: Peace, Justice and Strong Institutions	Child Development Outline, Law on Resident Identity Cards	T16.2
The 4 SDGs and 8 outcome targets covered by international initiatives	1. SDG3: Good Health and Welfare	WHO Framework Convention on Tobacco Control	T3a
	2. SDG14: Life Below Water	Standards and regulations on the transfer of marine technology, United Nations Convention on the Law of the Sea	T14.c
	3. SDG15: Life on Land	United Nations Convention to Combat Desertification, Convention on International Trade in Endangered Species of Wild Fauna and Flora	T15.c
	4. SDG17: Partnerships for the Goals	Addis Ababa Action Agenda, WTO Trade Facilitation Agreement, SDGs Action Plan 2019	T17.2, T17.11 and T17.14

Source: Compiled from the "Evaluation and Outlook Report on Regional Implementation of the SDGs in China – On the basis of measurements taken from 2004–2017 province-level data," Institute for Sustainable Development Goals of Tsinghua University (TUSDG)

Note: "SDG" refers to the corresponding goal and "T" to the corresponding outcome target.

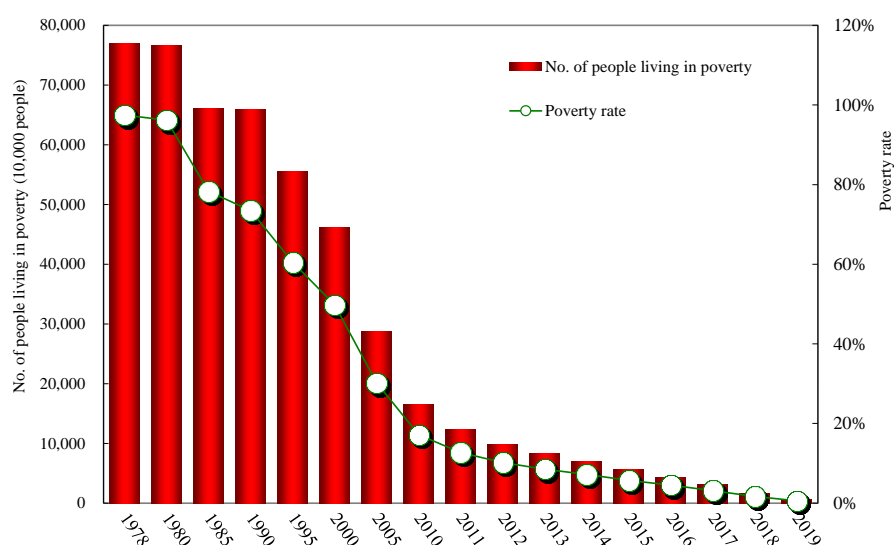
As this shows, whilst China has as yet to officially announce a special plan for implementing the SDGs, it is pursuing these goals through the formulation and execution of individual development plans and industry policies. These methods and approaches vary somewhat to those that have been

adopted by Japan.²

3. China's progress in pursuing the SDGs and the main challenges it faces moving forward

As we have seen, China's efforts to meet the SDGs to date have been highly effective because they were being pushed forward in tandem with the 13th Five-Year Plan. Of particular note are its results in respect to SDG1: the eradication of poverty ("No Poverty"). Although China has achieved remarkable results in its commitment to reduce poverty, the complete eradication of extreme poverty remained a major policy challenge (**Figure 2**). The government developed a "targeted poverty reduction" strategy as part of its attempts to build a "moderately prosperous society in all respects," and claims to have succeeded in lifting China's entire rural population out of poverty. This is a remarkable achievement for a nation of 1.4 billion people. Moreover, since China's achievements in poverty reduction have made a significant contribution to reducing global poverty rates, it has garnered high praise from the United Nations and the wider global community for its contribution to the world in eradicating extreme poverty.

Figure 2: Changes in the Numbers of Rural Poor and the Poverty Rates (in China)

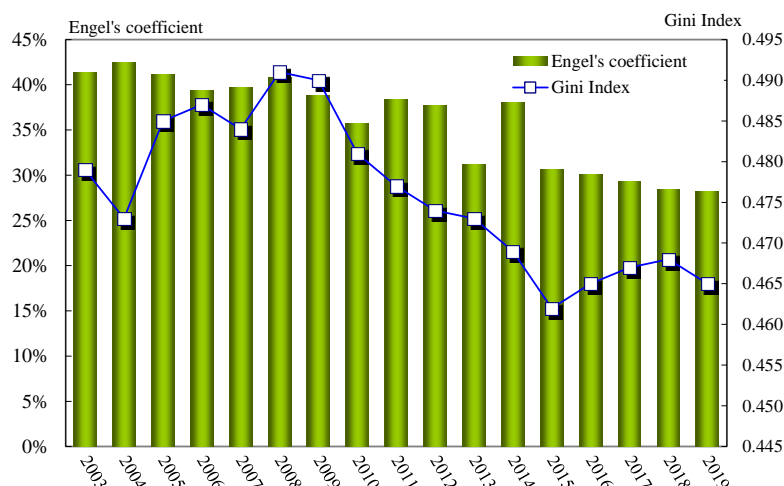


Source: Compiled from the *Poverty Monitoring Report of Rural Areas (2015)* and the *Statistical Bulletin (2019)*, National Bureau of Statistics

Poverty reduction naturally promotes reductions in income inequality and increases in the diversification and quality of consumer life. As **Figure 3** demonstrates, the downward trends in both the Gini Index, a statistical measure that is used to represent unequal distributions in income, and Engel's coefficient, which measures the proportion of income spent on food (although the Gini Index went through a period of reaction), suggest that China is on its way to achieving "zero hunger," the second of the SDGs.

² In Japan, various informatory documents have been compiled and distributed both by governmental agencies and by non-governmental organizations, financial institutions and other bodies, whilst the formulation and promotion of concrete targets and approaches for its plans mean that the SDG initiatives are more widely known than in China.

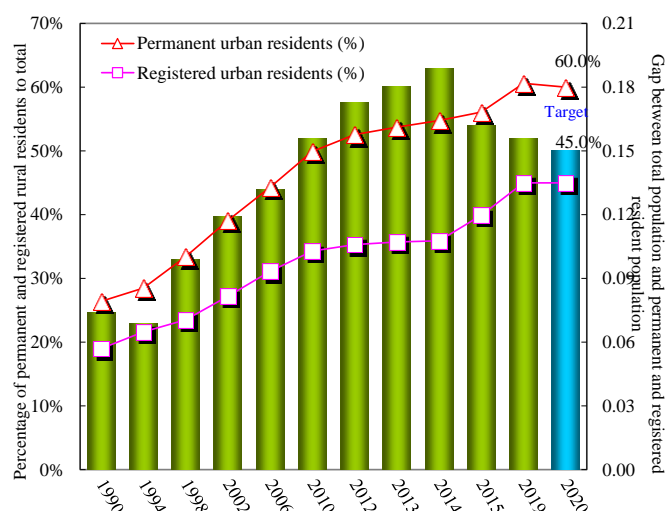
Figure 3: Downward Trends in Engel's Coefficient and the Gini Index in China (2003–2019)



Source: Compiled from National Bureau of Statistics press releases

Efforts to narrow the urban-rural income gap, an issue that was given particular emphasis in the 13th Five-Year Plan, have been facilitated by the new urbanization process, which has helped to increase the incomes of rural residents and improve social infrastructure, and major achievements have been made. China cleared its target for the urbanization rate of the registered population, one of the key goals of new urbanization, in 2019, and the percentage of the permanent population living in urban areas has also increased (Figure 4). The percentage of permanent urban residents increased significantly over the course of the 13th Five-Year Plan, with the statistical urbanization rate topping the planned target of 60 percent, resulting in significant improvements in living conditions for the population. These results have undoubtedly furthered the central government's aim of giving the people a greater sense of wellbeing and gain. Beijing's response to the coronavirus pandemic, including rigorous quarantine measures and the prompt release of funds to enable mass PCR testing, are also believed to have contributed to greater peace of mind for China's population.

Figure 4: Urbanization in China in Terms of Permanent and Registered Population Rates



Source: Compiled from respective editions of the *China Statistical Yearbook*

Note: The figure for 2020 is the official target. In official government statistics, the permanent population ratio is

equivalent to the urbanization rate.

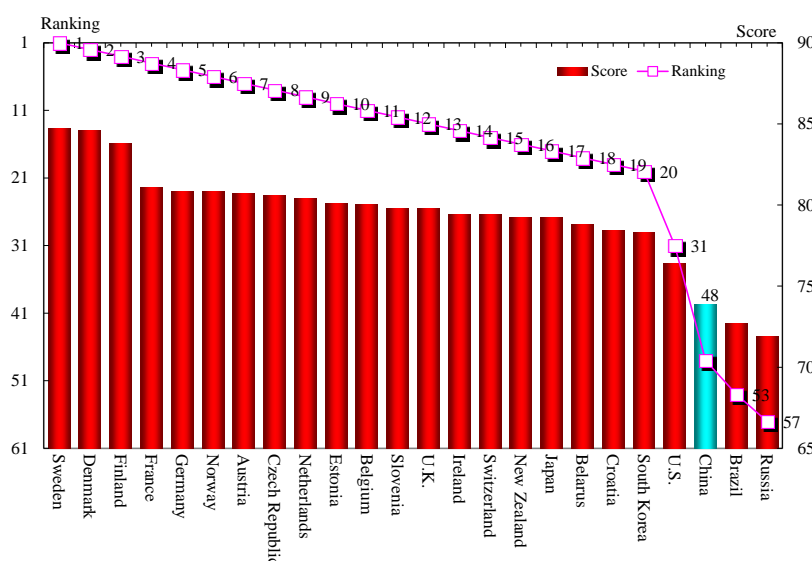
All this led to ensuring and improving basic livelihood security, the conditions for food, clothing and shelter, in other words, the attainment of which is seen as the overarching goal of the SDGs, and China has certainly made considerable progress and achieved significant results in this area. Added to this, China has achieved remarkable things through the expansions in its high-speed rail network, alongside sweeping innovation and developments in the digital economy in recent years, all of which can be linked to its progress in implementing the SDGs.

These results are also reflected in the performance scores and rankings on SDGs achievement of emerging countries. According to analysis contained in a recent research paper,³ of the 11 countries covered by this research, China ranked second in the United Nations annual rankings of progress towards achieving all 17 SDGs in 2019, rising from seventh in 2016, with its overall performance score increasing from 59.1 to more than 70.

As might be expected, China continues to lag behind Japan, the United States and South Korea in the global rankings, and the gap in performance scores remains significant (**Figure 5**). This is, without doubt, an issue that China will need to address in pursuing the SDGs. With just ten years to go for the world to deliver on its 2030 promise, developed countries around the world, including Japan, are actively upping their efforts to achieve the SDGs, and it is becoming a major international race to the finish. Responding to this intensifying global competition will be another key challenge for China. In order to overcome this, China will first need to work on alleviating frictions in international relations, its overseas cooperation and various other issues, none of which will be easily accomplished. Moreover, China has yet to resolve a series of long-term domestic issues on the pathway to socio-economic development that surpass the demands of the SDGs, including ameliorating the regional development imbalances and the gaps in economic income, finding stable employment for the people who have been lifted out of poverty and ensuring they do not slip back into hardship, achieving genuine, high-level urbanization that eliminates family register discrimination, and the creation of a functional, autonomous system of ecological and environmental conservation that is not dependent on restrictions or administrative means, which means that it will clearly have to take its efforts to meet the SDGs to a higher dimension than is called for in the five-year plans over the course of the coming decade.

³ Wang Wanyu, Meng Tianyu, Lan Yan “Progress on the United Nations 2030 Agenda for Sustainable Development in Emerging Countries: Based on an Analysis of Data from 11 Emerging Nations,” *Environment & Sustainable Development*, Vol. 2, 2020 (in Chinese). The 11 countries covered by this research paper are China (Mainland), India, Brazil, Russia, South Korea, Mexico, Indonesia, Saudi Arabia, Argentina, South Africa and Malaysia.

Figure 5: A Comparison of the Overall SDGs Performance Scores of Leading Countries in 2020



Source: Compiled from United Nations Information Centers' press releases

4. The prospects for sustainable low-carbon development

United Nations efforts to promote the SDGs has been unflagging, even in the midst of the global coronavirus pandemic, and countries worldwide continue to actively pursue the goal of sustainable development. Specifically, moves being made under the Paris Agreement, which aims to tackle global warming through action to achieve carbon neutrality, are being stepped up. China, too, is demonstrating a clearer stance on its efforts to tackle global warming. At a virtual meeting of the UN General Assembly in September 2020 and to the astonishment of the rest of the world, Chinese President Xi Jinping announced a bold plan to lower carbon emissions. He said that the country planned “to have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060,” which will be an extremely challenging goal to meet, and was taken as an important signal of China’s enthusiasm to shift from low-carbon to carbon-neutral development.

A look at recent policy developments in China suggests that moves to draft mid- to long-term plans for decarbonization in the direction announced by Xi Jinping have already commenced.

The promulgation by the State Council, on November 2, 2020, of a mid- to long-term industrial policy in the form of Development Plan for its New Energy Vehicle (NEV) Industry to run from 2021 to 2035, is symbolic.⁴ The plan sets out two overarching goals: (1) to have CO₂ emissions from China’s automotive industry peak by 2028 – ahead of the government’s promised deadline, and to lower CO₂ emissions by 20 percent from peak by 2035; and (2) to gradually increase the share of NEVs until such vehicles become mainstream and to achieve full electrification of the automotive industry, which are worthy of attention.

Remarks made by Vice-Premier Han Zheng when addressing the first Climate Adaptation Summit 2021 via

⁴ Please refer to the January 2021 issue of this report for further details of the NEV plan.
<https://www.mizuhobank.co.jp/corporate/world/info/cndb/economics/monthly/pdf/R512-0136-XF-0105.pdf>

video link in Beijing on January 25, have also come under the spotlight. In his statement, Mr. Zheng said: “Climate change is a challenge shared by all humanity and to respond to it requires coordinated mitigation and adaptation. At the General Debate of the 75th session of the UN General Assembly last year, President Xi Jinping announced China’s aim to have CO₂ emissions peak before 2030 and to achieve carbon neutrality before 2060. Last month at the Climate Ambition Summit, he articulated China’s further commitment to scale up its nationally determined contributions. This showed China’s conviction and resolve to tackle climate change. China takes both mitigation and adaptation seriously as a consistent principle, and through the National Strategy for Climate Adaptation we have made a real difference on the ground. China is now drafting a new strategy on adapting to climate change through 2035, and will continue strengthening domestic work on this front to make the country more resilient to climate risks.” (The rest is omitted; Xinhua News Agency/China News Service, January 25, 2021).

In an interview, Xiao Yaquing, head of China’s Ministry of Industry and Information Technology (MIIT), said that “initiatives aimed at peaking carbon emissions and achieving carbon neutrality” will be one of the key tasks in 2021. Acknowledging that industry is a major emitter of carbon dioxide and that cutting the carbon emissions of the industrial sector is a critical undertaking, Xiao also gave information on China’s achievements over the past five years and its plans for tackling this issue over the coming five years. Over the past five years, China has put in place a rudimentary green manufacturing system, comprising 2,221 green factories, 171 green industrial parks, and 189 green supply chain companies. It has popularized close to 20,000 green products, and introduced a traceability management platform for the power batteries of upwards of 4.87 million new energy vehicles. In 2021, every effort will be made to reduce energy consumption and carbon emissions in the industrial sector. China will shift to a dual control policy on total and unit energy consumption, will rigorously control the scale of new production capacity in the heavy chemical industry, and take decisive measures to reduce crude steel production so as to ensure a year-on-year decrease in output. It will release a new version of the measures on implementing steel production capacity replacement and improve production capacity information warning mechanisms. At the same time, China will develop an action plan and roadmap for achieving a peak in carbon emissions in key industries, and will encourage industrial enterprises and industry parks to build green microgrids, prioritize the use of renewable energies, and build green factories and green industry parks for various industries and regions.

The development of new energy vehicles is critical to promoting energy conservation and lower carbon emissions, and the country will formulate a roadmap for the auto sector focused on meeting the goals of peaking carbon emissions and achieving carbon neutrality. Technological innovations for integrated vehicles are to be strengthened and efforts made to achieve parallel development of electrification, networking and intelligence, whilst simultaneously establishing laws and regulations for the industry, developing systems for recovery and recycling, releasing related standards, and promoting the recovery and recycling batteries for new energy vehicles (ibid.)

Then, in January, it was reported that the China Meteorological Administration has established a Monitoring and Assessment Center for Greenhouse Gases and Carbon Neutrality, and that the center has gone into operation in Beijing (where carbon intensity dropped 23% over 2015 last year). In line with the need for green, low-

carbon development and responding to climate change, the center will work with talented scientists from at home and abroad to tackle the systematic challenges of scientific research into carbon neutrality and monitoring/evaluation core technologies. China has said that it intends to play a role in researching multiple scenarios and pathways to achieving carbon neutrality by 2060.

China's 14th Five-Year Plan (2021–2025), which has already been drafted, will undoubtedly set tougher targets for the environment and energy conservation than those given in the preceding plan, and the new plan is expected to include more on efforts aimed at meeting the SDGs.

Given that the SDGs are a global initiative led by the United Nations, contributing to international peace and human welfare, returning various benefits to humanity through the building and strengthening of international partnerships, and incorporating a wide range of business opportunities, they are attracting major attention from companies in both Japan and China, which suggests that there will be an increase in corporate-led business promotions relating to the SDGs and can be expected to result in greater levels of exchange and cooperation between China and Japan in relation to sustainable development over the coming years.

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