Reading the Twelfth Five-Year Plan:  
China's Communication-Driven Mode of Economic Restructuring

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The Twelfth Five-Year Plan that came out of 2011’s National People’s Congress meeting reveals that the broadly defined communication sector will be central to China’s attempts at transforming its economic developmental model. Recognizing that this five-year plan is an especially important programmatic framework for China’s future development, this article aims to spell out why and how communication will be entangled in China’s push for economic restructuring, as well as the potential constraints over its actual implementation. This article argues that, while the ICT, media, and culture sectors are given high expectations in the document to help expand socially and spatially domestic consumption orientation on the one hand, and to create sunrise, high-tech, and pillar industries on the other hand, it is crucial to remember that entrenched bureaucratic and transnational capitalist interests in and beyond the broadly defined communication sector may obstruct the realization of the plan.

Introduction

After three decades of problematic engagement with global capitalism, China’s outward-looking and export-dependent mode of economic growth has shown interconnecting symptoms: external dependence, downstream positions in the global division of labor, and rising social tensions. The Chinese leadership has long been aware of the underachieved and overdue objective of changing the “uncoordinated, uneven, and unsustainable” mode of economic growth. In Premier Wen Jiabao’s annual report to the People’s Congress on March 6, 2011, he elaborated on China’s developmental problems in nine specific areas: 1) resource constraints on economic growth, 2) unbalanced relationships between investment and consumption, 3) huge income disparities, 4) lack of domestic innovative capacities, 5)
irrational production structure, 6) weak agricultural foundation, 7) uncoordinated rural/urban development, 8) unemployment pressure, and 9) small contribution from service industry to the country’s annual total value of goods and services.

Well reflecting the shared anxiety among the ruling elites to combat these perceived threats, the 2011 annual meeting of the National People’s Congress, as a consensus-forming platform, was held March 5—14, 2011. The Twelfth Five-Year Plan passed by this congress, for the first time, prioritizes the task of speeding the pace of economic restructuring over the hitherto single-minded pursuit of economic growth.

To create a sustainable growth model for its long-term interest, China needs, first of all, to create effective domestic consumption demand, and secondly, to translate the country’s gigantic manufacturing capacity into some autonomous innovative capacity. The demand for transforming China from an outward-looking manufacturing powerhouse into an all-around engine of growth not only derives its urgency from the mounting domestic social deficits, but it also has a bearing on the sustainability and stability of the already overproduction-ridden transnational capitalism (Schiller, 2005).

What is remarkable about this five-year plan is the prominent role designated to the broadly defined communication sector in China’s overarching economic restructuring agenda. Indeed, in the past three decades of market reform, China has built up and upgraded its ICT manufacturing capacities and communication infrastructures, both as pioneering and even indispensible parts of the export-driven and FDI-oriented mode of economic growth. However, at the time of the state explicitly expressing the urgent demand for economic restructuring, some important questions arise: What roles will communication play in sustaining and renewing China’s developmental momentum when the status quo is in crisis, and how do developmental initiatives get expressed in and through communication? This paper aims to spell out why and how communication will rise to become a “pillar” industry in China’s economic restructuring. In view of both China’s rising position as a major engine of the global economy and the underpinning role of communication to the growth of global capitalism since the 1970s (Schiller, 2007), China’s further embrace of communication in its economic restructuring will have fundamental impact on its continuing political-economic reorganization, not only in relation to the global market economy, but also to communication, culture, and information technology.

Five-Year Plans of People’s Republic of China

- 1 The First Five-Year Plan, 1953–57
- 3 The Third Five-Year Plan, 1966–1970
- 4 The Fourth Five-Year Plan, 1971–1975
- 5 The Fifth Five-Year Plan, 1976–1980
- 6 The Sixth Five-Year Plan, 1981–1985
- 7 The Seventh Five-Year Plan, 1986–1990
- 8 The Eighth Five-Year Plan, 1991–1995
- 9 The Ninth Five-Year Plan, 1996–2000
- 10 The Tenth Five-Year Plan, 2001–2005
- 11 The Eleventh Five-Year Guideline, 2006–2010
 ICT: Transformer of Developmental Model and Propeller of Industrial Upgrading

In the spirit of "speeding the transformation of economic developmental model," the Twelfth Five-Year Plan aims to build a "modern production structure and to enhance core competitiveness" with the support of scientific and technological advances and innovations.

In order to build a "modern production structure and to enhance core competitiveness," the Twelfth Five-Year Plan suggests, among other things, "cultivating and promoting strategic sunrise industries." To this end, the Twelfth Five-Year Plan sets the goal of actively developing several high-tech industries, including "new generations of information technology, new energy technologies, biotechnology, high-end equipment manufacturing, new material, and new energy cars." In particular, speeding the development of information and communication technology and deepening the deployment and application of information and communication technology are regarded as important measures to enhance the country’s essential competitiveness (Lou, 2010).

By the end of the Eleventh Five-Year Plan period, not only has China become the world's largest export processing center of consumer electronic products, China has made backward linkages to manufacture more intermediate goods, including electronic components, electronic materials, and electronic equipment. However, despite the rising profile of a few indigenous firms and the upgrading trend of China’s ICT industrial structure, China still hasn’t occupied the commanding position in the global value chains (Hong, 2011).

In recent years, and in anticipation of migrating to the next-generation network architecture, the state has taken preemptive and orchestrated action to develop proprietary technological standards with the goal of transforming from "unidirectional technology licensing" from transnational corporations toward "co-development" (Yu & Li-Hua, 2010, p. 23). As Ji Zhengkun, Director of the Standardization Administration, has pointed out, setting technical standards has become a national strategy (MIIT, 2010b). During the Eleventh Five-Year Plan period, China has industrialized and commercialized the Chinese 3G network technology, TD-SCDMA. The Twelfth Five-Year Plan, likewise, puts stress on the guiding role of major national S&T programs in promoting industrial innovation in strategic areas, such as China Next Generation Internet, network of things, and broadband wireless Internet.

The state-led development of advanced communication networks is also meant to upgrade backbone ICT industries, including computer equipment, audio-visual equipment, and telecom equipment manufacturing, and to form advanced supply chains in emerging markets. Indeed, the state has largely lost its authority in directly organizing industrial production, but its tight ownership control over communication networks still enables its leverage over network development for the sake of industrial policy (See Hong, Bar, & An, 2011). In view of the lack of core competency in innovative R&D and design, Xiao Hua, Director of the Electronic Product Department of MIIT, for example, has called for making strategic planning for developing handset chips for the new generation of mobile telecommunication. Mobile telecommunications, according to Xiao Hua, is the most likely field where China, the largest
hardware manufacturer in the world, can get a genuine breakthrough and obtain a globally leading position (2010).

Recognizing the state’s increasingly active, and even overbearing, role in steering the country’s technological and industrial development in and through communication, it is also worth pointing out that the divergent interests among various branches of the Chinese state—and most importantly, rising competition among Chinese firms with different geographical and developmental focuses—have made forming a strong nationalist coalition behind the nation-centric mode of technological/industrial development a challenging task (Zhao, 2010).

In order to build a “modern production structure and to enhance core competitiveness,” the Twelfth Five-Year Plan also suggests speeding the development of the service sector and upgrading the industrial sector, both of which are predicated on the IT service and software industry.

In 2010, the service industry accounted for 43% of the national gross domestic product (National Development and Reform Commission, 2011). Premier Wen has set the goal of increasing the value-added contribution of the service industry by 4%. To this end, the state aims to encourage the service outsourcing industry. Because telecommunications is the underpinning platform for trade in software and service, the MIIT released in 2009 a “Guiding Opinion on Supporting International Telecommunications Development in Pilot Cities for Service Outsourcing Industry.” More than twenty cities have been designated to enjoy preferential policies and designated international telecom gateways (MIIT, 2009).

The Twelfth Five-Year Plan also demands a deep-level deployment of information technology and information service in the traditional industrial sector to increase managerial efficiency, facilitate production upgrading, and optimize business and trade procedures. IT-based production services, such as logistics, E-commerce, industrial design, and consulting, are expected to become the driving force of industrial upgrading in the traditional industrial sector (Lou, 2010). In return, industrial upgrading, especially the creation of new modes of production, will create huge market demand for modern IT-based applications and services. Lou Qinjian, former Vice Minister of MIIT, expects heavy growth in the applied electronics industries, including car electronics, financial electronics, and healthcare electronics (Lou, 2010).

The Culture Industry as a Pillar Industry

In 2009, to combat the sudden slumps in the global exports market, and in view of the incremental trends of rising production costs as well as the pressure to appreciate the currency, the state took concrete steps to reduce China’s reliance upon cheap export-processing production. The State Council released the rescue plans for ten industries, including the “Plan for Boosting the Culture Industry.” This boost plan recognizes the culture industry as a new engine of economic growth, and it calls for accelerated development of key cultural sectors, such as the creative industry, filmmaking and entertainment, publishing, advertising, cultural exhibitions, and digital animated cartoon sectors.

Furthermore, as a landmark document, the Twelfth Five-Year Plan—for the first time—officially endows the culture industry with “pillar” industry status. It sets the goal of promoting a "major and
prosperous development” of culture in its own right and emphasizes the task of “liberating the cultural production force.” This stand-alone role designated to culture in the overall five-year plan symbolizes its high status in China’s long-term efforts to renew and rebalance its economic growth.

In order to become a “pillar” industry in a real sense, the cultural industry must grow at a double-digit rate and contribute 5% of the country’s GDP by 2015 (Guo, 2009). To unleash its growth, the state has sped up the restructuring reform to transform public institutions into corporations on the one hand, and to liberalize the entry of non-state societal capital into the cultural sectors.

In a narrow sense, China’s cultural public service institutions are units under the jurisdiction of three government administrations—namely, the Ministry of Culture, the State Administration of Press and Publication, and the State Administration of Radio, Film and Television. For a long time, culture public service institutions, especially those in the publishing, broadcasting, and television sectors, have acquired dual legal status, i.e., “cause-oriented undertakings managed as business enterprises” (Zhang, 2006; Zhao, 2008).

Starting in 2002, but then drastically intensified in the aftermath of the 2008 global economic crisis, the state has put forth a series of measures to further dismantle institutional obstacles against further market expansion of cultural corporations, especially territorial and administrative constraints (Zhao, 2008, pp. 104–105). In 2009, the General Administration of Press and Publication released the “Instructional Opinions on Further Pushing the Development of News and Publication Industries.” It encourages leading national and provincial press corporations to pursue cross-region, cross-industry, cross-medium, and cross-ownership mergers, acquisitions, and market consolidation. In 2010, the “Guiding Opinions of the Nine Ministries and Commissions on the Financial Support on the Revival and Booming of the Culture Industry” further encourages creation and expansion of cultural enterprises through financial instruments and capital markets. It pledges to promote credit products for corporate entities, and to develop loan services for cultural consumption (The People’s Bank of China, 2010).

Within three to five years, the People’s Daily, Jiangsu-based Phoenix Publishing & Media, Nanfang Daily Corporation, China National Publishing Corporation, Liaoning Publishing & Media Company, Jiefang Daily Newspaper Group, and Zhejiang United Publishing Group, along with several other state-owned or state-controlled sharing-holding news and publishing companies, are expected to expand their corporate assets and sales revenues to the level of ¥10 billion and beyond, and to constitute the first-tier club before rising up to become transnational media corporations (Guo, 2010).

Granted that the formation of national and provincial media and publishing groups is meant to consolidate the production and export of content, as well as to enhance China’s soft power on the global level (Keane, 2006), it is also the means for state-owned media groups to harness and manage digitalized distribution systems. During the Twelfth Five-Year Plan period, performance, entertainment, art, animation, and Internet-based content sectors are encouraged to develop digital applications and increase online and mobile sales of digital content. To multiply the market value of these digitalized content and value-added services, and more importantly, to secure state-owned media groups an advantageous position in the digital market, it is a precondition to liberalize market-oriented digital operations within
those media conglomerates in order for them to expand and consolidate the hitherto fragmented network assets.

However, as Zhao has documented, China’s drive to build a culture industry starting in 2002 has been a direct response to the crippled earlier efforts to push forward marketization in the media and culture sectors (Zhao, 2008). The tension between the expansionist market imperative and entrenched bureaucratic capitalist interests, therefore, may continue to hold back and even thwart the planned reorganization of the media and culture sectors.

**Consumption-Driven Economic Growth**

To quicken the transformation of China’s economic development model, the Twelfth Five-Year Plan also stresses putting in place an effective and long-term mechanism to enlarge domestic consumption demand, especially residential, rather than investment-driven, consumption demand.

China’s export-dependent and outward-looking mode of economic growth for three decades has created approximately 350 million urban consumers and built up the state’s financial prowess. Nonetheless, this growth model has simultaneously intensified class polarization and created ballooning urban and rural under-classes. Comprising the largest segment of Chinese workers, rural residents in particular, generate a disproportionately small share of market demands for consumer products, despite their urban wage-labor undertakings. Apart from the gigantic political instability the state has to contain, the bulk of the Chinese population is unable to generate a wage-based consumption demand to drive China’s economic growth.

To create domestic engines of economic growth, the obvious answer is to raise wage rates, so as to create a wage-based consumption demand. However, this measure will undercut China’s cheap production advantage in the global market economy. Therefore, it faces structural resistance from the entrenched coastal export-processing regime. While Premier Wen pledges in his annual report to “work hard to keep residential income growth at the same pace with economic growth and to make the growth of labor compensation commensurate with the growth of labor productivity,” it is worth pointing out that the personal consumption capacity of the peasant-worker community may be too little and too slow a demand to absorb surplus products or sustain a profitable return (Harvey, 2010; Wu, 2010).

So, to enlarge residential consumption demands, the state has to reply upon consumption-oriented redistribution measures. Remarkably, ICT products, information service, and media content, perceived as China’s consumption hotspots, are expected to help drive domestic demand. According to Premier Wen’s report, the state wants, in the Twelfth Five-Year Plan period, to provide more government subsidies to low-income urban residents and peasants, and to carry on the inward-looking program of “Delivering Appliances to the Countryside” started in 2008.

In addition, the state pledges to promote infrastructure construction in the countryside, as well as in small and medium-size cities, including broadband Internet, entertainment, sports, tourism, and commercial infrastructures. These infrastructures will create new spaces for consumption, including the
development of tourism and festival spaces (Chien, 2008). To cultivate the domestic market, Director of the State Administration of Radio, Film and Television, Wang Taihua, also pledged to 1) expand film distribution channels and movie theater chains, 2) increase television channels designated for children and animation, and 3) to promote international exhibitions for audio and visual products (Wang, 2010).

The state also expects communication networks to upgrade China’s trade environment through online transactions and aims to promote online shopping as a new mode of consumption.

No doubt, the Twelfth Five-Year Plan also pledges to carry on the redistribution campaign of sending culture and media resources to the countryside and less-developed central and western regions; however, the main focus is an advertising-oriented expansion of media/culture facilities. Indeed, broadcasting, print, and online media are the platform for advertisement spending, the importance of which climbs up during China’s move toward a consumption-driven growth path. China’s annual advertisement spending has grown at an average rate of 17% since 2001 (Abplanalp, 2009). After another boom in 2008 attributable to the Beijing Olympic Games, China’s advertising spending continued to undergo steady growth, despite the global economic downturn. “Advertisers from the food and beverage, industrial, business, retail, electronic appliance and cosmetic categories have increased their TV and print media investment in the first half of 2009, compared to the same period last year,” the futures director of Group M Knowledge, China, observed. “Advertisers from clothing, cosmetic and toiletries, education, and retail categories have increased their online ad spending in the first half of 2009” (O’Leary, 2009).

An advertising-oriented expansion of media/culture facilities will only intensify the economy’s reliance upon consumer goods, the production of which has already been ridden by excess capacities and declining profitability. To sustain a profitable return, it is logical to let the growth of real wages catch up with the growth of labor productivity. Certainly, real wages for migrant workers grew by 10% per year in 2006 and 2007 prior to the global economic crisis, an increase which was the combined effect of the outbreak of labor shortage in coastal regions, the state’s elimination of agricultural taxes in the countryside, and the impending pass of the new Labor Law taking effect in 2008 (Park, 2011). However, an effective mechanism to force continuous wage growth in the worker-peasant community is unmistakably absent. Therefore, the state’s attempt to expand the consumption orientation spatially and socially, facilitated by media and culture expansion, is likely to face real obstacles.

**Network-Based Spatial Restructuring**

So far, China’s move toward a “consumption driven growth path” has hinged less upon redistribution of social wealth along the social justice principle than on integrating the national market (Schiller, 2008). Starting in the late 1990s, but accelerated under the Hu-Wen administration, the Western Development Strategy and the construction of a “new socialist countryside” have been two leading campaigns to build new spaces for production and consumption.

However, despite the rhetorical fanfare for these rebalancing campaigns, the spatial reorganization of economic growth has produced limited results. Up to 2007, nearly a decade into the
state’s Western Development Strategy, Western regions had attracted only 3% of the country’s foreign direct investment (Huang, 2007). As Hung argues, the entrenched coastal export-processing regime constitutes a structural obstacle to any large-scale rebalancing effort (Hung, 2009, p. 8).

Recognizing that the 2008 global economic crisis in particular, as well as the changing political-economic situations in general, have put a brake on China’s export-driven and outward-looking mode of economic growth, it is predictable that within the Twelfth Five-Year Plan period, the state will step up its spatial restructuring efforts. As part of the objective to “develop a modern production structure and to enhance core competitiveness,” the Twelfth Five-Year Plan confirms the important task of building a comprehensive and multi-layered transportation infrastructure system. As a part of that, the convergence among telecom networks, broadcasting networks, and the Internet, which is set “to be achieved” during the Twelfth Five-Year Plan period, is expected to become the foundation for the next generation national communication infrastructure.

While physical infrastructure investment has long been an important engine to “produce new spaces of capitalist activity,” linking the construction of large physical infrastructures with ICT investment is becoming a new feature of infrastructure buildup (Harvey, 2010; OECD, 2009). In other words, there has been a concomitant drive to turn infrastructure buildup into a self-sustainable consumption site for ICT products. In view of the surge of infrastructure investments, the Ministry of Industry and Information Technology, in 2010, stipulated that new approvals from the government for new constructions of railways, airports, bus stations, subways, and roads must to consider the needs of telecommunication (MIIT, 2010a).

**Discussion**

The Twelfth Five-Year Plan, as a newly minted programmatic framework, has prioritized economic restructuring over economic growth, a consumption-driven growth model over the reliance upon export expansion, and the social and spatial rebalancing agenda over the entrenched export-processing regime. Crucially, as this paper has pointed out, the broadly defined communication sector, according to the Twelfth Five-Year Plan, will be central to China’s overarching restructuring agenda, in terms of developing core industrial competency, boosting residential consumption, and rebalancing regional development. So, at the conjuncture of creating high-tech, sunrise industries on the one hand, and following the consumption-driven growth path on the other hand, we can expect China to climb up the scale both as production and consumption sites for cultural products, IT products, and software and information services. In view of both China’s rising position as a major engine of the global economy and the underpinning role of communication to the growth of global capitalism since the 1970s, China’s attempt at economic restructuring in and through communication will have significant impact not only on the country’s own political-economic reorganization, but also on the global market economy.

Indeed, there is no way to underplay the strategic role designated to communication in the state’s planning. Perceiving the ICT sector as a dragonhead, pillar industry in its own right, the state has taken administrative measures to promote next-generation network technologies in recent years. Like other key infrastructure sectors, neither China’s telecom infrastructures nor its television cable networks
underwent massive privatization or FDI liberation (Wu, 2009; Zhao, 2008). As a result, at the juncture of migrating to the next-generation network architecture, the Chinese state can still leverage the domestic market to promote indigenous technologies. While making preemptive, orchestrated efforts to develop new proprietary technical standards, the state also aims to form advanced production chains among indigenous firms and, thereby, to break out of the downstream position hitherto assigned to China by the transnational production network (see Hong, Bar, & An, 2011).

Promulgating the mantra of neo-industrialization, the state also expects a deep-level deployment of ICT as a way to transform the traditional industrial sector. IT-based applications and services are considered essential to promoting new methods of production; in return, industrial upgrading is expected to create new market demand for applied electronics and IT services.

In view of China's uneven regional development, the spatial expansion of communication networks, ICT-equipped transportation infrastructures, and smart electric grids is a precondition for integrating the national market and turning less-developed regions into new spaces of production and consumption. Not only are central and western provinces designated to become regional hubs in the national transportation network, some provinces, such as Sichuan, are expected to host industries relocated from coastal regions, and to become regional R&D, production, operational, and distribution centers in the national electronics and information production chain (Huang, 2011).

Finally, the culture industry, with its products increasingly being traded via telecom networks, is expected to grow its share in the gross domestic product and become a "pillar" industry. While the creation of cultural public service platforms in the countryside and central and western regions is part of the social welfare program, the state also expects to further liberalize the culture industry, to strengthen leading cultural corporations, to expand cultural exportation, and to integrate national distribution channels to promote domestic consumption. So, we can expect that China's expansion of soft power on the global level will be carried out on the back of further corporatization, liberalization, and consolidation of cultural production and distribution assets on the domestic front.

Overall, in view of severe socioeconomic deficits resulting from China's three decades' pursuit of "neoliberalism with Chinese characteristics," the Twelfth Five-Year Plan—in the midst of the bankruptcy of the U.S.-led neoliberal economy and China's continued rise in the global capital economy—represents the Chinese state's planned "responses to and revisions of neoliberalism in and through the realm of information and communications" (Chakravartty & Zhao, 2008). While this state-promulgated plan of economic restructuring does seem to point China toward a correct direction, this paper should end with a cautious note: It is crucial to keep in mind that, among other things, the contradictions between the nation-centric mode of technological and industrial development and its underpinning corporate structure, between the advertising-driven boost of domestic residential consumption and the corporate unwillingness to raise wages, and between the infrastructure-spearheaded spatial rebalancing campaign and the orchestrated efforts of the coastal export-processing regime to renew vested interests may obstruct realization of the objectives of the new five year plan. No wonder that, after the passage of the Twelfth Five-Year Plan, some local governments, in tandem and in tension with corporate interests, continue to pursue short-term GDP growth at the expense of economic restructuring. The stagnant residential...
consumption capacity also means that the use of excessive infrastructure buildup is likely to continue to be the main driver of domestic consumption (Anonymous, 2010; Naughton, 2010). Having said that, the historical process of communication-driven economic restructuring—probably unfolding in an uneven and even conflictive mode—is undoubtedly a worthy trend to follow for whoever may be interested in social change in China.
References


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