INTERNATIONAL BUSINESS

What CEOs Should Know About China's Business Ambitions

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China—a nexus of manufacturing, innovation, and talent, as well as a vast market for selling goods and services—is critical for businesses. And yet, the world's second-largest economy can present complexities as well as opportunities. Some emphasize its rising middle class, resilient growth, and high-tech industries. Others point to its aging population, economic imbalances, and geopolitical frictions. For business leaders, the challenge is knowing which signals best reveal China's long-term direction.

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Now is a unique moment for companies to reexamine China. The nation's 15th Five-Year Plan (2026–2030), approved in March, sets China's direction as its global role expands. At the heart of the plan is the aspiration to achieve "a new kind of high-quality development": to rebalance the economy toward consumption and innovation, while managing the pressures of demographic change, industrial overcapacity, and a geopolitically charged global environment.

Below, we explore what the plan seeks to achieve, what constraints and opportunities China faces, and the implications for business.

China's Next Chapter Will Matter

China's rise has shaped the past half-century. In 1980, the nation's total nominal GDP was less than half of Italy's; today, even as its growth rate slows, China adds the equivalent of Italy's entire economy to its GDP every three years. [1] China is also the world's factory floor, accounting for nearly a third of manufacturing value-added, more than the US, Japan, and Germany combined. [2] China's share of global nominal GDP is 19%. [3] But in many industries, its share of global output far exceeds that. For example, China processes 93% of the world's rare-earth alloys, produces more than half of its crude steel, assembles over one-third of its vehicles, and installs more than half of its industrial robots. Moreover, its investments in cross-border greenfield projects rank second only to those of the US.

Even as its economic weight continues to grow, China has reached an inflection point. Rural-to-urban migration is approaching its natural limits. An aging population that underconsumes relative to OECD countries is emerging as a major structural pressure. Debt-fueled industrial investment has left large imbalances between what the country produces and what its households consume.

The 15th Five-Year Plan aims to address these issues. How far it is realized will depend on two factors: how fast China's economy grows and how successfully it pivots toward a new development model. As shown in Exhibit 1, the interaction of these factors suggests four possible future scenarios, depending on the choices made today:

- A high-quality growth engine, with bold reforms delivering innovation-led growth powered by domestic consumption—analogous to South Korea's sustained productivity-driven rise since the 1990s
- A difficult rebalancing path, with institutional reforms slowing China's momentum—echoing Japan's deflationary stagnation after the postwar boom

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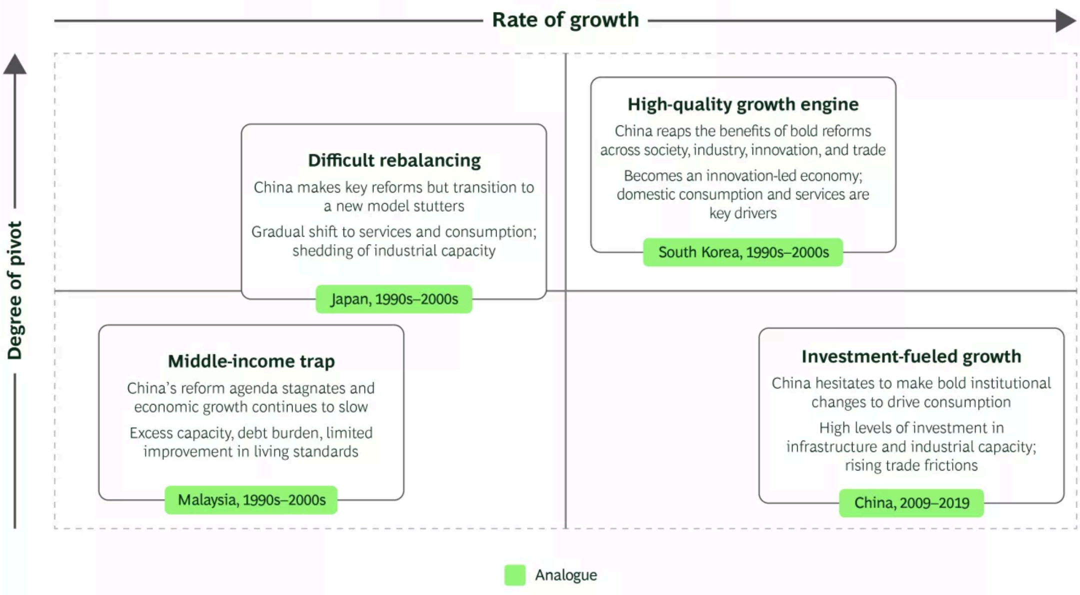
- A doubling down on investment-fueled growth—mirroring China's experience after the 2008 global financial crisis—which may become difficult to sustain in the long run
- A "middle-income trap," with reforms stalling and excess capacity, debt, and limited gains in living standards curbing growth toward a wealthy economy—similar to the stagnation Malaysia has sought to escape

EXHIBIT 1

Four Scenarios for China's Future Development



Source: BCG analysis.

China's next chapter will matter to many companies: those embedded in its supply chains, those selling into its market, and those facing its firms as competitors. Companies best positioned to thrive will invest time in understanding China's business environment and future competitiveness.

Planning a Modern Economy at Scale

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A quarter-century ago, many expected China's planning state to fade as the country joined the World Trade Organization and accelerated its integration into global markets. The private sector has indeed boomed in China. Innovation now thrives alongside the planning apparatus, as the emergence of DeepSeek demonstrates.

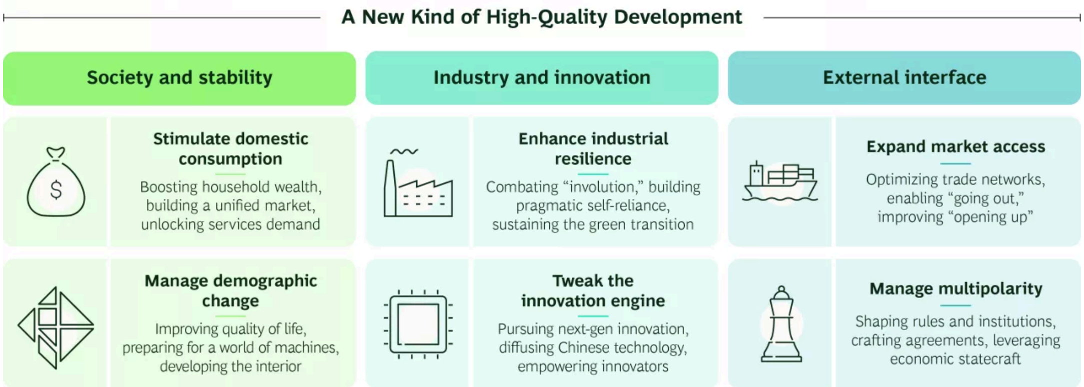
But the planning system continues to be influential. At its apex is the plan for economic and social development, which sits above dozens of issue-specific, sectoral, and regional plans. In each of China's more than 3,000 administrative units (county-level and above), authorities issue blueprints tailored to local goals and conditions. In 2026, China's legislature passed the Law on National Development Planning, the first statute to formalize the procedures for drafting, approving, and implementing state plans.

The *Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China* is the latest example of China's active planning state. It runs to 18 parts and 62 chapters. It was crafted over a two-year period, canvassing input from all levels of government, as well as from research institutions and industry associations.

BCG has distilled six strategic goals from the plan, spanning three pillars: society and stability, industry and innovation, and China's external interface. (See Exhibit 2.) Together, they offer a practical framework for executives studying the opportunities and risks ahead for China in the next five years and beyond. For each pillar, China laid out a set of ambitions and will need to confront difficult constraints.

EXHIBIT 2

Six Major Policy Goals Shape China's 15th Five-Year Plan



Sources: China's 15th Five-Year Plan, 2026–2030; BCG analysis.
Note: The official plan comprises 18 parts with 62 chapters; this is a distillation of major goals, based on key aspects of the official plan and other related documents.

Society and Stability: Rebalancing Growth in an Aging

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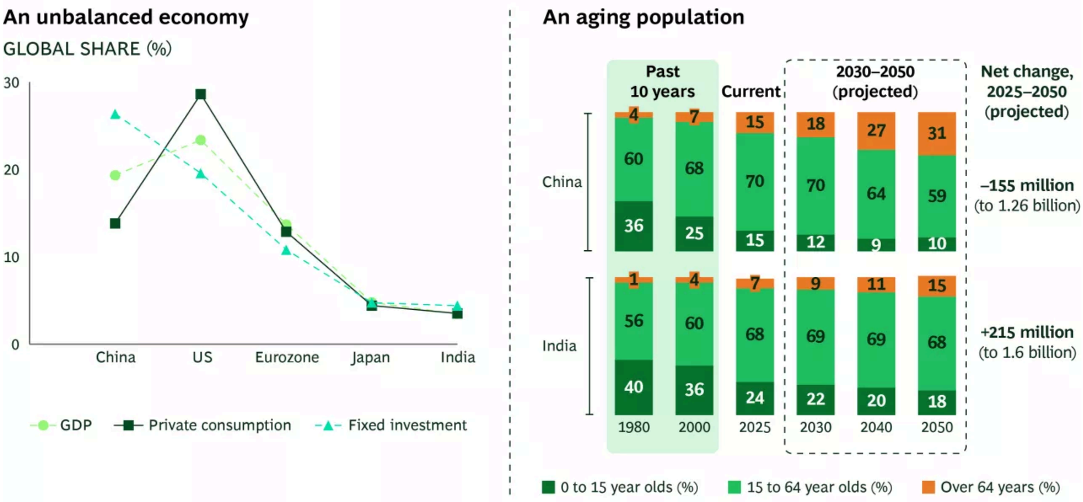
Society

China accounts for 19% of global GDP but only 14% of global private consumption.[4] Consumption as a share of GDP is only 39%, compared with the OECD average of 54%.[5] On the other hand, China spends one in every four dollars of fixed investment globally. These ratios make China unique among major economies. (See Exhibit 3.) China's economy has grown six-fold since 2001,[6] which does imply a consumption boom, but the need to rebalance the economy is more pressing than ever.

EXHIBIT 3

The Challenges for Society and Stability



Sources: Oxford Economics; BCG analysis.
Note: Demographic projections are from Oxford Economics; GDP, private consumption, and total fixed investment are based on constant prices and exchange rates in US dollars at 2015 prices.

Many societies globally are aging, but China faces singular demographic pressures. By 2040, the elderly will outnumber children by three to one, and by 2050, China's population is expected to shrink by over 150 million—roughly the population of Russia today. This is the inverse of neighboring India, where the young will continue to outnumber the old.

Consumption has two elements: the size of the consuming population, shaped by demographics, and the propensity to consume, driven by wages, wealth, and savings rates. While China is still expected to add 80 million people to the middle class between 2024 and 2030, growth has slowed from the pre-pandemic pace of nearly 40 million new middle-class entrants per year.[7] Its household savings rate, at around 35% of disposable income, is far above any major economy—no OECD country reaches even 20%.[8]

The 15th Five-Year Plan relies heavily on wage growth and expanded social benefits, covering health care, childcare, and eldercare, in order to put more money in household pockets while also

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stabilizing the property market and expanding affordable housing. The “silver economy,” moreover, seizes on the aging population as an opportunity to grow health, wellness, and leisure services, complementing the growth in digital consumer services and experience-oriented consumption (such as tourism and sports). China is at the forefront of deploying industrial robots and AI to offset impending labor shortages—not just in factories, but also in hotels and hospitals—while investing in vocational retraining and AI-focused curricula to prepare the workforce for this transition.

Harmonizing provincial regulations, in turn, is meant to create a unified national market, where goods and services can move and scale more freely, and drive consumption in tier 3, 4, and 5 cities. Better integrating inland regions with the coast, promoting metropolitan clusters, and easing settlement barriers for rural migrants are solutions to sustaining urbanization and the expansion of the middle class. (See “Key Planning Documents: Society and Stability.”)

– Key Planning Documents: Society and Stability

- 15th Five-Year Plan Outline (National People’s Congress, March 2026)

  o Part 4, Ch. 12–13, “Strengthen the Efficient Supply of Computing Power, Algorithms, and Data" and "Advance the Comprehensive Empowerment of Digital-Intelligent Technologies"
  o Part 5, Ch. 15, “Vigorously Stimulate Consumption”
  o Part 5, Ch. 17, “Deepen the Development of a Unified National Market”
  o Part 9, Ch. 28, “Enhance Coordination in Regional Development”
  o Part 9, Ch. 31, “Deepen People-Centered New-Type Urbanization”
  o Part 11, Ch. 37, “Build a Fertility-Friendly Society and Improve the Childcare Service System”
  o Part 11, Ch. 40, “Actively Respond to Population Aging”
  o Part 12, Ch. 42, "Improve the Income Distribution System"
  o Part 12, Ch. 43, "Improve the Social Security System"
  o Part 12, Ch. 44, "Promote High-Quality Development of the Real Estate Sector"

- Plan on Special Initiatives to Boost Consumption (Chinese Communist Party Central Committee and State Council, March 2025).

- Guideline for Building a Unified National Market (State Council, 2022; updated 2025)

- Five-Year Action Plan on Deepening the People-Centered New Urbanization Strategy (State Council, July 2024)

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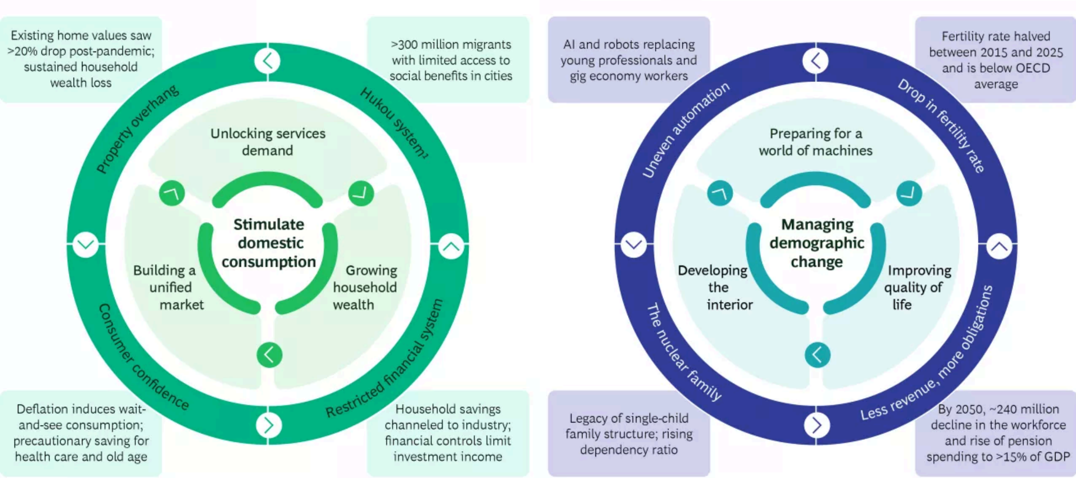
- State Council Silver Economy Policy Package (2024)
- Several Measures for Accelerating the Improvement of the Fertility Support Policy System (State Council, October 2024)
- Opinions on Deepening Implementation of the “AI+” Campaign (State Council, August 2025)

Achieving these societal ambitions will take time. (See Exhibit 4.) In most households, the preference is for precautionary savings set aside for health emergencies and old age. China has made substantial gains in raising wages, but declining property values and a restrictive financial system affect savings and make it difficult to generate nonwage income. Deflation induces a wait-and-see attitude among budget-conscious consumers. And as the population ages, a fragmented pension system will be increasingly strapped, with larger obligations and a reduced tax base of workers to draw from.

EXHIBIT 4

Constraints on Ambitions: Society and Stability



Sources: National Bureau of Statistics of China; State Council of China; Rhodium Group; OECD; International Monetary Fund; BCG analysis.
[1]The hukou system is China's household registration mechanism, which determines where a citizen can reside, work, and access social benefits.

China's efforts to rebalance growth in an aging society will create openings for businesses that invest ahead of it. The silver economy, expanded services, and a more unified national market can unlock new revenue streams. Multinational companies will have to be agile in order to manage

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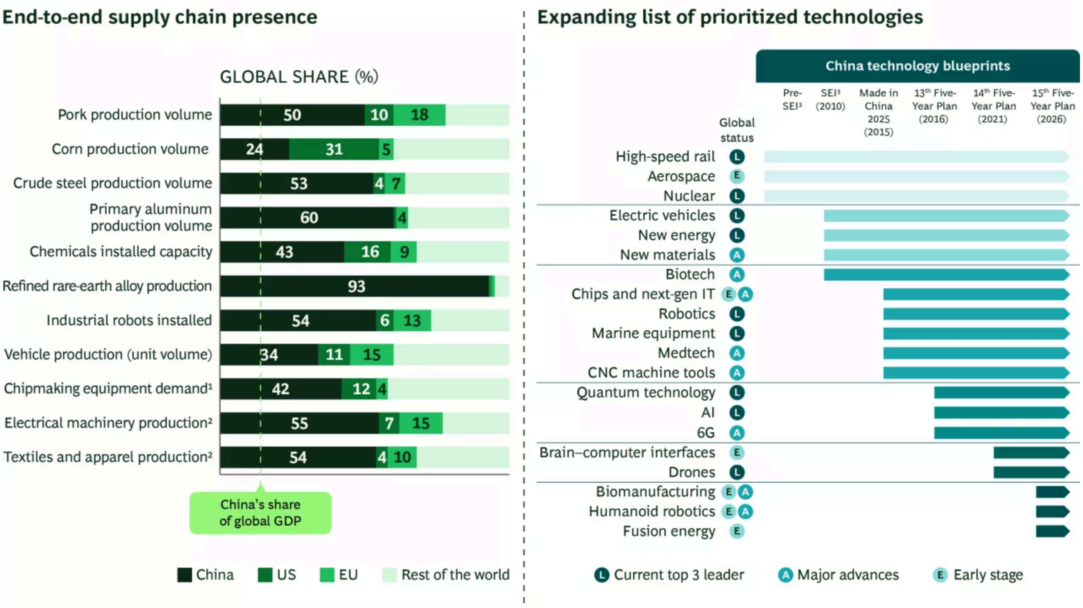
data restrictions, uneven market access, and a surge of local competitors. More fundamentally, China's ability to maintain a vibrant society is a precondition for business growth.

Industry and Innovation: Building on Strengths

China’s well-established industrial base is one of the world's largest and most complex. Relative to its share of global GDP, China today punches above its weight in a wide range of supply chains, from meats and grains to metals, chemicals, vehicles, chips, electronics, and apparel. (See Exhibit 5.) Behind many of these numbers is underutilized capacity, which originated in heavy industries but today also affects newer industries such as solar photovoltaics, semiconductors, and electric vehicles.

EXHIBIT 5

The Challenges for Industry and Innovation



Sources: US Department of Agriculture; World Steel Association; International Aluminium Institute; IHS Markit; US Geological Survey; International Federation of Robotics; International Organization of Motor Vehicle Manufacturers; SEMI; Oxford Economics; Chinese government documents; BCG analysis.
[1]Revenue.
[2]Manufacturing value-added.
[3]Strategic Emerging Industries policy.

While building up its industrial base, China has transformed itself from a technology importer into an innovation hub. Backed by Made in China 2025 and other technology blueprints, the country has sought a leading position in over a dozen sectors—and continues to add to the list of technologies where it seeks, or has attained, global leadership. But China will need to prioritize.

Its companies now face acute pressure to monetize their technologies, both in China and globally.

The 15th Five-Year Plan seeks to build industrial resilience by attacking “involution”—the destructive price wars that erupt when too many producers compete for the same markets. The legislature has amended the country’s Pricing Law and Anti-Unfair Competition Law to penalize predatory competitive behavior. The government has also introduced a suite of capacity rationalization measures tailored by sector; in chemicals, for example, reducing export VAT rebates, increasing input surcharges, and tightening investment approvals. At the same time, the plan pushes remaining capacity up the value chain through intelligent and digital factory transformation.

China also continues to strive toward a lower-carbon energy mix. The 15th Five-Year Plan targets a 10% reduction in energy consumption per unit of GDP, with a 2030 carbon peak goal that will require significant capital reallocation away from energy-intensive industries and production processes.

On innovation, the 15th Five-Year Plan reinforces China’s policy of creating domestic capabilities to reduce reliance on foreign technology, particularly in semiconductors. It also outlines China's future direction in technologies including quantum, biomanufacturing, fusion energy, brain-computer interfaces, and 6G. A key new push is the AI Plus Initiative: applying AI broadly across manufacturing and society. Government-guided funds aim to fill the gap left by less mature private-venture markets. To diffuse technologies, the plan also promotes international standard-setting and corporate brand-building. (See “Key Planning Documents: Industry and Innovation.”)

– Key Planning Documents: Industry and Innovation

- 15th Five-Year Plan Outline (National People’s Congress, March 2026)
  - Part 2, Ch. 4, "Upgrade Traditional Industries"
  - Part 2, Ch. 5, "Nurture Emerging Industries and Industries of the Future"
  - Part 3, Ch. 8, "Advance Original Innovation and Key Core Technologies"
  - Part 3, Ch. 10, "Enhance the Dominant Position of Enterprises in Science and Technology Innovation"
  - Part 3, Ch. 11, "Jointly Advance the Development of Education, Science and Technology, and Talent"
  - Part 4, Ch. 12, "Strengthen the Efficient Supply of Computing Power, Algorithms, and Data"
  - Part 4, Ch. 13, "Advance the Comprehensive Empowerment of Digital-Intelligent Technologies"

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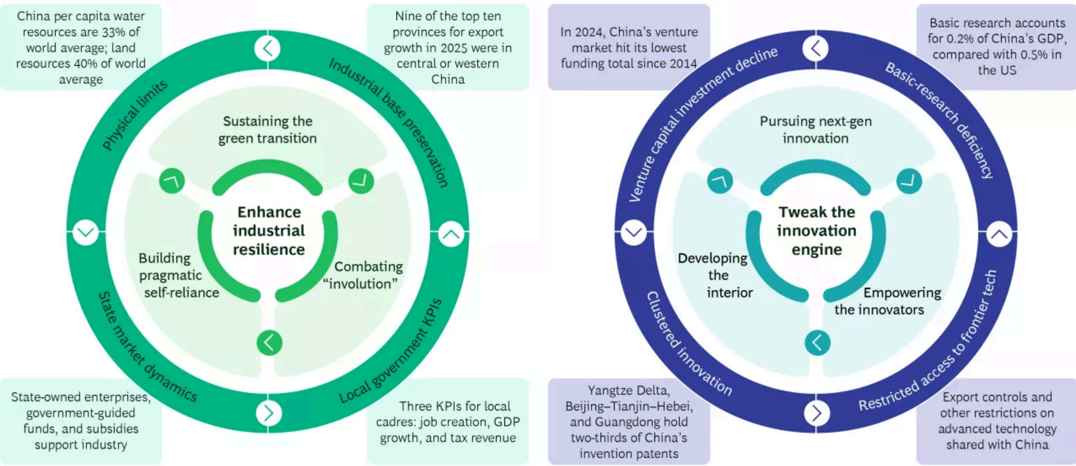
- Part 13, Ch. 47, "Actively and Prudently Advance Toward Carbon Peaking"
- Part 14, Ch. 52, "Safeguard National Economic Security"

- Anti-Unfair Competition Law of the People's Republic of China, 2025 revision (National People's Congress Standing Committee, June 2025)
- Pricing Law of the People's Republic of China, 2025 revision (National People's Congress Standing Committee, 2025)
- Action Plan for Digital Transformation of the Manufacturing Sector (State Council, May 2024)
- National Standardization Development Outline (State Council and National People's Congress Central Committee, October 2021)
- Implementation Opinions on Promoting the Innovative Development of Future Industries (Ministry of Industry and Information Technology *et al.*, January 2024)
- Action Plan for Adjustment and Optimization of Academic Disciplines and Majors 2025–2027 (Ministry of Education, August 2025)

The state architecture that enables directed industrial upgrading also complicates the market discipline needed to achieve it. (See Exhibit 6.) Local cadres charged with implementing the 15th Five-Year Plan are evaluated on employment, fiscal revenue, and GDP indicators that may reinforce the existing growth model. And because China is a large country, its investment- and industry-led model may simply shift inland.

EXHIBIT 6

Constraints on Ambitions: Industry and Innovation



Sources: OECD; World Intellectual Property Organization; China National Intellectual Property Association; Crunchbase; Food and Agriculture Organization of the UN; World Bank; Yicai Global; BCG analysis.

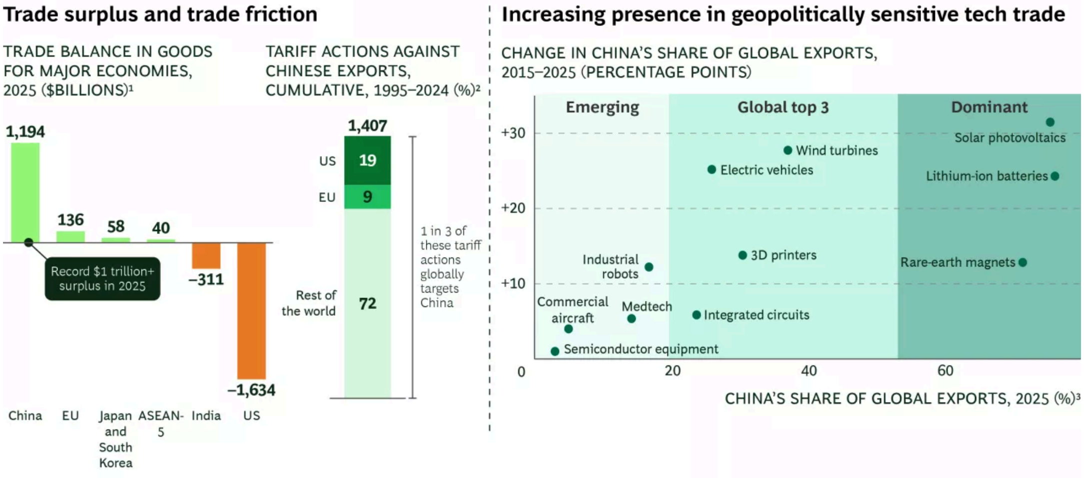
For multinationals, China's industrial policy cuts both ways. Chinese firms will emerge as stronger competitors in advanced manufacturing, but they can serve in equal measure as innovation partners. Companies might assess China's AI and robotics capabilities as a means to automate operations and offset rising labor costs. Companies should also watch capacity rationalization closely: shifts in China's volumes will continue to shape industrial prices and margins worldwide.

External Interface: Expanding Market Access and Managing Multipolarity

China's external interface—its interaction with the global economy and global order—faces dual headwinds. One is commercial. China's trade surplus exceeded $1 trillion in 2025, a record that reflects the scale of domestic supply being absorbed by export markets in the post-pandemic era. (See Exhibit 7.) However, export market access is narrowing as trading partners respond to the influx of made-in-China products. In 2024, 28 different trading partners—including some developing countries—launched a total of 169 tariff investigations into goods from China, a single-year record.[9] US tariffs on Chinese goods are at their highest average level since the normalization of US–China relations. The EU is also responding—for example, with antisubsidy tariffs of up to 35% on Chinese electric vehicles.[10]

EXHIBIT 7

The Challenges for External Interface



Sources: S&P Global; World Trade Organization; BCG analysis.
[1]Trade balances are based on each country's exports and imports of goods, not inclusive of services; US data based on imports for consumption.
[2]Antidumping and countervailing duty measures.
[3]2025 data is Q4 2024 to Q3 2025.

The other headwind is geopolitical. As China begins to account for a larger share of advanced-technology exports, its companies expanding overseas may face increasing regulatory scrutiny.

More broadly, the WTO-anchored multilateral order that underpinned China's rise is being replaced by a world of multipolarity and economic statecraft. Alongside this shift, China's status in the world has evolved from a developing market to a major power.

The 15th Five-Year Plan aims to facilitate cross-border flows of goods and capital. To propel "going out," it seeks to upgrade the country's export mix toward green technologies and digital trade, deepen Belt and Road Initiative partnerships (now explicitly framed around "soft connectivity" through shared rules and standards, as well as infrastructure), and accelerate renminbi internationalization. Chinese companies are getting expanded support for overseas operations—legal, tax, customs—through a strengthened single-window system.

To further "open up" the domestic economy, China is reducing certain import duties, enabling more foreign investment, opening service sectors to foreign players, and simplifying rules for reinvesting retained earnings in China. Pilot free trade zones are being upgraded to promote digital trade and cross-border data flows.

To manage multipolarity, Beijing is pursuing a parallel strategy: reforming multilateral institutions such as the WTO from within, while building bilateral relationships by other means. The 15th Five-Year Plan calls for deepening free-trade agreements across East Asia—enhancing the Regional Comprehensive Economic Partnership, pursuing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Digital Economy Partnership Agreement, and advancing the Free Trade Area of the Asia-Pacific—while also strengthening BRICS+ and the Shanghai Cooperation Organisation. (See "Key Planning Documents: External Interface.")

– Key Planning Documents: External Interface

- 15th Five-Year Plan Outline (National People’s Congress, March 2026)

  o Part 4, Ch. 14, "Build a Healthy and Well-Organized Development Ecosystem"
  o Part 7, Ch. 21, "Actively Expand Autonomous Opening-up"
  o Part 7, Ch. 22, "Enhance the Quality and Level of Trade and Investment Cooperation"
  o Part 7, Ch. 23, "Jointly Build a High-Quality Belt and Road"
  o Part 7, Ch. 24, "Build a Community with a Shared Future for Mankind"
  o Part 15, "Achieve the Centenary Goals of the People's Liberation Army and Modernize National Defense and the Armed Forces"

- Opinions on Implementing the Pilot Free Trade Zone Enhancement Strategy (State Council and National People’s Congress Central Committee, April 2025)

- Guiding Opinions on Further Improving the Overseas Comprehensive Service System (Ministry of Commerce *et al.*, October 2025)

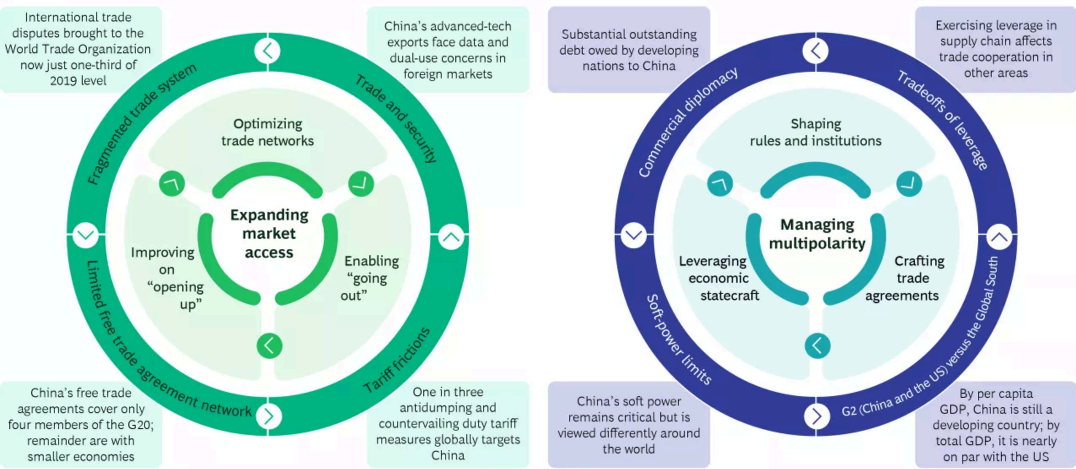
- Notice on Implementing Several Measures to Encourage Domestic Reinvestment by Foreign-Invested Enterprises (Ministry of Commerce *et al.*, July 2025)

- 2025 Action Plan for Stabilizing Foreign Investment (Ministry of Commerce and National Development and Reform Commission, February 2025)

In the multilateral arena, China’s BRICS-led push for alternative institutions remains fragmented, while its government-to-government agreements often face critiques from the international community with respect to debt sustainability and trade imbalances. (See Exhibit 8.) China is developing new export licensing processes for critical minerals and dual-use technologies, which could trigger the types of retaliatory actions from other countries that managed multipolarity is designed to prevent.

EXHIBIT 8

Constraints on Ambitions: External Interface



Sources: Pew Research Center; India Directorate General of Trade Remedies; China Ministry of Commerce; European External Action Service; World Trade Organization; Oxford Economics; AidData; BCG analysis.

For companies, this environment demands a dual posture: participating in China-linked supply chains where strategic benefits outweigh risks, while investing in the organizational agility needed to operate across divergent trade blocs, regulatory regimes, and technical standards. Developing an internal "geopolitical muscle"—scenario planning, risk monitoring, and strategic sourcing—is moving from a niche discipline to a core competency.

How Companies Can Gain Advantage

As China's trajectory evolves, companies can consider ten potential approaches, among others, across the domains addressed in the 15th Five-Year Plan. Their considerations should take into account the evolving domestic and international regulatory shifts.

1. **Develop services-oriented revenue streams.** Look beyond traditional product sales and explore China's developing digital ecosystem to build recurring, services-based income.
2. **Capture the silver economy.** Design tailored offerings that address the needs of China's rapidly aging population, from health and wellness solutions to financial and lifestyle

services.

3. **Reduce labor dependency**. Consider possible partnership-led development of robotics, automation, and AI solutions to support productivity growth in a tightening labor market.

4. **Scale across China's domestic market.** Design offerings, platforms, and operating models built to scale efficiently across regions as China harmonizes provincial regulations.

5. **Prepare for Chinese firms as global competitors.** Anticipate stronger Chinese competition in all major markets, particularly in advanced manufacturing and technology-intensive sectors. Seek to understand their source of advantage at a deeper level.

6. **Assess possible targeted co-innovation with Chinese partners.** Access emerging technologies, develop new business models, and address evolving customer needs through structured partnerships.

7. **Monitor industrial capacity rationalization.** Track China's ongoing efforts to address overcapacity; shifts in production levels and export activity could have significant implications for global volumes, pricing, and industry profitability.

8. **Participate in China-linked supply chains.** China will remain deeply integrated into cross-border value chains; participate where strategic benefits outweigh risks while building alternatives where needed.

9. **Build geopolitical capabilities.** Develop stronger scenario planning, risk monitoring, and strategic sourcing for critical inputs. Such geopolitical muscle is essential as governments place new restrictions on trade, technology transfer, and materials access.

10. **Prepare for regulatory divergence.** Invest in organizational agility and the ability to operate across multiple regulatory regimes, technical standards, and compliance requirements simultaneously.

The 15th Five-Year Plan sets out what Beijing intends to change, where it will direct resources, and how it expects the economy to look by 2030. Business leaders making capital allocation and strategic decisions can use the policy visibility that the plan provides to create strategic clarity.

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1 Based on Oxford Economics, GDP, constant prices and exchange rate, US dollars, and 2015 prices.

2 Center for Strategic and International Studies (CSIS), China Power Project, “Measuring China’s Manufacturing Might,” November 25, 2025.

3 Based on Oxford Economics, GDP, constant prices and exchange rate, US dollars, and 2015 prices.

4 Based on Oxford Economics, GDP, constant prices and exchange rate, US dollars, and 2015 prices.

5 Logan Wright et al., "No Quick Fixes: China's Long-Term Consumption Growth," Rhodium Group, July 18, 2024.

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7 S&P Global, "The Evolving Growth Story of China's Economy: The S&P China Consumption Index," May 6, 2024, and CSIS, China Power Project, "How Well-off is China's Middle Class?" September 30, 2021.

8 OECD, Household savings forecast, 2023, and Nicholas Lardy, "Does a Weak Social Safety Net Hold Back Private Consumption in China?" Peterson Institute for International Economics, December 2025.

9 "China Hit Record Trade Barriers in 2024 as Overcapacity Fears Spread to Developing World," South China Morning Post, January 10, 2025. Tariff investigations are investigations of antidumping and countervailing duties.

10 Commission Implementing Regulation (EU) 2024/2754, October 29, 2024.

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