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## ASIA ECONOMY

# China Wants to Talk Less About Growth Targets

Numeric goals are neither gone nor forgotten, however



Under-construction residential buildings in Heilongjiang province on Oct. 20. PHOTO: WANG YUNLONG/ZUMA PRESS

By *Lingling Wei and Chun Han Wong*

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BEIJING—Fresh into a new term in office, President Xi Jinping is backing away from the hard-and-fast growth targets that have driven the nation's economic policies for decades.

China plans to de-emphasize targets for gross domestic product in coming years, according to officials involved in policy-making. At a news conference Thursday, a senior economic adviser to Mr. Xi said the government will focus less on the speed of economic expansion and more on the quality of growth.

“It’s not that we don’t want speed in growth, but that we must generate growth with quality, efficiency and dynamism,” said the adviser, Yang Weimin.

Economists, including those at the International Monetary Fund, have long urged China to focus less on keeping growth at a preset pace and instead target economic efficiencies and high debt levels—even if that could squeeze growth in the near term.

The new approach doesn’t necessarily mean China will abandon markers for economic expansion altogether, Chinese officials said. But by steering the focus away from numeric goals, they said, the government will have more wiggle room in managing the economy.

How far the leadership will go in retreating from such goals will indicate its willingness to undertake restructurings that benefit the economy in the long run.

Potentially boosting Beijing’s chances of weaning itself from artificially set growth targets was the promotion of Mr. Xi’s top economic adviser, Liu He. He was elevated to the powerful 25-member Politburo at a just-concluded congress that set the Communist Party’s leadership for the next five years.

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Mr. Liu has long advocated shifting away from growth targets toward structural overhauls, party officials said, such as measures aimed at reining in China's ballooning debt levels. One possible position Mr. Liu could hold during Mr. Xi's second term

is vice premier in charge of financial matters, according to the officials.

Growth targets have long featured prominently in China's economic policies. Both at home and abroad, they are the primary gauge to measure the party's success in managing the world's second-largest economy. When China's rubber-stamp Parliament meets each spring, the most-watched news on the meeting's first day is the growth target for that year.

In a speech opening the twice-a-decade party congress last week, Mr. Xi didn't explicitly mention numeric targets for China's growth, instead outlining a broad, three-decade road map to build China into a strong global power. "The main reason for the omission was to show that the leadership is de-emphasizing GDP targets," one of the officials tasked with policy-making said.

Mr. Xi's predecessors Hu Jintao and Jiang Zemin both included specific growth targets in their addresses to previous party congresses. In late 2012, for instance, Mr. Hu pledged to double China's economy by 2020, as measured by its 2010 gross domestic product. That goal was itself an extension of a growth plan set in 2002 by Mr. Jiang.

Asked if China is rethinking the 2020 target, Mr. Yang, a deputy director at the Office of the Central Leading Group on Financial and Economic Affairs, said there was "no change" in the goal but that the government "will no longer bring up the target of doubling GDP."

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Mr. Yang declined to comment on whether Beijing will set a growth target for next year, saying the government "is still researching" the issue.

To be sure, talking about growth targets less may not mean China will take significant steps to address problems in the economy or make it more market-driven. In his speech last week, Mr. Xi emphasized a bigger role for the state sector in the

economy and didn't mention freeing up the country's cross-border capital flows as a policy goal as his predecessor did.

The practice of setting growth targets dates back to 1987, when Deng Xiaoping laid out specific GDP and per-capita income targets for decades well into the future. Those mandates then got translated into annual growth targets that largely hovered around 7% and 8% in the years since then.

The government had little trouble reaching the targets early on, as Mr. Deng's economic liberalization unleashed breakneck growth. But in recent years, as the old growth model

led by exports and state investment reached its limits, authorities have struggled to meet targets that many economists say are unrealistically high.

That has repeatedly pushed the government back to the old playbook to jump-start the economy, putting off efforts to put it on stronger long-term footing. Early in his first term, Mr. Xi appeared to embrace steps to steer China's economy toward a path of slower but more sustainable growth. But in the past few years, the leadership has returned to strategies fueled by debt and state investment to keep growth stable. Its target for this year is for growth of about 6.5%.

China's Leaders: Who's With Xi



Wary of not meeting their targets, some local officials have falsified their economic data to please Beijing. In June, China's top antigraft agency said it had found cases of fake economic data in Jilin and Inner Mongolia in China's ailing northern rust belt. Another northern province, Liaoning, early this year admitted faking fiscal data from 2011 to 2014.

"This is a difficult pivot for an economy in which provincial officials have traditionally seen their promotion and career prospects as being enhanced by generating higher growth," said Eswar Prasad, a China scholar at Cornell University and former China head for the International Monetary Fund.

"The government's commitment to a more economically and environmentally sustainable growth model could be tested if growth were to slow significantly," Mr. Prasad said.

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