COMMENT

Editorials

Practical blueprint for growth and stability amid headwinds

In a world grappling with sluggish growth, geopolitical tension and policy whiplash, China's 2026 Government Work Report offers predictability and certainty.

Delivered by Premier Li Qiang to the fourth session of the 14th National People's Congress, the country's top legislature, at its annual gathering in Beijing on Thursday, the report sets a pragmatic GDP growth target of 4.5-5 percent for this year and presents main objectives and major tasks for the 15th Five-Year Plan (2026-30) period featuring multiple key indicators.

After a 5 percent expansion in 2025 lifted the GDP to 140.19 trillion yuan ($20.4 trillion), policymakers are signaling that resilience is the focus. The 2026 growth target leaves room for structural adjustment, risk control and reform in the first year of the new five-year plan period, while keeping China on track toward its 2035 goal of doubling the 2020 per capita GDP.

Crucially, the target is set on the basis of a comprehensive balancing of various factors and supported by well-planned actions. The deficit-to-GDP ratio is set at around 4 percent, with a headline fiscal deficit of 5.89 trillion yuan. General public budget expenditure will exceed 30 trillion yuan for the first time. Authorities will issue 1.3 trillion yuan in ultra-long special treasury bonds to fund national strategies and equipment upgrades, alongside 4.4 trillion yuan in local government special-purpose bonds to support projects, replace hidden debts and clear arrears.

This dynamic, targeted policy portfolio ensures timely support for the most needy sectors and drives structural transformation across the entire economic system — underpinning stronger foundational stability, safeguarding national security, and enhancing overall competitiveness in tandem. For example, some 250 billion yuan from special treasury bonds will support consumer goods trade-in programs. Another 200 billion yuan will fund industrial equipment upgrades. Policy-backed financial instruments worth 800 billion yuan are designed to stimulate private sector investment. The emphasis on forward-looking, collective and expert-based scientific decision-making, along with strengthened policy coordination that prioritizes implementation, accountability and adaptive adjustment, will serve as a vital ballast for development.

The main objectives and major tasks for the new five-year plan period reinforce that signal. Rather than locking in a rigid medium-term growth figure, the plan opts for flexibility — GDP should grow within an appropriate range, with annual targets calibrated to conditions. This creates the space to fully leverage the policy toolkit.

In innovation, the objectives are concrete. Nationwide R&D spending is targeted to rise by at least 7 percent annually on average, sustaining momentum after R&D reached 2.8 percent of GDP in 2025. The value added of core industries of the digital economy is set to increase to 12.5 percent of GDP. These goals build on the past year when high-tech manufacturing expanded 9.4 percent, equipment manufacturing by 9.2 percent, and industrial robot output surged 28 percent.

Equally prominent is the social equity ledger. The draft outline of the new five-year plan aims to raise the average years of schooling among the working-age population to 11.7 and life expectancy to 80 years. Long-term care insurance already covers 300 million people. In 2025, 12.67 million new urban jobs were created; for 2026, the goal is more than 12 million, with the surveyed unemployment rate around 5.5 percent.

Notably, environmental metrics are embedded alongside economic ones. Carbon dioxide emissions per unit of GDP are targeted to fall about 3.8 percent in 2026 and 17 percent over the five-year period. The green transition is a driver of growth, not a drag on it.

The report shows that a system capable of mobilizing resources nationwide, aligning fiscal, monetary and industrial levers, and embedding efficiency and equity into its planning can deliver predictability. For global investors and policymakers, the size of the Chinese economy makes a 4.5-5 percent growth band look remarkable. In a turbulent world economy, a $20 trillion-plus system expanding at that pace — while raising R&D, upgrading industry, broadening social protection and cutting carbon intensity — exerts gravitational pull.

The more than 100 major projects outlined for the 2026-30 period — spanning advanced manufacturing, digital infrastructure, green transition and public services — further clarify direction. They are designed not only to sustain demand but to reshape supply, from frontier technologies to elderly care capacity.

None of this ignores the risks. That candor, paired with quantified targets and sequenced tasks, is part of the message of the report.

The deeper significance is not just about a single year's number. It is the road map: goals quantified, tasks listed, timelines clarified. It conveys that policy is not lurching from headline to headline but proceeding along a charted course. In today's uncertain times, that alone carries weight.

EU's protectionist misstep will hurt itself

The European Commission's proposed Industrial Accelerator Act has raised concerns that the European Union is taking a protectionist step.

While the initiative aims to bolster European manufacturing and reduce dependency on external supply chains, critics rightly argue that it is a form of protectionism that undermines the EU's long-standing commitment to open markets.

Nowhere is this tension more apparent than in the context of China-EU economic relations, where the IAA could exacerbate existing trade frictions and complicate an otherwise win-win partnership.

The IAA seeks to prioritize "Made in EU" goods in public procurement and state supported projects, targeting strategic sectors such as energy-intensive industries, net-zero technology manufacturing and the automotive supply chains. The European Commission's goal is to raise manufacturing's contribution to the EU's GDP to 20 percent by 2035.

However, the act's emphasis on local content requirements and restrictions on foreign investment could distort trade relations and provoke retaliation from key trading partners.

The IAA introduces low-carbon standards and "EU-made" thresholds for public procurement and support programs, covering strategic industries such as aluminum, cement, steel, wind turbines, electrolyzers and electric vehicles. The scope may even extend to other energy-intensive sectors such as chemicals. While the intent is understandable, protectionism is not the right invigorator.

If enacted, the IAA could lead to trade tensions by imposing barriers that favor local industries over foreign competitors.

The China Chamber of Commerce to the EU has expressed regret over the IAA's design, warning that it could reshape market access in ways that discourage global investment, turning the market into "an exclusive protectionist system". To some extent, the IAA is a part of a broader trend of "decoupling" under the pretext of "de-risking".

China and the EU have long enjoyed a robust trade relationship underpinned by complementary economic strengths. However, in recent years, the economic relationship has faced growing strains largely because of some EU politicians' ill-advised moves and misjudgment. The IAA risks further complicating the situation. This is particularly concerning in sectors such as renewable energy, electric vehicles and critical raw materials, where Chinese companies have made significant investments.

Other key trading partners of the EU, including the United States and the United Kingdom, have also expressed reservations about the IAA's potential to distort global trade flows.

The IAA is motivated by the EU's need to sharpen its economic competitiveness. But the IAA's approach risks overcorrecting. It could isolate the EU at a time when global cooperation is needed to address challenges such as climate change and supply chain resilience.

Rather than resorting to protectionism, the EU should focus on creating a more competitive business environment by addressing its high energy costs, streamlining regulations and investing in research and development.

The visits to China by multiple European leaders in recent months stand as a compelling testament that China and the EU are cooperative partners. Faced with the complex and challenging international landscape, the EU should strengthen strategic communication with China to resolve differences through friendly consultations, and reject protectionist moves.

Only by pursuing a balanced approach that promotes European industries without alienating global partners will the EU be able to achieve its strategic goals while preserving the openness that has underpinned its prosperity.

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Opinion Line

Tariff brinkmanship on top of conflict geopolitical overreach

The announcement by United States Treasury Secretary Scott Bessent that the US administration would impose a 15 percent global tariff that would likely take effect "sometime this week" landed in an environment that was already combustible.

Formally, the move is an attempt at ensuring continuity after the US Supreme Court ruled by 6-3 on Feb 20 that the president lacked authority under the International Emergency Economic Powers Act to impose sweeping duties. The US administration then pivoted to Section 122 of the Trade Act of 1974, which allows tariffs for up to 150 days without congressional approval. The increase from 10 to 15 percent is modest in arithmetic terms. But politics is rarely a simple calculation.

On the same day of Bessent's announcement, a US trade court judge ordered the US administration to begin paying potentially billions of dollars in refunds to importers who paid tariffs that the Supreme Court said last month were collected illegally. That makes Bessent's warning sound like another bravado attempt of the US administration to defend its tariff policy.

The imminent tariff hike threat also coincides with escalating US-Israeli strikes on Iran and rising fears of a broader regional war. Oil markets have already priced in a geopolitical risk premium. Any disruption to the Strait of Hormuz, through which roughly one-fifth of global petroleum supply passes, would send ripples across supply chains and financial markets. Japan, heavily reliant on Gulf energy imports, has already started to prepare contingency plans for a worst-case closure. In such conditions, even a five-percentage-point tariff hike can carry outsized signaling power.

Some Western politicians facing domestic strain are known to externalize conflict to consolidate support. The US leader's recent State of the Union address underscored a deeply divided Congress, while domestic controversies — including the simmering Jeffrey Epstein scandal — have eroded public trust in the country's political elite still further. Announcing a tariff increase amid escalations in the Middle East reframes the narrative: from constitutional constraint at home to economic assertiveness abroad, even if it comes at a cost.

After all tariffs raise input costs for producers and prices for consumers. Evidence from the 2018-19 tariff cycle indicates that more than 90 percent of the costs of US tariffs on Chinese goods were borne by US importers and consumers. With Brent Crude already volatile, layering a 15 percent duty on energy-driven inflation heightens stagflation risks. Markets, and voters, have long memories.

Several European countries, including France and Spain, have rightly described the US-Israeli strikes on Iran, unauthorized by the United Nations, as violating international law. The US' latest tariff rattle may be intended as a transactional push for alignment. But allies facing domestic resistance to military escalation and acute energy vulnerability may resist economic pressure rather than yield to it, as some observers say.

More consequential is the Middle East gamble itself. Operations targeting Iran's leadership risk creating what strategists call a commitment trap customized by Tel Aviv for Washington. Even if the two allies aim at a "regime change" in Tehran, they are not sure themselves to what extent and how long it will take to accomplish this illegal objective. Afghanistan offers a cautionary precedent that although the US has watch, local people have time.

The attacks on Iran have naturally prompted retaliation. Regional actors such as Hamas, Hezbollah and the Houthis can hardly remain passive.

Should US casualties mount, the domestic calculus will also shift gradually, particularly with midterm elections approaching. Trade policy, already constrained by judicial scrutiny and inflation concerns, would face further pressure. A government confident in its ability to "multitask" across theaters and win "endlessly" on all fronts may find that bundling trade, security and domestic politics amplifies risk rather than contains it.

Beijing opposes unilateral arbitrary tariff measures. It stands ready for candid consultations in the sixth round of bilateral economic and trade talks, while remaining resolutely determined to safeguard China's legitimate development interests.

Layering tariff brinkmanship onto regional conflict and energy shocks risks making a self-inflicted dilemma for the US — one in which economic statecraft becomes hostage to geopolitical overreach.

— LI YANG, CHINA DAILY

What They Say

Expanding domestic demand a crucial task

Editor's note: *Zhang Junkuo, chairman of the China Development Research Foundation, spoke to China Economic Times ahead of the annual two sessions about the prospects for China's exports, consumption and investment in 2026. Below are excerpts of the interview. The views don't necessarily represent those of China Daily.*

Global economic growth in 2026 is likely to be slightly lower than in the previous year, while growth in global trade — especially trade in goods — will probably be significantly lower. This is based on projections from major international organizations, including the International Monetary Fund, World Bank, the Organization for Economic Cooperation and Development, United Nations and World Trade Organization.

China's exports have remained highly resilient in recent years mainly because of the rapid growth in new products, its diversification of markets and the growing strength of the country's supply chain. These favorable conditions will continue to play a role this year as well.

However, China will still face a considerably volatile external environment. The market expects exports to grow by 3 to 5 percent, which is lower than last year.

While the country will continue to implement policies to boost consumption and stabilize employment and more consumption scenarios and sectors will emerge, helping unlock spending, the steady growth of household consumption depends on stronger purchasing power and firmer consumer confidence. These in turn rely on marked improvements in employment and income, as well as healthier household asset conditions and rising personal wealth.

All these improvements cannot be achieved overnight, because they are subject to the overall macroeconomic improvement. It is widely expected that the growth rate of the country's consumer demand will be moderately higher than that of last year, with most market institutions forecasting a 4 to 5 percent growth.

As for investment, many major projects, including those in science and technology, infrastructure, green transition and those concerning people's well-being, will be launched this year. These projects will lend important support to the recovery of investment.

The country will also continue to focus on promoting effective investment by implementing favorable policies. The arrangements made at the Central Economic Work Conference in December will reverse the decline in investment.

The Ministry of Finance has stated that the overall fiscal spending "will only increase" this year, and that the country will continue to issue ultra-long special treasury bonds. China should see a revival of investment, which is expected to grow by 2 to 3 percent this year.

Expanding domestic demand plays a critical role in boosting confidence, stabilizing growth and promoting the high-quality development. The country should maintain the intensity of its macroeconomic policies to expand domestic demand, and address the deep-seated growth challenges it faces.

It has become increasingly clear that low consumer demand in China is not only due to short-term market volatility but also caused by long-term structural factors. To counter these factors, policies should include not only strong and short-term stimulus, but also measures to address the deep-seated factors and consolidate the basis for sustainable growth.

To stimulate investment demand, efforts should be accelerated to establish a new real estate development model that suits the current stage of China's development. At the same time, measures are needed to vigorously boost private and foreign investment.

Further improvements in the business environment are also crucial to stabilizing and strengthening expectations and confidence among entrepreneurs.