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Understanding China Briefs

China's Two Sessions

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Moderator: Ben Hillman

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Each year the National people's Congress and the national Chinese People's Political Consultative Conference meet simultaneously in Beijing to hear various work reports from government and discuss the issues raised. This year the Two Sessions were held 3-10 March 2022.

The China Studies Centre, University of Sydney and the Australian Centre on China in the World ANU held a [roundtable](#) to discuss this year's Two Sessions and the outlook for 2022. Speakers were Minglu Chen (Senior Lecturer in Chinese Politics, University of Sydney) on the Government Work Report; David Goodman (Director China Studies Centre, University of Sydney) on the report of the National Development Research Commission on Social and Economic Change; and Benjamin Herscovitch (Research Fellow, School of Regulation and Global Governance, ANU), Ben Hillman (Director of the Australian Centre on China in the World) was the moderator. We are grateful for Dr Ye Xue's support to finish this brief.

Speakers (Alphabetical by Surname)

Minglu Chen is a senior lecturer in the Department of Government and International Relations and a member of the China Studies Centre at the University of Sydney. Her research concentrates on social and political changes in China, especially the interaction between entrepreneurs and the state and women's political participation. She has published her research in *The China Quarterly*, *The China Journal* and *Journal of Contemporary China*. She is the author of *Tiger Girls: Women and Enterprises in the People's Republic of China* (Routledge 2011).

Benjamin Herscovitch is a Research Fellow at the ANU's School of Regulation and Global Governance and the National Security College, where he focuses on China's economic statecraft and Australia-China relations. He is a member of the ANU Working Group on Geoeconomics. Prior to joining ANU, Benjamin was an analyst and policy officer in the Department of Defence, specialising in China's external policy and Australia's defence diplomacy. He was previously a researcher for Beijing-based think-tanks and consultancies.

David S G Goodman is Director of the China Studies Centre at the University of Sydney, where he is also Professor of Chinese Politics. He researches local social and political change in China. Prof Goodman's most recent publication is *Class and the Communist Party of China published this year in two volumes – vol1 1921-1978: Revolution and Social Change; and vol2 1978-2021: Reform and Market Socialism* –Together with Marc Blecher, Yingjie Guo, Jean-Louis Rocca, Tony Saich, and Beibei Tang. Prof Goodman is a Fellow of the Academy of Social Sciences in Australia; and an Emeritus Professor at both Xi'an Jiaotong-Liverpool University in Suzhou, and the University of Technology Sydney.

Moderator: Ben Hillman is a political scientist, public policy researcher, and advisor, and is the Director of the Australian Centre on China in the World (ACIWW). Ben is a specialist in politics, public policy, and public administration in China. More broadly his research examines policies and mechanisms for promoting political inclusion and safeguarding minority rights. Ben is the author or editor of six books on China, including *Patronage and Power* (Stanford University Press, 2014), *Conflict and Protest in Tibet and Xinjiang* (Columbia University Press, 2016), and *Political and Social Control in China* (World Scientific Press 2022).

Sustainability Rather Than Economic Growth

The Government Work Report has set China's GDP growth target at around 5.5 % for 2022, which is much lower than the 8.1% growth rate recorded in 2021, and as Minglu Chen and David Goodman pointed out this figure is the lowest target in several decades, indicating a cautious approach of the Chinese state facing economic uncertainties in the near future. Together with a lower economic growth target, the Report has discussed the Chinese government's plan to keep unemployment rate at 5.5%, take austere measures to reduce its spending, and provide tax incentives to small and low-profit enterprises. All these are in line with a potentially slowing economic growth.

But the unambitious target of GDP growth is consistent with the implementation of [the 14th Five-Year Plan \(14FYP\)](#) which started last year. For the 14th FYP, quality is the major concern for the next five years. To quote:

We must be fully committed to the new vision for development and realize sustained and healthy economic development based on a marked improvement in quality and efficiency. We will fully tap China's growth potential, keep the average annual growth of GDP within an appropriate range, set annual targets for GDP growth on the basis of actual conditions, and ensure that overall labor productivity grows faster than GDP.

In this sense, the major task for the Chinese government in the next twelve months is to maintain a sustainable development instead of chasing a high economic growth as the Chinese economy still faces a long list of headwinds in 2022, such as flagging household consumption, the ongoing impact of the coronavirus pandemic, and an aging population going over the demographic cliff, not to mention the economic consequences from Russia's invasion of Ukraine. Under these circumstances, Premier Li Keqiang stressed that 'achieving this goal will require arduous efforts' in his [Government Work Report](#).

Against this background, the 5.5% GDP growth is not necessarily a humble goal. As Goodman stressed, the 14th FYP also outlined the vision for 2035. So, from a long-run perspective, this target is not low at all, given that if the economy is to double by 2035 then annual average growth rates will need to be between 5% and 5.5%. The political rationale of this figure should also not be neglected since the most important political event on the calendar of 2022 is the 20th Party Congress, slated for the Fall. Presumably the leadership intends that nothing should get in the way of Xi Jinping's re-appointment for a third term as General Secretary of the Party. Therefore, a satisfactory economic performance is crucial.

The disappearance of 'Common Prosperity'

The concept of 'Common Prosperity' or *Gongtong Fuyu* is a phrase [first used](#) by Mao Zedong in 1953 but rarely heard since 1978 until Xi Jinping mentioned it in a speech in mid-2020. Since then, it has become the official policy orientation, and it signals an

intention of the CPC-led government to reduce economic inequality by narrowing the country's stubbornly large gap between rich and poor. As President Xi Jinping warned in his speech in [August 2021](#), 'the rich and the poor in some countries are polarised with the collapse of the middle class. This has led to social disintegration, political polarisation and rampant populism.'

However, some media outlets outside China seemed to think that there had been little mention of Common Prosperity during the Two Sessions. In contrast to this view, Goodman argued that this external interpretation was a misunderstanding. Common Prosperity is not a policy instrument but a policy goal which may eventually include many policy instruments. Common Prosperity aims at improving the quality of growth and development in a number of areas such as income inequality, education, provision in health and social security, social services, the quality of urbanisation and employment. All these issues were addressed separately and in detail in the report that the National Development Reform Commission presented to the National People's Congress

Growing Military Expenditure

In the realm of foreign and security policy, China will spend 7.1% more on defence this year. Although well below the growth rate in the early 2010s, this proposed increase is the fastest rate of growth since the 7.5% proposed in 2019. It also outstrips the projected rate of economic growth this year. In his report, Premier Li stated: 'Government at all levels must give strong support to the development of national defence and the armed forces ... so that the unity between the military and government and between the military and the people will remain rock solid.' In particular, the government plans to move faster to modernise military logistics, science, technology, and industry.

For Herscovitch, China's rise in military expenditure this year is not surprising given that modernisation has been a long-term goal of China's defence policy. As well as the 2049 centennial goal of building a 'world-class military,' Beijing seeks to improve its relative position against extensive US naval and air power in the Western Pacific. China's increasing military spending is also driven by its goal of furthering its ambitions in the disputed south and east China seas, among other geopolitical flashpoints. Premier Li's work report reiterated Beijing's opposition to any push for full Taiwanese independence and stated: 'We will enhance military training and combat readiness, stay firm and flexible in carrying out military struggle, and safeguard China's sovereignty, security and development interests.' Although the work report did not directly address the ongoing Ukraine crisis, Russia's invasion and the strong European and US support for Kyiv and punishment of Moscow will only further confirm for Beijing the case for expanding its military capability and readiness.

No Change But

In discussing the report of the National Development Reform Commission on socio-economic development in the year ahead, Goodman had highlighted that basically the intent was to suggest there would be little significant change.¹ At the same time, there were three specific issues of interest that might be considered otherwise,

The first was that Central Government will provide further support to local governments through increased transfer payments. According to the report, Central Government transfer payments to local governments will come to close to 9.8 trillion yuan. This figure represents a growth of 18 % or around 1.5 trillion yuan and is the largest increase in recent years. This decision resulted, as both Goodman and Chen remarked, from Central Government's judgment of the difficult economic environment ahead this coming year in both the domestic and international contexts. This was particularly remarkable given that Central Government transfers in 2021 already accounted for 90% of local government expenditure.

The second issue was the establishment of the Hainan Free Trade Port. The report explicitly stated that the government will take solid steps to develop pilot free trade zones and the Hainan Free Trade Port, promote reform and innovation in economic development zones, boost the development of integrated bonded areas, and launch more trials on the extensive opening of the service sector. As Goodman pointed out the idea of making Hainan a free trade zone is not new. It was piloted first in 1983 and a formal proposal put to Central Government in 1987 as Hainan was being granted provincial status. Proposed now once again in the report, the detail of the project remains unclear.

The third issue was the lack of any apparent further planning for fiscal reform. Common Prosperity may not have disappeared in the report of the National Development Reform Commission but there was no reference to wealth redistribution which is a central part of the policy goal. Earlier government statements on Common prosperity had talked much about the philanthropy of entrepreneurs and businesses. Further, even earlier discussions of the attempts to introduce a property tax were absent. A tax on property would of course be not only a tax on wealth but also an instrument for wealth redistribution and the kind of quality development recently discussed within the PRC.

Protection of women and children

Furthermore, on the social policy realm, Chen highlights that the protection of women and children has first ever been brought up to the agenda, as the work report states the government 'will crack down hard on the trafficking and buying of women and children

¹ At the two Sessions Government was at pains to emphasise there was no serious economic challenge and no need for it to provide financial stimulus to the economy. This all changed within a few days and by 16 March, statements were being made and assurances given to the contrary, though little detail has emerged to date.

to protect their lawful rights and interests.’ The Premier’s pledge to target the trafficking of women and children has been widely regarded as the Central government’s response to the video of a [chained woman in Xuzhou](#) which went viral in late January. Arguably, the positive response of the Central government to this particular policy issue implies the success of this internet mass protest, as it pushed the government provision of due social protection to the vulnerable groups.

Legal reforms

In terms of foreign and security policy, Herscovitch noted that the issue of using legal mechanisms to support the PLA’s global presence was widely discussed and reported during the Two Sessions. Beijing seeks to refine its legal mechanisms to more effectively prosecute China’s claims over disputed territory and maritime spaces and also provide additional legal support for the presence of the PLA globally. This is likely aimed at realising additional PLA sustainment facilities and perhaps even PLA bases in various locations in Asia, the Middle East and Africa. Although not a radical shift in China’s goals and strategies, it is indicative of China’s enduring ambitions to establish the infrastructure and presence needed to project military force around the globe.

Lastly, Herscovitch discussed China’s expanding anti-sanctions toolkit. Following the ratification of the [Anti-Foreign Sanctions Law](#) in 2021, top lawmakers in China vowed to develop a more comprehensive system of [legal countermeasures against the foreign sanctions](#) in 2022. According to Herscovitch, these developments represent a more significant shift in China’s external policies. Beijing aims to arm itself with a range of legal mechanisms to retaliate against countries that sanction China or punish it economically. Beijing is likely to have more legal means to respond with punitive measures when the United States and other countries use economic coercion against China.

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