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# China Studies Centre

## Understanding China Brief



## Roundtable on the 2023 Two Sessions

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It is crucial to global prosperity to pay attention to what is happening in China, what China's political leadership is saying they will do, and how they present these policies. We cannot just consider China solely through a security lens, or we will miss the important stuff; China is moving fast, changing fast, and much of this change occurs because of policy planning, philosophical considerations and coordinated action by Chinese leaders at the national, provincial, municipal, and local levels. China is a country enhancing its domestic situation and reshaping international relationships.

Each year the National People's Congress (NPC) and the National Chinese People's Political Consultative Conference (NCPCC) meet simultaneously in Beijing to hear various government work reports, discuss the issues raised, and make crucial decisions. These two meetings are together called the 'Two Sessions'. This year the Two Sessions were held from 4-13 March 2023. The China Studies Centre at the University of Sydney had a roundtable to discuss this year's Two Sessions and the outlook for 2023 and beyond. The panels helped us cut through to some of the core debates in China about its future social, economic, and political goals by unpacking the critical features of the Two sessions.

**About the speakers** (listed in their speaking order):

**Louise Edwards** (Moderator) is Scientia Professor of Chinese History. She publishes women and gender in China and Asia. Her most recent books include *Drawing Democratic Dreams in Republican China* (Washington University Press, 2020), *Women Politics and Democracy: Women's Suffrage in China* (Stanford University Press 2008) and *Women Warriors and Wartime Spies of China* (Cambridge University Press, 2016). Edwards is a Fellow of the Australian Academy of Humanities, The Academy of the Social Sciences in Australia and the Hong Kong Academy of the Humanities. Between 2015-2016 she served as President of the Asian Studies Association of Australia. She has taught at a number of universities: The University of Hong Kong, the University of Technology Sydney, Australian National University, Australian Catholic University and the University of Queensland, and held a visiting fellowship at the Centre for Chinese Studies at the National Central Library in Taipei. She studied at the Beijing Languages Institute and Nanjing University and was awarded her BA from Auckland University, BA (hons) from Murdoch University, and PhD from Griffith University. Edwards currently holds Honorary Professorships at Hong Kong University, UTS-ACRI, and University of Melbourne.

**David 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 the *Handbook of Local Governance in China* (with Ceren Ergenc) published this year. 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.

**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).

**Wei Li** is a lecturer at the Business School, at the University of Sydney. She has worked as a researcher on water conservation and renewable energy for the World Bank, the Chinese Ministry of Environmental Protection and Renmin University of China. She joined the University of Sydney China Studies Centre and Business School in 2011 and held the Australian-Chinese Chamber of Commerce and Industries research fellowship before being appointed to a lectureship in International Business. She is a core member of the KPMG/Business School research team and leads the Chinese outbound investors' survey project. She co-developed the KPMG/University of Sydney database on Chinese outbound direct investment in Australia. Her research interests are the globalisation of Chinese enterprises and sustainable development. She is particularly interested in the transformation of state owned and private enterprises and the role of the state as promoter of international business activity. She is currently involved in research projects on enterprise finance, woman entrepreneurship and the internationalisation of the renewable energy sector. She has published articles on green innovation and solar energy, environmental impact assessment, governance of water resources, small and medium enterprise finance, and Chinese investment in Australia.

## **Minglu Chen**

### *What are these two sessions? What are the core structures of the Chinese political system?*

There are four central institutions of China's politics: the Chinese Communist Party (CCP), the People's Government, the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC). In Chinese, they are called 'Si tao ban zi', or 'four sets of leadership'. The CCP is the ruling party, the government is the executive body, the NPC is the legislature, and the CPPCC is an advisory body that functions as a united front work organisation. In addition, the CPPCC provides an essential channel for critical social groups, such as people from various professions and occupations, members of mass organisations, selected members outside the CCP, religious leaders, ethnic minorities, and people from many social backgrounds.

The private entrepreneur is one of the important social groups. Nowadays, people who work on environment-related issues are often invited to be members. People are often confused about two different events- the People's Congress and the Consultative Conference with the Party Congress, as held last year - the Communist Party of China National Congress. Also, she stressed that the two sessions are not simply 'Xiang pi tu zhang' or 'rubber stamp'; they are, technically speaking, where Chinese citizens exercise their power and participate in decision-making. However, it is essential to note that the party controls these institutions primarily through nomination. Therefore, access to political power is only available to selected members of society.

*How many women are in the NPC and CPPCC, and how does this compare with earlier sessions? What policies are being put in place to diversify the political class in the PRC?*

The new CPPCC had 2169 members, and 488 were female. The NPC had 2977 members, and 791 of them were female. Comparatively speaking, NPC (26%) has a slightly higher percentage of women than CPPCC (25%). This is probably because NPC is a representative body, so there have been quotas at every level. There is also a quota for various groups, including women, PLA members, manual workers, and peasants. Depending on the size of the population of the jurisdictions at the provincial level, the number varies. Also, the populations of ethnic minorities are taken into consideration. Since 1988, the 7<sup>th</sup> NPC has formally required that the percentage of women be higher or no less than the last NPC term. In 2008, there was a more concrete quota for women in the NPC, which was 22%. The combination of this minimum required percentage of women at least 22% and this regulation of every five years, there must be a higher percentage of women represented than the last term led to the result that, since 2008, every NPC led to a historical high of women represented. The rate of women is now 26%. While the CCP congress elected a male dominating governing body last year, the NPC is better. Moreover, the state council has 10% women, and Shen Yiqin was elected one of the state counsellors. However, in the past, Sun Chunlan and Liu Yandong both once served as vice premier; compared to them, Shen Yiqin occupies a less important position.

What do women care about? Do they care about women's issues? Data is hard to find, and the source is limited. 142 CPPCC proposals or 10% came from women; only two were about women's rights and, more precisely, women's rights in the workplace. There was no open discussion about women's representation in formal politics. Those two female members mentioned gender discrimination in the workplace in their proposals and the support needed for female agricultural workers to help boost the agricultural economy in China. Noticeably, both these female members are members of the Women's Federation -a significant driver in promoting women's rights in China.

*Did these Two Sessions present anything of note in terms of international affairs? Given that it occurred at the high point of Balloon-gate and the AUKUS circus?*

Li Keqiang, on behalf of the Chinese state council, mentioned the importance of attracting foreign investment and solving problems that foreign companies face in China. He also stressed how important the global market is to the Chinese economy. However, discussions about international affairs were focused mainly on economic issues, without mentioning security-related matters, partly because the Chinese political system intentionally keeps the military out of civil affairs. The PLA is a CCP matter not a government department. Also, these sorts of problems are looked after by the central military commissions of the CCP and China's state military commissions.

**David Goodman**

*Why are there two sessions—the NPC and the CPPCC? Why not just have the National People's Congress?*

Why not just have the National People's Congress? There are two reasons. The first reason is historical. When the CCP succeeded in 1949, the CPPCC was already set up by the CCP. The CPPCC passed the legislation establishing the NPC, which existed in 1954. Secondly, they did not replace the CPPCC with NPC because the CPPCC is a kind of representative body of functional and important groups in society. All the other political parties have representative groups in the CPPCC, and more recently, three new categories were added in the last round of state restructuring.

*Two Sessions key social policy initiatives? And were there any unusual or controversial proposals raised?*

The 2023 Two Sessions' key social policy initiatives can be categorised under three central themes. Firstly, the retirement age will increase, which was discussed at the central economic work conference in December last year. It is going to happen, but it is going to be delayed, pending feedback. Nevertheless, it is a strong theme to emerge from the social aspects of the congress. Secondly, Li Qiang, the new premier, talked at the end of the NPC and subsequently about encouraging bureaucrats to leave the office and find out what people think. Also, there have been changes discussed and implemented in how petitions and popular complaints will be dealt with in the future. Thirdly, the importance of local social governance was emphasised. Yu Keping had talked about local governance as the most significant political reform after Deng Xiaoping's reform and the opening up in 1978. Local social governance was introduced in 2020; it is a coming together of every aspect of society and government at the local level, including government agencies, enterprises, and public and social units. It differs from the previous effort because party building is essential in this reform. Noticeably, there is to be a new department called the Social Work Department, announced after the two sessions. It may have less to do with social work than with social control.

Amongst other issues raised at the Two Sessions, Li Keqiang said that the gross higher education ratio is now 59.6% exceeding the 47% currently recorded in the USA. While it includes vocational education and further education, it is quite an achievement. Delegates also discussed Covid 19 management; and (separately) graduate unemployment, which is severe. They also discussed poverty-related matters to ensure no backsliding into poverty, promoting higher education and elderly care services, which is no surprise given the growing aging population. Xi Jinping, when he spoke to the Jiangsu delegation at the NPC, emphasised not only the importance of local social governance in terms of party building but also in terms of conflict resolution. He referred to the model of Fenqiao in the early 1960s, a village in Zhejiang province, as a model for people themselves resolving conflicts. When Xi came to his final comments for the NPC, he again mentioned the importance of local social governance. According to Xi, 'security is the foundation for development and stability is the precondition of prosperity'. Delegates also discussed how China could use ID cards to ensure that when people go online, they are forced to register to stop scams. Additionally, many believed there needed to be more women in positions of authority in significant research projects such as science, math, and engineering. They also discussed the importance of women's legal rights protections.

*What is the role of philosophies in the planning and policies we see rolled out at the Two Sessions and the Party Congress?*

Many people scoffed at the 'Belt and Road' initiative when it was announced, as an empty slogan without substance. The same has been true with respect to the call for 'Common Prosperity'. The reason why people think these are meaningless slogans is a misunderstanding the way the CCP operates. A broad, sometimes distant goal is announced with little detail. Details are worked out in practice through implementation. This is standard operating procedure for the CCP from even before it became a ruling party. In this case, 'Common Prosperity' is meant to increase people's standard of living. The emphasis in the call for 'Common Prosperity' is more on 'prosperity', people's standard of living, rather than on the 'common.' It is not going to be 'Common Prosperity' generally simply because economic geographies across China are not equal.

There are three major problems for socio-economic development in China. There is not enough provision of welfare, education, and health services; domestic consumption is too low, as opposed to investment in infrastructure and housing, a theme stressed hugely through the congress; and local governments do not have adequate budgets. During the NPC the National Reform Development Commission announced it would be increasing , central government transfers to local governments. Local social governance, in some sense, is supposed to be the solution to all three problems. Why do people not spend on domestic consumption? They don't spend because they must save to provide for their old age, for their children's education, and in case they get ill.

Local social governance is bringing together entrepreneurs who have revenue-generating activities at the local level. In the long run, China needs more wealth at the local level that provides services at the local level. It is the link between Common prosperity and local social governance. This is precisely what Xi spoke about at one of the delegation meetings he addressed at the NPC. Will it work? Maybe. In addition a major reform of the tax system is needed. Government revenue in Australia is around 47-48% through personal taxation, while in China, it is only 6%. There is relatively little income tax, no asset tax, no wealth tax; vast amounts of money go into the property market. There have been attempted experiments on property taxes. Nothing worked. Partly because a lobby in China has been trying to stop it from happening.

**Wei Li**

*What is the significance of the Two Sessions in terms of the lower projected growth targets? Were there particular policies announced aimed at boosting growth in specific sectors of the economy?*

One of the most important announcements during the Two Sessions is China's annual GDP growth target. China set a fixed GDP target of 5%. It is a low annual GDP target this year though China's GDP growth target was 5.5 % for 2022. One of the reasons China set this conservative target is because the real GDP growth in 2022 was only around 3 %. Some people are still wondering whether the 5% target is too high given the current economic

situation in China. The new target is achievable because, in 2022, most provinces that performed badly in their GDP growth were the traditional high-growth provinces, including Jilin -1.9%, Shanghai -0.2%, Hainan 0.2% (though targeted 9%), Beijing 0.7% and Tianjin 1%. Their economies are mainly driven by manufacturing and consumption, and were significantly impacted by Covid-related restrictions. Some resource rich provinces in central and western regions performed well, including Gansu 4.5%, Shaanxi 4.4%, and Inner Mongolia 4.2%. With restrictions being removed, many traditional high-growth provinces set their targets around 5-6 % this year and are likely to rebound.

The manufacturing purchase managers index has rebounded quite sharply to 52.6%, a new high since 2012, which shows that the Chinese economy has signs of recovery, at least in the manufacturing sector. However, Chinese policy makers will be likely to be concerned about domestic consumption. Many predicted that with those restrictions lifted, retail, entertainment, catering, and tourism should achieve high growth; however, these areas did not perform as well as expected. Therefore, policies will likely be introduced to support domestic consumption.

*Any developments in the technology and innovation sectors that emerged from the Two Sessions? We saw the tightening of the regulations in the tech sector last year, and many commentators said the new regulatory regimes had spooked the sector. So, what did the Two Sessions present regarding the future of China's tech innovation?*

Despite all the positive moves, the underlying challenge of the Chinese economy remains. One important challenge is the US-China strategic competition related to technology decoupling. Many US companies cannot supply those sensitive technologies to Chinese companies. Also, US citizens have increasingly been restricted from working for Chinese companies in sensitive industries as well. Many countries, especially developed countries, are gradually removing China from their supply chains, particularly in sensitive areas. Another challenge is the population issue; as one consequence, labour costs are increasing in China, and real estate is not as strong. With a smaller population, real estate is likely to be weaker in the long term. Many technology companies are facing challenges. Many other companies, especially those export-orientated companies and real estate companies, are suffering.

One positive sign, however, according to Hu Run Research institute's statistics, is that 81 entrepreneurs became delegates in the Two Sessions, with a total wealth over 1 billion US dollars. 41 of them made it to the NPC and 40 to the CPPCC. Internet, E-commerce, real estate, and education entrepreneurs did not perform well. Key figures in these sectors, such as Ma Huateng (CEO of Tencent), Ding Lei (CEO of NetEase), Li Yanhong (CEO of Baidu), and Liu Qiangdong (CEO of JD.com), did not become delegates. However, entrepreneurs from the new energy vehicles sector, pharmaceuticals, and artificial intelligence performed well. Prominent figures include He Xiaopeng (CEO of Guangzhou Xiaopeng Automotive Technology) and Tang Xiao'ou (Professor of computer science and the founder of SenseTime). The CCP's preferences are evident here, and it is expected that much new focus will be given to these areas.

Moreover, there has been increasing emphasis on China leading technology innovation. China earlier emphasised having technology, but more power is now on Indigenous innovation, including big data, green industry, and de-carbonisation. In addition, there has been much emphasis on automation and digitalisation, and digitalisation in China is moving much more through business-to-business.

*Any plans for managing international trade—including tariffs and intellectual property issues—that came from the Two Sessions? What should Australian exporters be considering in their collaborations with Chinese partners? Are there new opportunities on the horizon? China is a leading trading partner for many countries.*

The NPC provided a strong signal that China would like to continue to open, and Chinese leaders, including Li Qiang and Xi Jinping, have stressed this point on various occasions. They know China must stay connected with the world; and in their view the world also needs China. There is also a strong emphasis on attracting FDI again, especially high-quality investment and technology. When Li Qiang was in charge of Shanghai, Tesla set up its factory in Shanghai, the highlight of his career, which broke a log of traditional rules and consensus. So, Li Qiang's background could be a main strength. In China, investment traditionally was more on the low-end – firstly manufacturing, then machinery and technology productions. Now, China is moving from low-end and more focused on high-value-added goods and expanding its global reach. Traditionally very much focused on US and Europe; nowadays more and more on emerging markets.

While there have been many disputes between China and Australia, if one looks at trade figures, the total volume has increased, partly due to the strong links mining and the mineral industries have with China. The supply chain was built over the past two decades, which is very complex and robust, involving many stockholders, central government and its agencies, local governments, suppliers, Industries associations, and agents. As a result, the business ecosystems are very powerful and stable.



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