

China Business Centre – Two Sessions News Digest

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Flash Note of the Government Work Report 2018

Development Path and Key Tasks



Growth and employment

The government's GDP growth target remains at "about 6.5%" for 2018. However, the phrase of "striving for better results", which appeared in the 2017 report, was absent. Stable growth will continue to be pursued this year, while the report emphasizes Chinese government's focus on the quality of economic growth. The target for fixed asset investment was absent for the first time in recent years.

Over the past five years, the structure of the Chinese economy has seen a major transformation. With the share of the service sector rising from 45.3 to 51.6 percent of the economy, consumption's contribution to growth has increased from 54.9 to 58.8 percent, becoming the main driver of growth. The contribution of technological advances to economic growth has risen from 52.2 to 57.5 percent. China's investment in research and development (R&D) has grown at an average annual rate of 11 percent.

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Along with the GDP growth target, the government also set itself the goal of reducing energy consumption per unit of GDP by 3% in 2018, and promises to reduce the emission of some major pollutants such as sulphur dioxide and nitrogen oxides by at least 3%.

The urban new job creation target remains at 11 million and the registered urban unemployment rate below 4.5 percent, both unchanged from 2017. A target for the “survey urban unemployment rate”, which is a broader measure of unemployment in China (that covers migrant workers) than the previously used “registered urban unemployment”, was introduced for the first time in the government work report and set at 5.5 percent (5 percent by the end of last year).

Inflation

The target for headline consumer price inflation remains 3%.

Monetary policy

Monetary policy is set to stay neutral with a regulatory tightening bias. The government will maintain “appropriate growth” in broad money supply (M2) and total credit (measured by total social financing, TSF). But, unlike in the previous years, numerical targets for these measures are omitted (the targets were 12% for both M2 and TSF growth in 2017). Instead, the government promises to keep “reasonably stable” liquidity conditions.

Fiscal policy

The report maintains a literally “proactive” stance for fiscal policy. In terms of percentage of GDP, due to the expected growth in nominal GDP of around 10% in 2018, the deficit target has actually declined to 2.6% of GDP from 3% in 2016-2017 and is 1.1% lower than the 3.7% of actual deficit in the past year. The cut is the first in three years and delivers a message that Beijing has no plans to rein in its efforts to control debt levels and contain financial risk. But the cuts will not be at the expense of infrastructure spending. The government’s annual budget included 1.8 trillion yuan (US\$284.4 billion) for roads, 1 trillion yuan for water management and 732 billion yuan for railways. It deserves to note that combined planned investment on transportation infrastructure – which amounts to 2.53 trillion yuan – falls from 2.6 trillion yuan last year (with actual spending of 3.1 trillion yuan). The annual deficit is projected to be 2.38 trillion yuan (central government deficit of 1.55 trillion yuan and local government deficit of 0.83 trillion).

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An 8.1 percent defence budget increase for 2018 was announced, after military spending slowed down in the previous two years. The annual budget amounts to 1.11 trillion yuan.

Structural reforms

Supply-side reforms will continue to be pushed forward, especially with the aim of cutting excess industrial capacity. In 2018, the government is committed to cut an additional 30 million tonnes of steel capacity and 150 million tonnes of coal capacity.

In addition to cutting excess capacity, the government promises to continue putting efforts into cultivating new drivers of growth, to further implement mixed-ownership reforms, to improve the investment environment by reducing barriers to businesses, and to lower taxes and fees (with a tax cut for corporates and individuals of over 800 billion yuan and a reduction in administration and transportation fees of over 300 billion yuan).

The report reaffirms the government's intention to support more privately provided services in healthcare, elderly care, education, culture and sports. The government also reiterated plans to launch projects in sectors such as railways, civil aviation, oil and natural gas, and telecommunications, "and make sure that private investment can gain entry and is able to develop". The report stresses the government's increased emphasis on strengthening property rights.

China will step up its efforts to implement the *Made in China 2025 initiative*, which aims to update China's manufacturing capacity. Increased government support will be lent to the R&D and commercialization of new materials, artificial intelligence, bio pharmacy, integrated circuits, and 5-G communication networks.

In the report, the government also commits to a more accommodative trade policy, pledging to actively expand imports, host the first China International Import Expo, and lower import tariffs on various goods and services, and so on.

Lift more people out of poverty

The government would lift 10 million people living in rural communities out of poverty this year and relocate 2.8 million others.

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Old-age pension scheme

Social old-age pension schemes now cover more than 900 million people. The government will strengthen its efforts to meet people's basic living needs and steadily raise urban and rural subsistence allowances, social assistance benefits, and benefits for entitled groups. The government will take proactive measures to tackle population aging, including developing at-home, community-based, and mutual-aid elderly care, promoting integrated medical and elderly care services, and improving the quality of services at senior care facilities. The government will improve social assistance systems, and support the development of public welfare activities and charity.

Health care

The basic health insurance plans cover 1.35 billion people, forming the largest social safety net in the world. Per capita government subsidies for basic health insurance for rural and non-working urban residents will be increased by 40 yuan. The government will expand the coverage of interprovincial on-the-spot settlement of medical bills through basic insurance accounts.

Housing

The government will launch a new three-year renovation plan to address housing in rundown urban areas, starting with construction this year on 5.8 million units. The government will step up efforts to supply public-rental housing so that all eligible low-income families struggling with housing, including eligible houseless first-time workers and migrant workers, are able to access public-rental housing under this scheme. In addition, the government will speed up the establishment of a housing system with multiple types of suppliers, multiple channels for housing support, and encouragement for both renting and purchase, "so that more people will soon have a place to call home", as pledged by Premier Li Keqiang.

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Constitutional Amendments



- **Writing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era into the country's fundamental law**

The amendment, adopted at the first session of the 13th NPC with an overwhelming majority, wrote Xi's thought into the Constitution's preamble, along with other guiding theories including Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, and the Theory of Three Represents. Scientific Outlook on Development has also been incorporated into the Constitution as a guiding theory.

- **"The leadership of the Communist Party of China is the defining feature of socialism with Chinese characteristics." was added in the Constitution to stress the overall CPC leadership**
- **Establishment of an additional national supervisory authority**

In Chapter III of the Constitution titled "The Structure of the State," a new section is added to be Section 7 titled "The Supervision Commissions": and five new articles are added to be articles 123 through 127. The State Supervision Commission of the People's Republic of China is the highest supervision organ.

The term of office the Chairperson of a supervision commission is the same as that of the people's congress at the same level. The Chairperson of the State Supervision Commission shall serve no more than two consecutive terms.

- **All state employees take the constitutional oath when taking office**

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In paragraph 2 of article 1 of the Constitution, after “The socialist system is the basic system of the People’s Republic of China.” is inserted a new sentence that reads: “The defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China.”

In article 27 of the Constitution, a new paragraph is added to be paragraph 3 and to read: “State functionaries shall take a public oath of allegiance to the Constitution when assuming office.”

- **Repealing the two five-year term limits on the Presidency and Vice Presidency**

Paragraph 3 of article 79 of the Constitution that reads “The term of office of the President and Vice President of the People’s Republic of China is the same as that of the National People’s Congress, and they shall serve no more than two consecutive terms.” is amended to read: “The term of office of the President and Vice President of the People’s Republic of China is the same as that of the National People’s Congress.”

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Supervision Law of the People's Republic of China



Supervision Law of the People's Republic of China (Draft) include 9 chapters which are General Provisions, Supervision Organs and Their Duties, Scope of Supervision and Jurisdiction, Scope of Supervision Authority, Supervision Procedures, International Cooperation Against Corruption, Oversight of Supervision Organs and Supervision Personnel, Legal Responsibility, Supplementary Provisions.

Main content:

- Clear guidance and leadership system for monitoring work
- Defining the supervisory committee's production and responsibilities
- Achieve full supervision of all public officials exercising public power
- Give the supervisory authority the necessary authority
- Strictly Regulate Supervision Procedures
- Strengthening the supervision of supervisory organs and inspectors

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2018 State Council Institutional Reform



After the reform, the State Council ministerial bodies to reduce 8, vice-ministerial level agencies to reduce 7.

No longer retain:

The Ministry of Land and Resources, the National Health and Family Planning Commission, the Ministry of Environmental Protection, the Ministry of Agriculture, the Ministry of Culture and the Ministry of Supervision

Newly Added:

The Ministry of Natural Resources – Ministry of Ecological Environment; the Ministry of Agriculture and Rural Industry, the Ministry of Culture and Tourism, National Health Committee, the Ministry of War Veterans Affairs, the Ministry of Emergency management

Re-establishment:

The Ministry of Justice, the Ministry of Science and Technology

Apart from the General Office of the State Council, the State Council has set up 26 departments:

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1. Ministry of Foreign Affairs
2. Ministry of National Defence
3. National Development and Reform Commission
4. Ministry of Education
5. Ministry of Science and Technology
6. Ministry of Industry and Information Technology
7. National Ethnic Affairs Commission
8. Ministry of Public Security
9. Ministry of National Security
10. Ministry of Civil Affairs
11. Ministry of Justice
12. Ministry of Finance
13. Ministry of Human Resources and Social Security
14. Ministry of Natural Resources
15. Ministry of Ecology
16. Ministry of Housing and Urban-Rural
17. Ministry of Transport
18. Ministry of Water Resources
19. The Ministry of Agriculture and Rural
20. Ministry of Commerce
21. Ministry of Culture and Tourism
22. National Health Committee
23. Military Service Department
24. Emergency Management Department
25. People's Bank of China
26. National Audit Office

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Top Level Appointments

Xi Jinping	China's president by a unanimous vote Saturday morning at the ongoing session of the 13th National People's Congress
Li Zhanshu	Chairman of NPC Standing Committee
Wang Qishan	China's vice-president
Vice Chairman of National People's Congress Standing Committee	Wang Chen , Cao Jianming , Zhang Chunxian , Shen Yue Yue , Ji Bingxuan , Elijah Imbamba, Wang Dongming, Padma Choling, Wan Exiang, Chen Zhu, Ding Zhongli ,Hao Mingjin , Wu Weihua
Secretary general	Yang Zhenwu

Eight special committees of the 13th National People's Congress

Nationalities Committee	Director Bai Chunli
Supervision and Justice Committee	Director Wu Yuliang
Educational Science, Culture, and Hygiene Committee	Director Li Xueyong
Foreign Affairs Committee	Director Zhang Yizheng
Chinese Affairs Committee	Director Wang Guangya
Environment and Resources Protection Committee	Director Gao Hucheng
Agricultural and Rural Committee	Director Chen Xiwen
Social Construction Committee	Director He Yiting

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Central Military Commission

Chairman of Central Military Commission	Xi Jinping
Vice chairmen of Central Military Commission	Xu Qiliang , Zhang Youxia
Members of CPC Central Military Commission	Wei Fenghe, Li Zuocheng Miao Hua, Zhang Shengmin
Director of the National Supervision Commission	Yang Xiaodu
President of the Supreme People's Court	Zhou Qiang
Procurator-general of the Supreme People's Procuratorate	Zhang Jun

Chinese People's Political Consultative Conference

Chairman	Wang Yang
Vice Chairpersons	Zhang Qingli Liu Qibao Pagbalha Geleg Namgyai Tung Chee-hwa Wan Gang Edmund Ho Lu Zhangong Wang Zhengwei Ma Biao Chen Xiaoguang Leung Chun-ying Xia Baolong Yang Chuantang Li Bin Bagatur Wang Yongqing He Lifeng Su Hui Zheng Jianbang Gu Shengzu Liu Xincheng He Wei Shao Hong Gao Yunlong
Secretary-General	Xia Baolong

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Position	Current Holder
Minister of Foreign Affairs	Wang Yi
Minister of National Defence	Wei Fenghe
Minister in charge of the National Development and Reform Commission	He Lifeng
Minister of Education	Chen Baosheng
Minister of Science and Technology	Wang Zhigang
Minister of Industry and Information Technology	Miao Wei
Minister in charge of the State Ethnic Affairs Commission	Bater
Minister of Public Security	Zhao Kezhi
Minister of State Security	Chen Wenqing
Minister of Civil Affairs	Huang Shuxian
Minister of Justice	Fu Zhenghua
Minister of Finance	Liu Kun
Minister of Human Resources and Social Security	Zhang Jinan
Minister of Natural Resources	Lu Hao
Minister of Ecological Environment	Li Ganjie
Minister of Housing and Urban-Rural Development	Wang Menghui
Minister of Transport	Li Xiaopeng
Minister of Water Resources	E Jingping
Minister of Agriculture and Rural Affairs	Han Changfu
Minister of Commerce	Zhong Shan
Minister of Culture and Tourism	Luo Shugang

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Minister in charge of the National Health Commission Ma Xiaowei

Minister of Veterans Affairs Sun Shaocheng

Minister of Emergency Management Wang Yupu

Governor of the People's Bank of China Yi Gang

Auditor-General of the National Audit Office Hu Zejun

State Council

Premier Li Keqiang

Vice-Premiers Han Zheng
Sun Chunlan
Hu Chunhua
Liu He

State Councilors Wei Fenghe
Wang Yong
Wang Yi
Xiao Jie
Zhao Kezhi

Secretary General Xiao Jie