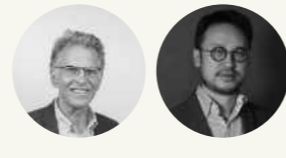


## Mar 5 – ‘Two sessions’: Premier Li’s Workaday Report



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Photo: AFP

The biggest surprise to emerge at this year’s gathering of the two top Chinese government bodies came at a news conference on Monday, a day ahead of the meeting of the National People’s Congress: Premier [Li Qiang will not be holding a press conference](#) at the end of the meeting of the top legislative body this year, or in coming years, barring unforeseen circumstances, a parliament spokesman said. So ends 30 years of tradition.

This move immediately sparked concerns about opacity, as the annual opportunity for reporters to interface with the head of the State Council, China’s cabinet, has been seen as a highlight of the so-called two sessions since the practice became a fixture in 1993. It also offers evidence to support observations that the role of the premier and cabinet is being steadily downgraded as the Chinese Communist Party takes on a central policy role in more sectors and the cabinet’s role is “now mainly about implementing the party’s decisions,” as Wang Xiangwei, the former editor-in-chief of the South China Morning Post, said Monday.

Beyond that, there were few surprises in the bread and butter of the work report, which usually focuses on economics and foreign affairs. Li said China’s [economic-growth target](#) is around 5 per cent, the same as last year’s target. This is an optimistic, and expected, call that will be somewhat harder to meet in 2024, as the 5.2 per cent growth recorded in 2023 came off of a low base. He also projected unemployment at 5.5 per cent and inflation at 3 per cent. He also said China plans to run a 3 per cent fiscal deficit, the same target as last year, and modest enough to imply there will be no major stimulus coming for the economy.

Military spending will increase by 7.2 per cent to 1.66 trillion yuan (\$231.4 billion), Li said, promising to strengthen the People’s Liberation Army’s military training and preparedness. Meanwhile, a budget submitted by the Ministry of Finance increases the allocation of spending on science and technology by 10 per cent, to 370.8 billion yuan.

From the point of view of foreign businesses, the most welcome pledge that Li made in his work report was to open up more sectors to foreign investment, such as telecommunications and medical services, and to “completely scrap” the threshold for foreign investment in the manufacturing sector. Although this is not the first time that these policies have been mentioned, their inclusion in the work report demonstrates a resolve to follow through. This, along with a pledge to create a stable, transparent and predictable policy environment for enterprises and put the focus on “communicating with the market” has the potential to lure foreign investment back to China after [investment flows flagged](#) in 2023.

## How others reported it

**Growth, no stimulus:** China top leaders set an ambitious goal for economic growth in 2024 as they tried to bolster conviction in an economy facing its biggest challenges in decades. But they announced only modest measures to stimulate growth, refraining from the kind of bold moves the business community has been looking for to address a property crisis, a loss of confidence among Chinese households and wariness by investors. *(NYT)*

**Mind the nuclear gap:** The details of the defence budget expansion were not available, but the focus is understood to be on catching up with the U.S. while filling the gap in nuclear capabilities by enhancing other conventional weaponry. *(Nikkei Asia)*

**Military modesty:** China can easily raise its military expenditure more radically thanks to the country’s comprehensive development, and the fact that it is not doing so reflects restraint in the setting of the defence budget, analysts said. *(Global Times)*

**To be named later:** Personnel appointments were absent from an agenda for the NPC released on Monday, which suggests the weeklong meeting won’t reveal a replacement for [Foreign Minister] Wang Yi. *(Bloomberg)*

**Sitting it out:** After the press conference, NPC spokesman Lou Qinjian said that former Defence Minister Li Shangfu could not participate in this year’s two sessions because he is no longer an NPC delegate. However, there has been no official announcement regarding the revocation of Li’s position as an NPC delegate, nor has there been any notice of his resignation from the position. *(Lianhe Zaobao)*

**“China reunification”:** The work report also said China would “be firm in advancing the cause of China reunification”, dropping the mention of “peaceful reunification” in previous reports. *(Reuters)*

## The SCMP Takeaway:

No surprise is not necessarily a bad thing. The drumbeat of unsolicited advice to Beijing regarding a need to address challenges – ranging from a beleaguered property market to ballooning government debt to sluggish consumer confidence – by injecting massive stimulus intensified in the run-up to the two sessions. The communist party’s decision to delay a third plenum, usually reserved to discuss economic priorities, only added to expectations that Li might tee up splashy stimulus plans in his work report.

These were never particularly realistic expectations. Li’s hour-long maiden work report actually delivered on more measured expectations, including targets for the GDP, military spending and the fiscal deficit, which were remarkable only to the extent that they were all identical to the targets delivered by the late premier Li Keqiang a year earlier.

Continuity, then, was a key feature of the much-anticipated work report. It perhaps reflects a recognition that extraordinary spending on stimulus does not address the structural problems that the Chinese government is often exhorted to tackle.

After paying tribute to President Xi Jinping, one of Li’s first messages was to [acknowledge the difficulties the economy has faced](#) from challenging headwinds, citing increasingly negative impacts from the external environment that have piled up over existing structural economic problems. He acknowledged that economic recovery after three pandemic years “has been difficult”, adding, “Accumulated and deep-rooted problems have been apparent.”

We can look to budget allocations to glean clues to the government’s priorities. The biggest increase in spending was on science and technology, which is consistent with the government’s escalating push since Xi ascended to the presidency in 2013 to become not only self-reliant in technology, but to challenge the United States for technological superiority.

U.S. and other countries’ restrictions on advanced chip exports to China are externalities, not under Beijing’s control. But spending to spur technological advancements is under its control, and the emphasis in the budget on science and technology indicates it is focusing on structural reform.

A work report with no surprises, then, is perhaps indicative of continuity. As is always the case with policy-related reports from Beijing, China watchers will parse the placement of every word and comma as clues to potential new priorities. But sometimes the numbers tell the story with less ambiguity. Tuesday’s work report indicates continuity and measured progress to build up China’s technological prowess, as Beijing hopes that shoring up investment in a quality sector will support quality growth in the long term.



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Jacques joined the Post in late 2023 to take on a new role as director of SCMP Plus, a new offering aimed at China watchers and business leaders. Before joining SCMP, he served in a succession of editing roles at Dow Jones Newswires and The Wall Street Journal over... [more](#)



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