

TWO SESSIONS



Meetings will hold the world's attention

Key areas to watch during upcoming two sessions: economic and political reforms, social concerns and international affairs

It is the high season of China's annual political meetings — the National People's Congress, China's top legislative body, and the National Committee of Chinese People's Political Consultative Conference, the top advisory body. Here in Beijing, I sense anticipation, excitement and perhaps a touch of anxiety.

They are called *liang hui* or two sessions. China watchers scrutinize them — official speeches, press conferences, policy announcements, sideline comments, personnel positioning and actions. How is the economy tracking? What's with the priority programs? Any surprises? New policies? Can we spot signals? What's in the air?



Robert Lawrence Kuhn

To the untrained ear, the structure and phrases of formal statements and speeches may sound similar, even identical, to those of previous years. But, listen closely and you will hear small but revelatory differences that one learns to discern. We sift for nuances as if for gems, seeking subtle novelties with explanatory power.

China's ruling party, the Communist Party of China, prides itself on careful, incremental change, and this is usually the case. But occasionally we find sharper breaks with past practices and it is those moments for which we are especially on watch.

Personally, at the 2017 two sessions, I'm watching five individual areas: commitment to economic reform, indications of political reform, intensity of social concerns, moves with respect to senior personnel, and the relative importance of international affairs.

Collectively, I'm also assessing the extent to which President Xi Jinping's policies and programs are consolidating and being supported by China's vast bureaucracy, within which there are often different agendas.

On economic reform, which usually takes center stage but this year is even more prominent, the headliner is an overarching policy called "supply-side structural reform". While its major components are well-known, what has been actually accomplished and what challenges lie ahead? What deep-rooted problems must be addressed and what are the consequences of timidity and indecision? And what are those mysterious "interest groups" that some say oppose these essential reforms?

We should get used to supply-side structural reform. It is one of the most significant mid-course corrections that China has made to its economy since the beginning of reform almost 40 years ago, and I expect we'll be hearing about it for years. Supply-side structural reform eschews short-term fixes — like debt-driven stimulus — and focuses on five longer-term targets: cutting industrial overcapacity, reducing inventories (particularly housing), reducing excessive corporate debt and thus lowering leverage, decreasing corporate costs for doing business and strengthening weak economic links caused by disorderly competition and blind expansion.

There are challenges, which are sometimes expressed as a series of dialectical tensions between opposites — supply and demand,



ZHANG CHENGLIANG / CHINA DAILY

government and market, short and long term, addition and subtraction of assets, urban and rural, and the real and virtual economy. Perhaps the biggest challenge is how to implement supply-side structural reform while, simultaneously, maintaining adequate GDP growth.

Given China's political system, a big impediment to this new thinking is local government, whose officials have been conditioned to privilege economic growth as the singular criterion of success and hence the sole bellwether of their careers. Senior officials must come to realize that they will be evaluated — promoted or demoted — based on diverse criteria, primarily people's satisfaction, not GDP.

On political reform, I'm watching for enhancements of China's emerging supervisory system that increasingly oversees state organs and civil servants. For example, just prior to the two sessions, new supervisory commissions in three localities — Beijing and the provinces of Shanxi and Zhejiang — had their leadership elected by local legislatures, a milestone in the long journey to curb corruption and curtail illicit behavior.

On social concerns, I'm looking to see which issues generate the most heat, the most passionate pleas from grassroots delegates. Although two session communications are usually predictable, sometimes there are issues that rise above the expected. For the past few years, environmental pollution has been hot, triggered no doubt by the noxious air in Beijing. Which social issue, if any, will stand out this year?

How will delegates react to the draft general provisions of civil law, the first step in establishing a civil code? How to enact a tough, new law to tax polluters, particularly heavy industry?

On senior personnel — which often is what captures attention — there are two features to follow. First, obviously, are the appointments. The new heads of the National Development and Reform Commission (the top economic planning agency) and the Ministry of Commerce, both come from within their organizations and both worked under President Xi in past years, in Fujian and Zhejiang provinces respectively.

Second, senior leaders are stressing the so-called "key minorities", the small group of officials at provincial and ministerial level who have significant power and responsibilities. This was exemplified, right before the two sessions, when the CPC Central Commission for Discipline Inspection, China's top disciplinary body, announced very publicly that it had uncovered serious problems during inspections of four provincial-level regions, naming both the regions and the problems: weakening of Party leadership, promotion of corrupt officials, violations of frugality rules, and alarming space for corruption at state-owned enterprises and other sectors.

How visible will these disciplinary actions be at the two sessions? Will they be discussed openly? Will further disciplinary action be taken? What or who will be the targets? And what will be the impact on delegates?

On international affairs, which traditionally have not been emphasized during the two sessions, will China's increasing engagement globally yield a greater emphasis? President Xi's Belt and Road Initiative is especially relevant, with a summit of heads of states of Belt and Road countries coming in May. Moreover, given the new US president, will the potential volatility of China-US relations, particularly with respect to trade and sovereignty (for example, the South China Sea), command more attention this year?

Finally, we cannot watch this year's two sessions without seeing on the political horizon the force of the 19th CPC National Congress, which will be held toward the end of the year. Convened every five years, the CPC National Congress sets leadership and policies for the ensuing five years (and beyond), and in the runup period, which we are now in, officials position their work and themselves as they deem personally optimal. To watch this year's two sessions perceptively is to view it through the lens of the forthcoming 19th CPC National Congress. We have a crucial year.

The author is a public intellectual, political/economics commentator, and international corporate strategist. He is the host of Closer To China with R.L. Kuhn on China Global Television Network, produced by Adam Zhu.

The views do not necessarily reflect those of China Daily.