

CHINA'S 2024 NPC: WHAT TO EXPECT?

by
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China's National People's Congress (NPC) and the meeting of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), popularly known as the two sessions, are going to take place from the 5th of March. Traditionally the NPC has been called a "rubber stamp parliament" which has little authority over decision making. However, irrespective of that, the annual session of the NPC showcases the direction of policy for the upcoming year, sets the growth target for the year and approves major legislative changes to the state constitution.

2023 was a year of transition at the state level. Last year's session of the NPC was the one when Premier Li Keqiang presented his last annual report and then retired from active politics in March 2023. Li Keqiang held a PhD degree in economics and he had strong views on the direction of the country's economic policy. He believed that the state sector needed to lean down whereas [Xi Jinping had called](#) for the state enterprises to become "stronger, better, bigger". Li Keqiang was seen as the "[people's premier](#)" and his untimely death in October 2023 has only made him even more popular.

What will Li Qiang present?

After Li Keqiang, Li Qiang became China's 8th Premier. He has had zero experience of working at the central level and this will add to the complexity of his job and influence. This will be the first time that Li Qiang would present his annual report. Li Qiang is a technocrat and was the mayor in Shanghai before his elevation in the Standing Committee as the second most important leader in the party hierarchy. He oversaw Shanghai in the days of strict COVID control when several viral videos showed people running out of food and becoming angry at absurd COVID-control protocols.

Compared to Li Keqiang, Li Qiang has been domestically focused over the last one year. He has undertaken [18 inspection tours](#) across 19 provinces compared to Li Keqiang's 11 tours covering 10 provinces in his first year in office. He has also held fewer meetings with foreign delegations compared to his predecessor in his first year, which is also in part due to China's changed global status compared to a decade earlier. Li Qiang is also in charge of China's financial sector reforms, particularly banking and the stringent lending protocols that finally led to the [liquidation of Evergrande](#), which has been in the news since 2021. Li Qiang's career path crossed Xi Jinping when Xi was the party secretary in the province of Zhejiang and gradually Li has become one of Xi's closest confidants in the party. In recent times, Li has taken a [conciliatory approach towards the United States](#) as both sides have spoken of restoring normalization.

The investment environment in today's China is not as welcoming as it was in the Hu-Wen era. The 2020 crackdown against Jack Ma and the Ant Corp IPO in 2020 had in a sense drawn the proverbial redline that capitalism in China must necessarily remain under the party's control. Similarly, the private tuitions sector and the gaming sector has been brought under stringent controls ostensibly to control the socio-economic consequences of their unmitigated rise. This is contradictory to the celebrated idea of "letting the markets play a greater role" in economic decision-making.

In 2023, Xi's anti-corruption drive also [disrupted China's thriving healthcare sector](#) as doctors were accused of taking bribes from representatives of pharmaceutical companies and in return prescribing medicines from specific companies and in some cases overprescribing the required dosages. This affects China's affluent class as sectors previously considered attractive from an investment perspective face stringent oversight now. For the poor, the delayed banking reforms and property sector's meltdown reduces options. The share market as such does not enjoy people's confidence after the debacle of 2015.

Similarly, international investors are wary of the party's extended political oversight over day-to-day business operations. China's national security law applies to almost all foreign investments, which does have implications for intellectual property rights. All the major international businesses operating inside China need to have party members and committees. Their presence raises suspicions about potential power tussles and stifles innovation, among other issues. In addition to this and the trade war, disputes over human rights violations in Xinjiang and additional restrictions by the United States has affected trade relations even further.

To counter the COVID- induced slowdown, Xi Jinping had come up with the two targets of common prosperity and dual circulation. The strategy of common prosperity was expected to reduce economic inequality and regional disparities and dual circulation was intended to increase domestic consumption and reduce internal trade barriers. None of these seem to have progressed as expected. Breaking internal barriers to trade has been a significant challenge in China since provincial leaders tend to push domestic protectionism to protect the business interests of their support base. Only recently, Li Qiang has set the [2024 work agenda](#) towards "breaking down barriers in consumption, foster a better business environment and push for a unified market". One can expect the NPC to issue substantial policy directives in this direction.

Internal Tussles Again?

[Some reports from the Japanese media](#) suggest that there is a tussle between Li Qiang and Cai Qi, especially after the Hebei floods which gave Cai Qi greater influence on policy matters. His association with Xi is much longer, dating back to the mid-1980s. The development of Xiong'an New Area, also called the city of the future, has been Xi Jinping's pet project aimed at directing China towards [innovation-led development](#) and for the moment, Cai Qi appears to have taken a lead in managing that. Thus, Li Qiang's work at the NPC will be doubly important: first, to impress Xi and second, to help propel China's economic activities.

Going into the NPC, China faces several economic headwinds. The NPC is expected to announce policies to address those. 2023 was a particularly bad year for China's economy as it grew at the rate of 5 percent, which was its [slowest at least in the last three decades](#). This has made the fears about China's middle-income trap stronger. In 2023 also, consumer sentiment remained weak as spending did not resume after three years of stringent lockdowns to curb COVID-19. Social wariness was one of the reasons why already conservative Chinese consumers preferred to save their cash. It is only in the recent months that the [domestic travel has seen an upsurge](#) due to the Lunar New Year celebrations.

Youth unemployment is another major challenge that today's China faces. In June 2023, youth unemployment stood at 21.3 percent, signaling that the economic recovery was not as good as expected. The numbers appear to be so bad that the government has [stopped sharing employment data altogether](#). Equally worrying is the fact that China's factory output has shrunk for [five months in a row](#). This has led to louder calls for the NPC to announce strong fiscal stimulus to encourage consumption as well as strengthen the market sentiment. Whether or not Li Qiang is able to create a "[stable, transparent, and predictable policy environment](#)," and how well is he able to enforce its implementation will be closely watched by all.

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