LIANGHUI AND LI KEQIANG'S ECONOMIC AGENDA

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EAI Background Brief No. 1016

Date of Publication: 16 April 2015

Executive Summary

1. Economic issues topped the recently concluded national *lianghui*. The year 2015 is important being the last year of the 12th Five-Year Programme, "a crucial year for comprehensively deepening reform" and "a critical year for ensuring steady growth and making structural adjustment" according to Chinese Premier Li Keqiang.

2. While delivering the government's work report at the *lianghui*, Li focused on four aspects concerning the economy: an assessment of the government's work in 2014, its reform agenda, the work plan in 2015 and the strategy to promote structural changes while ensuring modest growth.

3. Li considers China's economy in 2014 a success, demonstrated by a respectful growth in the economy and employment without employing strong stimulus measures. In place were various flexible and targeted policy instruments to sustain growth and to promote restructuring.

4. The economic targets set for 2015 are mostly modest and flexible, leaving room for policy manoeuvring. The experience of 2014 has seemingly given Li both confidence and a sense of urgency in economic management. The government aims to conduct more research and experiment to expand its policy tools to manage the economy.

5. The lower growth targets to around seven per cent for gross domestic product (GDP) and six per cent for trade is reasonable. The government has to strike several difficult balances, such as between maintaining stable macro-policy and providing sufficient support for growth, and between ensuring growth and promoting restructuring.

6. In addition to sustaining modest growth, the Li government aims to advance its agenda in both reform and further opening. He highlighted several areas such as

administrative streamlining, deregulation and liberalisation of investment financing, and fiscal and taxation reforms.

7. In the longer term, to achieve sustainable growth through structural changes is essential. Several policy areas have been highlighted, including enhancing household consumption, redirecting investment towards public goods provision and upgrading China’s industries. The government aims to transform the economy by encouraging entrepreneurship and innovation.

8. While the government’s overall economic agenda is comprehensive and sensible, its number one challenge is to navigate a smooth transition towards a slower growth path. It has to be vigilant and skilful, resolve key problems, mitigate major risks and push for reforms whenever possible.

9. The government also faces challenges to upholding and ensuring effective enforcement of policies. Local leaders may not be as enthusiastic in implementing some of the policies, while changing economic circumstances or insufficient political backing from the top may force policy-makers to waver in their policy commitment.