

**CHINA'S PARLIAMENTARY SESSIONS
2014: XI-LI LEADERSHIP PUSHES
THROUGH REFORMS AMIDST
ECONOMIC SLOWDOWN**

CHEN Gang

EAI Background Brief No. 904

Date of Publication: 20 March 2014

Executive Summary

1. During the annual session of China's National People's Congress (NPC) in March 2014, Chinese Premier Li Keqiang laid out his government's goals, namely, a 7.5% gross domestic (GDP) growth target, 12.2% increase in military spending, and war on smog, corruption and terrorism.
2. The NPC put much of its discussion focus on anti-terrorism and other security works as a result of the stabbing attack in Kunming, four days prior to the opening of the NPC. Anti-terrorism is now an increasingly pressing task that justifies the establishment of the National Security Commission.
3. The political importance of GDP growth as a form of government legitimacy has been declining as the new leadership is catering to populist demand for clean environment, social justice and extensive welfare.
4. Premier Li is pressing ahead with key economic reforms that should eventually liberalize financial markets, rein in powerful state-owned enterprises and stimulate domestic consumption.
5. Li outlined measures for tackling pollution, such as the shutting down of 50,000 small coal-fired furnaces, setting guidelines for reducing sulphur and nitrogen emissions from coal-burning power plants, removing high-emission cars from roads and promoting cleaner diesel-fueled vehicles.
6. The Chinese government planned to loosen interest rate and price controls, allowing more private capital into areas controlled by state-owned enterprises, such as banks, oil, power, railway, telecom, resources, and utilities.
7. The NPC session, together with the Chinese Communist Party's (CPC) Third Plenum in November 2013, is indicative of the new direction China is heading. It will be increasingly driven by market forces rather than administrative directives even though it is still firmly under the grip of the Party.

8. In contrast to ex-Premier Wen's reiteration of harsh macro-control (*hongguan tiaokong*) policies against the overheated property market, Li did not take any step toward tightening the property market.
9. The NPC announced a defense budget increase of 12.2% in 2014, a rate which far surpasses its projected GDP growth of 7.5%. Except for the year 2010 which witnessed a defense budget increase that was lower than the concurrent GDP growth, from 2006 to 2013, the military spending outstripped GDP rates.
10. The top-down reforms may run into enforcement problems if officials at various levels are too distracted by the ongoing anti-graft movement to translate reforms into reality.