



## CHINA: INITIAL ASSESSMENT OF THE FIFTH SESSION OF THE ELEVENTH NATIONAL PEOPLES CONGRESS

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The Fifth and final 10-day session of China's Eleventh National People's Congress (NPC)—China's version of a parliament—opened in Beijing on March 5, 2012, amidst predictable high security. In conformity with past practice, a 2-day meeting of the Chinese People's Political Consultative Conference (CPPCC), presided over by Politburo Standing Committee member and CPPCC Chairman Jia Qinglin, concluded in Beijing on March 3, 2012.

Restiveness in China's border regions of Tibet and Xinjiang was pushed to the forefront when the opening day of the NPC coincided with the immolation of the third Tibetan in three days in the Aba region of Sichuan province and trouble erupted in Kashgar where twelve Uyghurs were killed. The official media did not report these events, though the situation in both regions figured subsequently during panel discussions of NPC Deputies. The NPC session, which will be the last before Chinese President Hu Jintao and Premier Wen Jiabao retire at the Eighteenth Party Congress in October 2012, commenced at 9 am in the Great Hall of the People with the presentation of a 30-page 'Report on the Work of the Government' by 69-year old Chinese Premier Wen Jiabao to 2,987 NPC Deputies. Other reports presented were the 'National Development and Reform Commission (NDRC) Draft Plan for National Economic and Social Development' and the Ministry of Finance's 'Budget Report'.

Premier Wen Jiabao's speech was shorter than in previous years and concluded in 70-odd minutes. Possibly reflecting the factional infighting within the Chinese Communist Party (CCP) for positions in its Politburo (PB) and Politburo Standing Committee (PBSC), none of the reports contained any bold assertions or initiatives. On close scrutiny the Government's Work Report and NDRC

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Report, however, reveal a pronounced bias in favour of reform indicating the Government's resolve. The reports this time also sought to largely equally balance the concerns of rural and urban residents. The association with this Work Report of PBSC Member and Vice Premier Li Keqiang and Vice Premier Wang Qishan, an upward mobile 'princeling' and reputed tough no-nonsense economist, would indicate the successor leadership's agreement with its contents.

Salient features this year included Chinese Premier Wen Jiabao's decision to: reduce GDP growth to 7.5 per cent (for the first time since 2005); annually create 9 million new jobs in towns and cities; hold registered unemployment at below 4.6 per cent; revise the poverty line at 2,300 yuan; ease registration requirements to allow rural workers to secure benefits and work in cities; contain any increase in the consumer price index (CPI) below 4 per cent (it rose to 5.4 per cent in 2011); and, increase the total volume of imports and exports by 10 per cent. The RMB floating rate would be allowed to become more flexible and use of the RMB for cross-border trade and investment would be expanded. Allocations for agriculture, farmers, social security, medical insurance as also old-age pensions for rural and non-working urban residents were enhanced.

Important recommendations in the Finance Ministry's Budget were: enhanced expenditure on defence and security; revision of Individual Income Tax; raising of VAT; relieving small and medium businesses of the tax and fee burden; and halving the tax on small businesses.

The 40-page NDRC report noted the global economic outlook as "grim" and number of "new international and regional hot-spots" as increasing. Retaining last year's focus on S&T and Information

Technology, it said spending on R&D as a percentage of GDP will increase. Significant among the proposals were to: restructure heavy and chemical industry to reduce their share in the national economy; boost sales of consumer goods by 14 per cent; accelerate development of the central and eastern routes of the South-North Water Diversion Project (there was no mention of the Western Route possibly because of its sensitivity); and reform coal, natural gas and domestic fuel prices this year. It simultaneously assured that the government will adhere to the “basic economic system where public ownership is dominant and economic entities with diverse forms of ownership” would co-exist. Touching on an issue that has excited popular concern, it said land reforms will guide transfers of land-use rights which are “legal, voluntary and compensated”.

Compared to the Work Report of 2004, where “Reform” was mentioned 56 times and more than in other years, it was mentioned 70 times in this Work Report along with calls for further deepening of reforms. China’s official media took the cue and numerous media commentaries on the subject referred to “Reform”. By March 6, at least 70 mentions of “Reform” were noticed.

This was preceded by calls over the past many months by reputed liberal academics, economists and some ‘princelings’ for more and deeper reforms. A Tsinghua University report authored by Professor Sun Liping, former doctoral adviser to Xi Jinping, current Vice President and successor apparent and released on 9 January, 2012, warned that “vested interests” are holding back reform and seeking to perpetuate the transitional system in which they can maximize their interests, thus leaving China in a “transition trap”. It accused these interest groups of using “maintaining stability” as a pretext to resist reform. It cautioned that such “rigid thinking” will ultimately “fuel social conflicts and even turn daily conflicts into suspicions about and grudges against the system”. Advancing radical suggestions it recommended that China break out of the trap by embracing values like democracy, rule of law and revitalizing “society through political reform”. Such calls attracted opposition from high leadership levels in the Party, as

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evidenced by the China Youth Daily, People’s Daily and others who published this report, removing it from their websites within hours of publication.

An earlier confidential Tsinghua University report released in 2010, had set the tone by disclosing that expenditure on internal security in 2010 had reached 514 billion yuan

and that public safety expenditures, which increased by 16% last year, would be augmented by a further 8.9%. Arguing that with the increase in social conflicts social stability has become a “knot” in present-day society, the report said that to deal with social conflicts the state has to first, strengthen the capacity of the system in order to accommodate conflicts and clashes and, second, improve the capacity to use institutionalised modes to resolve these conflicts. Good institutions do not eliminate conflicts, but resolve them by applying institutionalised modes of resolution, it said. Therefore, it is necessary to first of all be able to accommodate contradictions and conflicts.

Nevertheless, the Finance Ministry’s report revealed the Chinese leadership’s anxiety at the growing incidence of popular protest by substantially increasing spending on police, state security, armed militia and other domestic security forces by 11.5 percent. For 2012, China set combined central and local government spending on domestic security at 701.8 billion yuan (US\$ 111.4 billion), compared with 629.3 billion yuan in 2011. The bulk of these allocations are reflected under provincial and local government outlays. The central government’s domestic security budget for 2012 is 182.3 billion yuan, a rise of 7.7 percent.

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Defence spending more than doubled since 2006 and registered a 11.4 per cent increase to touch 670 billion yuan (US\$ 106.4 billion), exceeding US \$ 100 billion for the first time ever. Like last year, Premier Wen Jiabao said this was necessary to enhance the capability of the armed forces to “win local wars under information age conditions”. He added that the PLA would strengthen ideological and political standards and adherence to the principle of “the Party having absolute leadership over the armed forces”. Wen Jiabao also, pointedly and for the first time,

declared "we will run the armed forces with strict discipline".

NPC Spokesman and former Chinese Foreign Minister, Li Zhaoxing, assured "China's limited military strength is aimed at safeguarding sovereignty, national security and territorial integrity and will not pose a threat to other countries." Claiming that China's military spending had actually decreased as a proportion of GDP, he said the defense budget would mostly be spent on daily necessities, training and equipment for military personnel and "research, experiment, procurement, repair, transport and storage of all weapons and equipment, including new types of weapons." The increased allocation reflects Beijing's concern on issues like the South China Sea, US activities in the Asia-Pacific, tension along the India-China border, etc., though Wen Jiabao's Report made none of the standard references to not ruling out the use of armed force for re-unification of Taiwan.

Interestingly, while share markets remained flat in Shanghai and elsewhere, defence-related enterprises listed on the Shanghai bourse promptly registered an increase in value. For example, the shares of China North Optical-Electrical Technology Co. (manufacturing military control systems and sensors) and China Dongfanghong Spacesat Co. (which builds satellites) immediately rose by 9.7 per cent and 3.9 per cent.

Education received a major budgetary boost and spending was increased by 16.4 per cent to 378.132 billion yuan. China's National Bureau of Statistics publicised a secondary education boom in China where college education jumped 147 per cent and 8,930 people of every 100,000 have attended university. Other reports disclosed that last year 128,000 Chinese students went to US universities.

S&T continues to receive special attention as does the promotion of innovation. Spending on S&T is being increased this year by 12.4 per cent to 228.546 billion yuan. NDRC disclosed the launch of 'Innovation 200 Programme', and building of an additional 54 key national laboratories, 28 national engineering laboratories, 23 S&T infrastructure platforms, 88 enterprise technology

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centres and 173 laboratories and engineering research centres. Hi-tech industries grew 16.5 per cent last year.

Apparently flowing from the Party Central Committee plenum last October where culture was the sole agenda item, a substantial allocation of 49.384 billion yuan has been made for culture and sports, including for "cultural resources related to the CCP".

Tibet and Xinjiang regions figured during the panel discussions of NPC Deputies. Wu Zegang, an ethnic Tibetan and head of Aba Prefecture in Sichuan, accused "the Dalai Lama clique and overseas separatist forces" of "leading Tibetan Buddhism onto the track of extremism." He said "to encourage self-immolations, they even offer a price of compensation for the dead. All these prove that self-immolations are pre-mediated political moves." PBSC member and CPPCC Chairman, Jia Qinglin asked authorities to, "resolutely crush the Dalai Lama clique's conspiracy of making Tibetan-inhabited areas unstable...", while Tibet Autonomous Region (TAR) Chairman Padma Choling assured Deputies that Tibet was "safe and stable".

China's official news agency 'Xinhua' attributed some interesting remarks to NPC Deputy and Xinjiang Governor, Nur Bekri. On March 5, he warned that China would "spare no efforts to prevent and crack down upon sabotage activities of the three evil forces of separatism, extremism and terrorism to ensure social stability". He said management of religious affairs would be strengthened in accordance with relevant laws. More interesting was Nur Bekri's remark on March 7, that recent incidents of unrest

in southern Xinjiang-Uyghur Autonomous Region stemmed from "Islamic separatists" with ties to militants in Pakistan.

During these discussions, Xinjiang Party Secretary Zhang Chunxian, asserted that authorities would "show no mercy to these terrorists and fight them unswervingly." The Administrative Commissioner of Kashgar Prefecture, Akbar Ghopur, said that "the three forces constantly try to infiltrate their extreme beliefs into the prefecture that borders Afghanistan and Pakistan."



Among the NPC's highlights was a very unusual disclosure, which was unmistakably linked to the infighting for positions in the PBSC at the forthcoming Party Congress. On the opening day of the NPC session, Chongqing Mayor Huang Qifan told Hongkong's Phoenix Television that Wang Lijun, Public Security Chief of the economically high-performing, centrally-administered Municipality, had gone to the US Consulate in Chengdu and was personally persuaded by the Mayor and other officials to leave peacefully and calmly. The disclosure confirmed speculation that Wang Lijun had attempted to defect. This statement by Wang Lijun's immediate superior directly indicted the Public Security Chief of espionage thus substantially deflecting responsibility from Chongqing Party Secretary and Politburo member Bo Xilai, a 'princeling' supported by Xi Jinping and who is viewed as likely to be promoted to the Politburo Standing Committee this October. The Mayor's statement is unusual because the CCP does not like to admit that its senior cadres have been caught spying. Quoting sources close to the CPPCC, Hongkong's South China Morning Post claimed that President Hu Jintao told Communist Party members among the CPPCC delegates in an internal briefing on March 3 evening, that Wang Lijun was a "traitor". These remarks hint at Bo Xilai's elevation to the PBSC this October.

China's second richest man, 66-year old Zong Qinghou, who is a NPC Deputy, called for an increased role for private business in the economy. He asked for a cut in taxes to allow private investment in the country's important industries. Zong Qinghou, whose personal net worth is US\$ 10.7 billion, is Chairman of the Hangzhou Wahaha Group Co.

When the Chinese Premier encouraged Chinese companies to 'go global' and said restrictions would be eased to permit individuals to invest overseas, Zong Qinghou remarked that Xi Jinping was friendly to private business and would encourage them. He said Xi Jinping had gained experience of private business while serving in Zhejiang province.

Anticipatedly, there was no attempt to tinker with contentious issues and there was no suggestion to amend the 'one-child' policy.

The Work Report indirectly addressed the issue of profligate spending by Party and government cadres, which has been the subject of widespread critical comment in China including on micro-blogs. Premier Wen Jiabao announced that 98 central government departments, provincial and municipal governments including Beijing,

Shanghai, Guangdong and Shaanxi had publicly declared expenditure on official overseas travel, official vehicles and official hospitality last year. He added that strict controls would be imposed in 2012 on official overseas trips, official vehicles and their use, and official hospitality.

Lu De, son of Deng Xiaoping's confidante and former culture minister Lu Dingyi and a 'princeling', had last year expressed regret that Party and government officials spent a third of all government revenue on luxury cars, travel, healthcare, banquets and other perks, adding "and yet we still call it the Communist Party and socialism." One report circulating inside China claimed the government annually spent US\$ 15 billion on the purchase of luxury automobiles. Separately two Chinese scholars, Yu Liu and Dingding Chen, recently estimated that expenditure on foreign travel, healthcare, banquets, luxury cars etc by Party and government cadres in 2004 exceeded 900 billion yuan.

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as areas of concern. "Price" was mentioned 13 times in the Report and "housing prices" twice. The term "people's livelihood" received 13 mentions this year and "education" was mentioned 33 times, indicating the heightened attention to these issues. A reference to PM 2.5 (air quality index) appeared for the first time in

this year's Work Report.

This NPC has been used by at least two aspirants to the PBSC to buttress their image. Wang Yang, a former Communist Youth League (CYL) cadre supported by President Hu Jintao and presently Party Secretary of Guangdong, suggested on March 6, that lengthy introductions and mandatory applause for speeches by seniors be abandoned. He suggested the strengthening of IPR and sought cuts in the authority of Ministers to veto projects recommended by provinces. On February 12, prior to opening of the NPC, CCP CC Propaganda Department Chief, Li Yunshan, released a book on Cultural construction where he listed six points for cultural reform and development.

Days before convening of the NPC and barely a year before Premier Wen Jiabao's retirement, reports filtered out in late February 2012 that the Premier's younger son, Wen Yunsong, had been appointed Chairman of China Satellite Communications Co. (China Satcom), one of China's six

largest telecommunications operators. Wen Yunsong, also known as Winston Wen, became Vice Chairman of China Satcom in 2010.

Unlike on earlier occasions, China's economic prosperity was manifest on the opening day of the NPC session. It was reflected in the increase in the personal worth of the 70 richest NPC Deputies, now estimated at US\$ 90 billion, or a US\$ 11.5 billion increase since 2010! Many NPC Deputies were fashionably turned out. Because of the media focus on this aspect, the CCP CC's Propaganda Department warned China's media, including the People's

Daily and Xinhua, not to "hype the 'Two Sessions', gourmet food and the clothing and accessories of representatives." China's netizens, however, continue to monitor this aspect. One posting showed Li Xiaolin, daughter of former Chinese Premier Li Peng, in a US\$ 2000 Emilio Pucci suit, observing it could outfit 200 children with warm clothes. Li Xiaolin, the CEO of China Power International Development Ltd., was perhaps targeted for her comment at this NPC session that "I think we should open a morality file on all citizens to control everyone and give them a 'sense of shame.'"



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