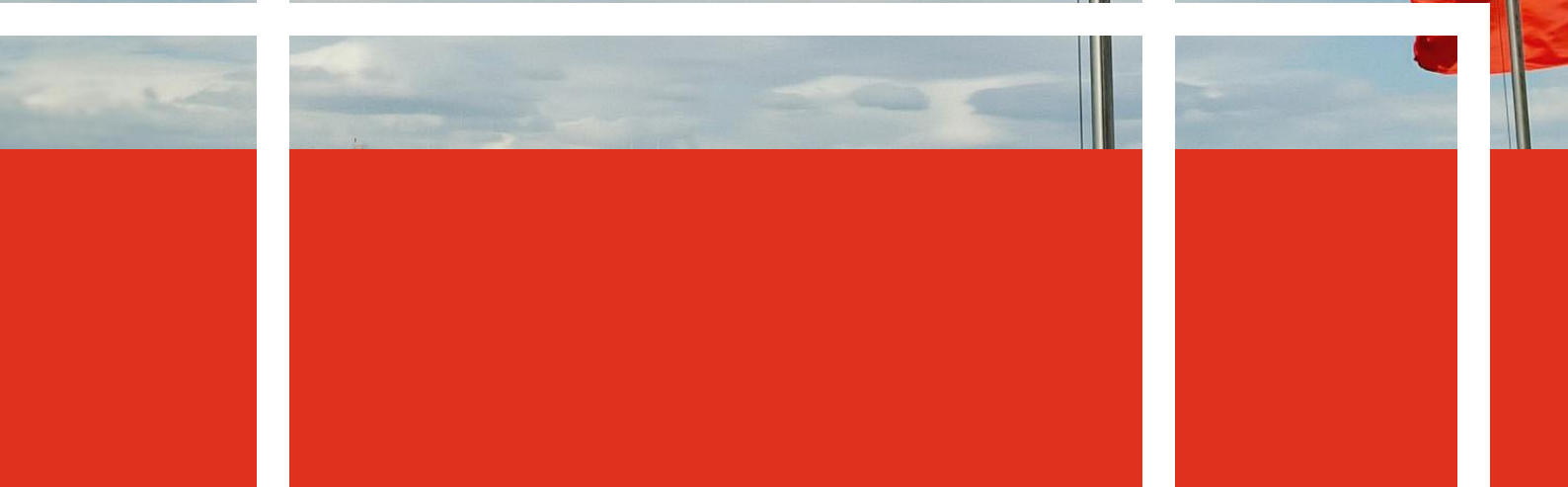


Amidst COVID-19,  
China's Two Sessions  
Give Priority to  
Stabilising  
Employment and  
Ensuring Living  
Standards in 2020







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The successful completion of the Two Sessions at the end of May sent out a strong signal that China is returning to normalcy following the COVID-19 pandemic. The third session of the 13th National People's Congress (NPC) and National Committee of the Chinese People's Political Consultative Conference (CPPCC) took place between May 21 and May 28 in Beijing. Due to the COVID-19 pandemic, the Two Sessions were postponed for more than two months as compared to previous years. The duration was also cut short to eight days in 2020, from around two weeks in the past. Despite it being postponed and a shorter duration this year, the accomplishments of the Two Sessions are significant and the impact on the domestic economy, business and Chinese society will last for years. For example, China did not set an official GDP growth rate target for 2020. This previously only happened in the years between 2000 and 2002 due to the economic adjustment triggered by the Asian financial crisis that occurred in 1997 to 1998.

Two vital laws were also discussed, reviewed and passed during the Two Sessions this year. The first is a Civil Code which is described as an encyclopaedia of people's lives, the law governs all civil activities including marriage, employment, property purchases (the 70-year land-use rights for residential buildings will be extended) and the inheritance of family assets, etc. It is the first Civil Code enacted since the establishment of the People's Republic of China 71 years ago. The second law adopted is the Decision on Establishing and Improving the Legal System and Enforcement Mechanisms for the Hong Kong Special Administrative Region (Hong Kong SAR) to Safeguard National Security.







What happened  
during the Two  
Sessions?

# The 3<sup>rd</sup> Session of 13<sup>th</sup> NPC and CPPCC

## - Main Agenda

### 21 May, Thursday

3 pm: The third session of the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC) opened. Wang Yang, chairman of the 13th CPPCC National Committee delivered the work report. Zheng Jianbang, vice-chairperson of the 13th CPPCC National Committee delivered a report on the proposals.

### 22 May, Friday

Morning: The third session of the 13th National People's Congress (NPC) opened. Premier Li Keqiang delivered the Government Work Report. Legislators reviewed a draft plan for national economic and social development, draft 2020 budgets, a draft civil code and a draft decision on establishing and improving the legal system for the Hong Kong SAR to safeguard national security. CPPCC members were invited to attend.

Afternoon: NPC deputies and CPPCC National Committee members had separate group discussions on the above reports and draft laws.

### 23 May, Saturday

All day: Group discussions by national legislators and political advisers on the Government Work Report, the draft plan for national economic and social development, and the draft 2020 budgets.

### 24 May, Sunday

All day: NPC deputies had group meetings to deliberate the draft civil code, and to review reports and drafts on budgets and economic and social development plans. The CPPCC National Committee had its second plenary meeting in the morning, and group discussion in the afternoon.

### 25 May, Monday

Morning: NPC deputies had group discussions on the draft laws.

Afternoon: Top legislator Li Zhanshu delivered the work report of NPC Standing Committee. Top judge Zhou Qiang delivered the work report of Supreme People's Court. Procurator-General Zhang Jun delivered the work report of Supreme People's Procuratorate.

### 26 May, Tuesday

All day: National legislators and political advisers had group discussions on the work reports of the NPC Standing Committee, Supreme People's Court, Supreme People's Procuratorate, and also on the draft civil code and draft decision on national security legislation for the Hong Kong SAR.

### 27 May, Wednesday

Morning: NPC deputies had group discussions on the work reports of the NPC Standing Committee, Supreme People's Court and Supreme People's Procuratorate.

Afternoon: Third session of the 13th National Committee of the CPPCC had closing meeting and a few reports were approved.

### 28 May, Thursday

Morning: NPC deputies had group discussions.

Afternoon: Third session of the 13th National People's Congress had closing meeting and the above work reports and draft laws were approved. Premier Li Keqiang presented at a news conference.

What significance  
does the Two  
Sessions have for  
economy and  
business?







The third session of the 13<sup>th</sup> NPC is held at the Great Hall of the People in Beijing, capital of China, May 28, 2020. (Source: Xinhua)

## Highlights of the Government Work Report

In the beginning of the Government Work Report, Premier Li Keqiang specifically pointed out that the COVID-19 epidemic has been the most challenging public health emergency that China has faced in more than 70 years. In 2019, despite slower global economic growth, escalating trade tensions, and downward domestic economic pressures, China achieved all its major goals.

As a result of the shortened duration of the Two Sessions this year, the Government Work Report is slightly more than half the length of last year, however all the major goals for 2020 have been discussed. In general, since 2020 is the last year of the 13th Five-Year Plan, China should strive to accomplish all the goals in the plan by year-end.

1. No GDP growth target has been set, instead priority is being given to stabilising employment and ensuring living standards to win the battle against poverty. China will also strive to achieve the goal of building a moderately prosperous society in all aspects. This goal was adjusted in 2012 and requires GDP and per capita income to double by the end of 2020 compared to 2010.
2. Creating more than 9 million new urban jobs (or 3 million less than in 2019) and maintaining the surveyed urban unemployment rate of around 6% (the rate was 5.5% in 2019 and 5.7% in 31 major cities in Q1 2020).
3. Keeping CPI growth at around 3.5% (the rate was 3% in 2019 and it increased by 4.9% year-on-year in Q1 2020 due to COVID-19).
4. Stabilising imports and exports with higher quality (China's foreign trade volume contracted by 6.4% year-on-year in Q1 2020) and keeping a basic equilibrium in the balance of payments.
5. Keeping per capita income growth in line with economic growth and eliminating poverty among all rural residents.
6. Effectively preventing and controlling major financial risks.
7. Continually cutting the energy consumption per unit of GDP (no specific rate has been set in 2020 and in 2019 the rate was reduced by 3%) and curbing major pollutant emissions.
8. Pursuing a more proactive and impactful fiscal policy. The deficit-to-GDP ratio is projected to increase to more than 3.6% or one trillion yuan more than last year. An additional one trillion yuan of government bonds for COVID-19 control measures will also be issued. The two trillion yuan will mainly be used to stabilise employment and to ensure living standards.

9. Pursuing a prudent monetary policy in a more flexible and appropriate way by cutting the reserve requirement ratio for banks, interest rate reductions, and increasing re-lending to grow money supply and financing at notably higher growth rates than last year.
10. Issuing 3.75 trillion yuan of special-purpose local government bonds (or 1.6 trillion yuan more than

in 2019) to boost investment with a focus on new infrastructure and new urbanisation initiatives and major projects such as next-generation information networks, 5G applications, data centres, battery charging and swapping facilities for new-energy automobiles, as well as to stimulate new consumer demand and industrial upgrading.

## Highlights of NPC Standing Committee Work Report

Based on the report delivered by Li Zhanshu, chairman of the NPC Standing Committee, the Committee has exercised its statutory powers of enacting laws, conducting oversight, making decisions, and appointing and removing officials. In 2019, the Committee has achieved the following major accomplishments:

- Deliberated 48 drafts of laws and decisions and adopted 34 of them, including 5 new laws, 17 revisions of existing laws, and 12 decisions on legal issues and major issues.
- Worked to ensure full implementation of the Constitution in all aspects of state governance, for instance a total number of 1,995 administrative regulations, local statutes, and judicial interpretations were submitted for the record.
- Continued to improve the Chinese socialist legal system by working to guarantee that major reforms have a legal basis, accelerating legislation on the subject of public wellbeing, and enhancing legislation on the subject of supervision, justice, social governance, and national security.
- Advanced oversight work with a focus on major tasks in reform and development.

In 2020, the top three key tasks include:

- Ensuring full enforcement of the Constitution by implementing procedures and mechanisms for interpreting the Constitution and formulating guidelines on the implementation of constitutional compliance inspections.



Premier Li Keqiang meets the press after the closing of the third session of the 13<sup>th</sup> National People's Congress. (Source: Xinhua)

- To promote high-quality development, strengthening legislative work in key areas such as formulating the Yangtze River Conservation Law, the Law on Promoting Rural Vitalization, the Futures Law, and the Hainan Free Trade Port Law, and revising the Patent Law, etc.
- Exercising oversight in accordance with the law by improving oversight systems and mechanisms and implementing 29 oversight tasks. Tackling issues including the three critical battles against poverty, pollution, and potential risks, and taking effective steps to stabilise employment, etc.

## Highlights of CPPCC National Committee Work Report

As mentioned by Wang Yang, chairman of the 13th CPPCC National Committee, in his work report, four key tasks have been completed by the committee over the last year. First, it studied and implemented the guidelines of the Central Conference on CPPCC Work. Second, the committee organised celebratory activities for the 70th anniversary of the founding of the CPPCC. Third, it provided policy suggestions and built consensus. Fourth, the committee actively participated in the fight against COVID-19, for instance, by providing more than 1,300 reports, opinions and suggestions.

According to Zheng Jianbang, vice-chairperson of the 13th CPPCC National Committee, 5,488 proposals have been submitted since the previous annual session, while in 2018 the CPPCC provided 5,360 proposals. These proposals cover topics including the economy, politics, culture, society and ecology.

In 2020, the CPPCC will target the following major tasks:

- Studying and implementing the guidelines of the Central Conference and upholding the Communist Party of China (CPC) leadership.
- Fulfilling duties and responsibilities of providing policy suggestions with a focus on government policy targets.
- Promoting unity and solidarity by organising surveys and other consultative activities.
- Improving the CPPCC's international exchanges with foreign political institutions, think tanks and media, as well as enhancing the CPPCC's working systems.



The third session of the 13<sup>th</sup> NPC is held at the Great Hall of the People in Beijing, capital of China, May 28, 2020. (Source: Xinhua)

Implications—  
what are the  
takeaways?



Although, this year's Two Sessions took place more than two months later than usual, and was close to half the duration of previous years, its completion amidst the COVID-19 pandemic has indicated that China's government administration, legislation and political consultative activities have returned to normal. According to the economic indicators in the first quarter, the outbreak of COVID-19 and the subsequent nation-wide preventative measures have seriously damaged China's economic growth. As a consequence, strong support from government policies were critical to businesses this year. We conclude the following points from the Two Sessions, particularly the Government Work Report, from a business perspective:

**First, a positive GDP growth rate can be expected although the Government Work Report has not set a clear target.**

As government policies play a significant role in driving the country's economic growth, some worry that it may be difficult for China's economy to recover from the impact of COVID-19 if the central and local government do not set a GDP growth target. In fact, the Government Work Report gives priority to expanding domestic demand and ensuring economic development and social stability.

It is estimated that China's GDP growth rate will reach approximately 3% in 2020 if the country maintains security in six areas, namely: employment, basic living needs, operations of market entities (or companies), food and energy security, stable industrial and supply chains, and the regular functioning of primary-level governments. The basis of maintaining this security is by safeguarding stability on six fronts, namely: employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations.

**Step up efforts to ensure stability on six fronts and maintain security in six areas**

Six Fronts		
Employment	Financial sector	Import and export
Foreign investment	Domestic investment	Expectations
Six Areas		
Job security	Basic living needs	Operations of market entities
Food and energy security	Stable industrial and supply chains	The normal functioning of primary-level governments



The third session of the 13<sup>th</sup> NPC is held at the Great Hall of the People in Beijing, capital of China, May 28, 2020. (Source: Xinhua)

Second, China will implement substantial measures to support the economy by leveraging the two trillion yuan, with a focus on employment and living standards.

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As premier Li Keqiang emphasised during the press conference at the close of the Two Sessions, as a developing country, 600 million people in China have an average monthly income of 1,000 yuan (or approximately US\$ 140) while the per capita annual disposable income in China is around 30,000 yuan (or approximately US\$ 4,200). This fact about China's low-income population is shocking news for many Chinese, who have probably never realised this.

As a result of COVID-19, these families will encounter more difficulties. Thus, it is very easy to understand why the Chinese government has listed stabilising employment and ensuring basic living standards as their top priorities. Furthermore, the premier also called on local governments to relax regulations on street vendors in order to create a variety of employment opportunities.





Third, China will accelerate the reform and opening up process in order to stabilise economic growth, boost investment and stimulate consumption with 3.75 trillion yuan in special-purpose local government bonds.

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New infrastructure such as next-generation information networks, 5G applications and data centres, are substantial development opportunities that will benefit from huge investments from local governments, as well as new urbanisation initiatives and major projects (including traditional infrastructure such as railways, subways, roads, airports, ports, etc.). These investments will not only create new business for companies from the relevant sectors, but will also build a much better foundation for future economic development.

Since COVID-19 has seriously hit domestic consumption which has been the most important driver of China's economic growth in the past few years, China will actively promote its recovery. By stabilising employment and promoting income growth, it will encourage and enable consumer spending. Government policy will also support the recovery of food and beverage services, shopping, culture (including entertainment venues such as cinemas, etc.) and tourism, as well as automobile consumption.

In addition to boosting investment and stimulating consumption, China will accelerate the reform and opening up process to stabilise economic growth. The country will press ahead with reforms to streamline administration and delegate power, improve regulations, and upgrade services; promote market-based allocation of production factors; improve the performance of state capital and SOE reforms; and foster an enabling environment for the development of the private sector.

Furthermore, China recently released guidelines on advancing the development of western regions of the country as well as a master plan for the construction of the Hainan free trade port. The goal is to develop the Hainan Island into a globally-influential free trade port.



## Fourth, China has continued to improve rule of law and state governance which provides the foundation and grounds for business growth and long-term economic prosperity.

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After more than four decades of reform and opening up, China's infrastructure to support economic development and business growth has dramatically improved. At the same time, the government together with the NPC and the CPPCC continue to advance rule of law and state governance and administration.

For instance, the drafting of the legislation for China's Civil Code started in 1954, and finally the "civil constitution" of modern society has been passed as result of the accomplishments of the

country's top leaders. The Civil Code is also the first law with more than 1,000 articles and 100,000 Chinese characters. As a key component of the national governance system, the core of the Civil Code is to protect people's rights including identity rights, property rights, claims, intellectual property rights, equality rights, as well as the protection of personal data such as image and voice, etc. It is also expected that the Civil Code will protect private business owners and help to uphold economic growth and long-term prosperity.



# PwC Contacts



**Elton Yeung**

Vice Chairman, Strategy and  
Innovation Leader,  
PwC China  
+852 2289 8088  
elton.yeung@cn.pwc.com



**Thomas Leung**

Managing Partner, Markets,  
PwC China  
+86 (10) 6533 2838  
thomas.w.leung@cn.pwc.com



**Elton Huang**

Managing Partner,  
Central China Markets,  
PwC China  
+86 (21) 2323 3029  
elton.huang@cn.pwc.com



**Xing Zhou**

Managing Partner,  
North China Markets,  
PwC China  
+86 (10) 6533 7986  
xing.zhou@cn.pwc.com



**G. Bin Zhao**

Senior Economist,  
PwC China  
+86 (21) 2323 3681  
bin.gb.zhao@cn.pwc.com

[www.pwccn.com](http://www.pwccn.com)

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