



# The 10th National Peoples Congress of the Peoples Republic of China

**Jabin Jacob**  
*Research Officer, IPCS*

The 10th NPC held from 5-14 March 2004, focused primarily on domestic concerns while also referring to foreign policy issues. Questions of corruption and livelihood including raising farmers' incomes, cutting education fees, improving employment opportunities and the establishment of a sound social security network were addressed along protecting the legitimate interests of both urbanites and migrant farmers, and strengthening public security. The 2,900-member legislature approved 13 changes to the Constitution, including measures to protect private property and respecting human rights.

Premier Wen Jiabaos first Work Report on 5 March was marked by concern on issues affecting Chinas domestic stability. Acknowledging grievances at individual, local and regional levels, Wen outlined the problems facing China: chaotic and unplanned investment, shortfall between supply and demand in energy, transport and raw materials, a drop in grain production and illegal appropriation of farmland.

He then outlined the achievements of the previous year which he described as significant for China, having braved difficulties and hardships, particularly in fight against SARS. Foreign trade significantly expanded with total imports and exports reaching US\$851.2 billion, 37.1percent more than the previous year, raising China from fifth to fourth place in the world. China also created more jobs than planned and received international accolades for its first manned space flight.

## **The Economy**

The previous year witnessed economic growth of 9.1percent, the highest since the Asian financial

crisis. With the economy overheating there was considerable unease in Beijing as it tries to peg growth to 7percent. There is a clamour by western industrialized countries to reevaluate the yuan, a demand based in politics rather than sound economics. There is talk more that the yuan could strengthen against the US dollar before the year is out, despite Wen's pledge to keep the Chinese yuan "basically stable at a proper and balanced level."

The current high rates of growth are unsustainable, but, China still needs a minimum of 7percent growth to create more jobs for the growing numbers of unemployed and redundant workers, besides those being added each year to the labour force.

The desire to "appropriately control the scale of investment in fixed assets and firmly halt haphazard investment and low-level, redundant construction in some industries and regions," comes from the experience of several Chinese cities, particularly along the east coast, of infrastructure coming up which remain unused. The government has now decided to cut down public investments in road and bridge-building projects to stimulate growth, while increasing spending on agriculture, social welfare and job oriented programs.

Equally urgent low rural incomes stimulate the movement of people from the countryside to urban areas. "Rural incomes have grown too slowly," admitted the Prime Minister, but providing social security is becoming more difficult. China's "iron rice bowl," providing social security to the urban employed, had begun developing cracks. Nevertheless, a new constitutional amendment declares that, "the State establishes a sound social security system compatible with the level of

economic development."

Wen also noted that 'development in different regions of the country is not balanced,' an admission that the villages were suffering by comparison to the cities and the western and northeastern regions were faring poorly in comparison to the east.' [T]he income gap is too wide,' said Wen as he conveyed that the government was seized of these problems. Wen, promised to make the rural economy areas the "top priority of all our work," while "the funds from treasury bonds will be directed toward rural areas, social undertakings (and) the western regions." Similarly, there are plans to put bankrupt pension schemes in the northeast back on the rails. This region, China's industrial powerhouse, in the past has had several instances of unrest by jobless workers.

In a confession that the economic reforms have not worked for China's agricultural sector, plans were afoot to abolish the agriculture tax in five years. The Premier announced that the government would press ahead with the reform of rural taxes. Beijing would increase investment in the rural areas by more than 20percent (about 30billion yuan), and provide an additional 10 billion yuan in direct subsidies to halt the fall in grain output.

With the economy overheating there was considerable unease in Beijing as it tries to peg growth to 7percent. There is a clamour by western industrialized countries to reevaluate the yuan, a demand based in politics rather than sound economics

enterprise systems, including improvements to the management of state assets, does not come as a surprise. Wen promised to speed up reforms of debt-heavy state banks that could potentially affect the entire economy. A pilot plan to convert State-owned commercial banks into stock entities

was begun in 2003.

### Political Reform

Wen declared, in a press conference on 7 March, "without success in political reform, economic reform will not be successful." This NPC made two significant changes to the constitution: safeguards for private property and protection of human rights. While largely symbolic, they point to systemic changes being wrought in the Chinese polity. The issue of corruption, considered to be the most important concern for the people was also addressed. Criticizing government officials for being "wasteful, extravagant and fraudulent, and sometimes even corrupt", Wen admitted that corruption would be a difficult problem.

The amendment protecting private property follows the admission of private entrepreneurs to the CPC last year, which provides an enormous boost to the private sector in China and sets it on a more confident growth trajectory. Indeed, with nearly 70 percent of the government's tax revenues coming from private companies, this move was inevitable. Similarly, as China's infrastructure projects take off, local governments have often ridden roughshod over the rights of local tenants and communities, who will now have greater legal redress under the new law.

The emphasis on human rights is not without significance. The government seems serious about enforcing legal standards and ensuring that officials pay greater attention to individual. This is necessary since China has problems at the micro level and the state can no longer reach everywhere. Its present leadership has fewer direct ties with the masses than the earlier one; hence it must adopt populist measures to retain its grip on power.

Currently, the Constitution remains subordinate to the party and government, and state enforcement agencies will continue to ignore its provisions. However, it can be argued that henceforth, individual rights will be a constant concern for the leadership. This is because the solution to China's problems will demand a degree of democratization in the political system. This generation of leaders has the chance to get things moving since they have a legacy to build and leave for their successors.

## Taiwan, Hong Kong and Macao

Premier Wen warned Taiwan against seeking independence by "any means" and stated the mainland's determination to defend its sovereignty over the island and bring about its peaceful re-unification. He declared that China would stick to the principle of 'one country, two systems' as far as Taiwan is concerned and continue to develop bilateral relations. The report also professed to "vigorously expand visits of individuals across the Straits and economic and cultural exchanges and energetically promote establishment of the 'three direct links' between the two sides." The Chinese mainland would protect the legitimate rights and interests of the Taiwanese on the mainland and pursue the resumption of dialogue between the two sides on the basis of the one-China principle.

On Hong Kong and Macao, Wen stated China's "unshakable goal" of maintaining long-term stability and prosperity in the two regions and pledged all support to their governments. The Basic Laws of Hong Kong and Macao would be respected while trying to unite people across all sections in Hong Kong and Macao. This was an expression of support also for Hong Kong's embattled and unpopular Chief Executive, Tung Chee-hua, and an effort avert interference, especially by the United States, in the Special Administrative Region.

## Military and Defence

Wen said that China would "energetically carry forward military reforms with Chinese characteristics and work hard to modernize national defense and armed forces to a higher stage of development." China would focus on new and high technology weaponry, develop highly competent military personnel, and modernize the armed forces using information technology and mechanization to enhance its overall defense capability under hi-tech. China also planned to reduce its armed forces by 200,000 troops by 2005.

During the course of the NPC, attempts were made to fend off foreign estimates and fears on the increase in China's defence expenditure by 11.6percent in 2004. It was pointed out that this was proportionately lower than that of many nations. The budgeted military spending of

21.83billion yuan (about US\$2.6billion), submitted to the NPC accounted for about 1.7percent of China's total GDP volume, compared with the world average of 3percent. It was pointed out that the per capita military expenditure of the US was nearly US\$300,000, in Britain and Japan nearly US\$200,000, whereas it was US\$10,000 for China. In addition, another reason cited by the Finance Minister Jin Renqing, for the higher defence outlay, was the need to "raise the salaries of army personnel and the pensions for ex-servicemen."

## Foreign Policy

The Chinese Prime Minister pledged to sustain the country's "independent foreign policy of peace" and identified foreign policy challenges to include the re-emergence of the "tendency towards unilateralism," local conflicts and "international terrorist activity'." China would strive for a new international political and economic order that would be "fair and equitable."

During the course of the NPC, attempts were made to fend off foreign fears on the increase in China's defence expenditure by 11.6% in 2004. A People's Daily piece pointed out that this was proportionately lower than that of many nations. The budgeted military spending of 21.83billion Yuan (about US\$2.6billion), submitted to the NPC accounted for about 1.7% of China's total GDP volume, compared with the world average of 3%. The article also noted that the per capita military expenditure of the US was nearly US\$300,000, in Britain and Japan nearly US\$200,000, whereas it was US\$10,000 for China - a figure that would imply a colossal defence budget running into the trillions! In addition, another reason cited by the Finance Minister Jin Renqing, for the higher defence outlay, was the need to "raise the salaries of army personnel and the pensions for ex-servicemen".

The government seems serious about enforcing legal standards and ensuring that officials pay greater attention to individual. This is necessary since China has problems at the micro level and the state can no longer reach everywhere

## Conclusion

Wen Jiabao and Hu Jintao have come into their own with their tackling of the SARS crisis. By acknowledging that the growth strategy of the previous years had its shortcomings, they have boldly adopted a more people-centric approach.

A major portion of Wen Jiabao's report was dedicated to measures on improving government. The central government would put "people first." Its plans to abolish agricultural tax in five years, create a medicare system covering urban and rural areas in three years, build a social security system and tackle the problems of employment and reemployment indicate the new leadership's desire to ensure the "five balanced aspects" of - urban and rural development, development among regions, economic and social development, development of man and nature, and domestic development and opening to the outside world. As Wen declared, "the ultimate aim is to maintain social stability."



**INSTITUTE OF PEACE  
AND  
CONFLICT STUDIES**

B 7/3 Safdarjung Enclave,  
New Delhi 110029 INDIA