

STABILITY

2022 NPC and CPPCC Sessions

BACKGROUND

One of China's biggest political moments in 2022 — the Two Sessions — ended in Beijing on March 11th. The so-called Two Sessions refers to the meetings of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) that take place annually in March, during which the legislative agenda for the rest of the year is discussed and confirmed.

While most of the work spent on crafting the policy that will guide the nation takes place behind the scenes, it is during the Two Sessions that these policies are formally brought to light, discussed, and approved. The most important output of the Two Session is the Government Work Report (GWR) — an influential report detailing the values, policy, and direction that the country will take over the following twelve months.

For business operators and communicators in China, there is no moment more important than the Two Sessions in terms of understanding the central government's priorities. This year's Two Sessions comes as China is in the second year in of its 14th Five-Year Plan and is preparing for the 20th Party Congress in autumn. With the world now in its third year battling Covid-19, the ongoing issue in Ukraine, and domestic demographic pressures to consider, 2022's Two Sessions is being watched closely by all.

EXECUTIVE SUMMARY

- As outlined during the Two Sessions, **steady economic growth and social** stability are the main priorities for the year. Local governments will be under pressure to deliver on this, and we can expect that efforts will be made to encourage consumer spending or investment to help achieve growth targets
- **The continued push for innovation** indicates that demand for foreign investment will likely continue, particularly if it can contribute to the government's goal of achieving an innovation-driven development model
- Organizations should be prepared for stronger and more **direct governance of digital infrastructure** as China works to build longer-term development objectives for the digital economy
- China's **green and low-carbon development objectives** remain the same. Companies will need to find ways to clearly enunciate their climate credentials more than they already have. Media are likely to be requested to increase the volume of coverage provided to climate-related issues
- Major expos and trade initiatives such as the “Belt and Road” initiative will remain relevant to multinationals as China aims to steadily **raise the quality and volume of trade**

OVERVIEW

Of all topics and issues on the government's agenda, stability remains the core guiding principle. The word 'stability' was mentioned over 75 times in the government report delivered by Premier Li Keqiang on March 5th.

The government's focus on stability is driven by two factors. The first is the slower than expected international economic recovery and volatile global political situation. The second is that China's economic development faces challenges from shrinking demand, disrupted supply, and weakening expectations.

The need for stability therefore remains the government's top priority for the rest of the year, guiding its approach to all key issues.

ECONOMIC GROWTH

Economic growth is always the most important topic for government decision making. In recent years, fast growth has been supplanted by a growth rate that is slower and thus more conducive to a stable society, and, now equally important, more equally distributed.

This year, the guiding philosophy for GDP growth is stable growth while ensuring stability. The 5.5% growth target is broadly in line with what economists predicted, perhaps slightly over, and is regarded as ambitious by many economists given the global economic situation and the impacts of China's covid response. This target is linked to the average economic growth rate of the past two years and the requirements of the 14th Five-Year Plan. The rate of growth fully reflects the proactiveness of the Chinese government in responding to new challenges. This will be expected to come more and more from "internal circulation" – a trend we have seen for years.

Premier Li Keqiang: "We aim to achieve about 5.5 percent growth this year to ensure the steady performance of the Chinese economy at a high level, which is in itself a show of progress. To achieve this goal is not easy, and needs the support of a series of macro policies."

Key Targets For 2022 Identified in the Government Work Report

Key Indicators	2022 Target	2021 Target	2021 Actual	2020 Actual	2015–2019 Actual Average
GDP	5.5%	> 6%	8.1%	2.3%	6.7%
CPI	3%	3%	0.9%	2.5%	2%
New increased urban employment (million jobs)	> 11	> 11	12.69	11.86	13.38
Urban unemployment rate (start from 2017)	< 5.5%	< 5.5%	5.10%	5.20%	5.03%
Deficit rate	2.8%	3.2%	3.1%	3.6%	2.7%
Grain output (million metric tons)	650	650	683	669	661
Energy consumption per unit of GDP (decline. start from 2021)	3%	3%	2.7%	—	—

SOCIAL STABILITY

Ensuring employment is one of top topics for the government in 2022, appearing 34 times in the Government Work Report. In 2022, there will be 10 million graduate students entering the job market, meaning that the government must increase opportunities for employment and entrepreneurship. To support this, a new package of tax-and-fee policies to support enterprises, especially to support manufacturing, micro and small enterprises, and self-employed individuals has been introduced. Additionally, greater support will be provided for enterprises to stabilize and expand employment.

Protecting and improving people's livelihood is a fundamental imperative of government efforts in growing the economy. Food and energy security featured prominently in China's 'Two Sessions' as the Russia-Ukraine issue

caused inflation and supply chain pressures. In addition, the government formulates a series of policy directions to improve the capacities of medical and health service, strengthen social security and services, increase financial subsidy standards for residents' medical insurance and basic public health services, to improve the supporting measures for the three-child policy, and to develop elderly care and childcare services.

This series of policies and directions for social stability, employment stability and people's livelihood improvement reflect the government's determination and pragmatism to make concerted efforts to promote development and ensure the public wellbeing.

HIGH-STANDARD OPENING UP

While China's import and export levels have been growing at a healthy pace in recent years, the government has avoided setting specific targets for these. This year is no different, with the government targeting "steady increases in both the volume and quality of imports and exports". While further opening of China's economy does not play a central role in the Government Work Report, the report does indicate a consistent push for in-depth reform and high-quality development through continued efforts in this area.

Multinational corporates can continue to align their business development and communications strategy with the big directions highlighted in the Two Sessions, such as the "Belt and Road" initiative. Four major expos — the China International Import Expo, the China Import and Export Fair, the China International Fair for Trade in Services, and the China International Consumer Products Expo — have been emphasized in the Government Work Report and will continue to be valuable for multinational corporates to invest in and attend.

Premier Li Keqiang: "No matter how the international environment may change, China will keep the course of wider openness, just as the course of the Yangtze and Yellow rivers will not be reversed."

GREEN ECOSYSTEM

The environmental commitments made in the 14th Five-Year Plan are ambitious but seek to be realistic. The biggest news is the announcement that the country will hit peak emissions before 2030 and carbon neutrality by 2060. While the government continues to improve the environment, it emphasizes the need to take well-ordered steps to achieve peak carbon emissions and carbon neutrality, and avoiding one size fits all and campaign-style carbon reduction solutions in this year's two sessions.

The short-term low-carbon development action plan and management pace might be affected under the background of uncertain global geopolitical pressure and energy security concerns. However, the government green and low-carbon development objective remain unchanged. As the government advances in its efforts to cut carbon emissions, public awareness on climate change visibly increases step by step. Companies still need to take proactive role in lowering their own emissions with consequences in store for those who refuse and find ways to clearly enunciate their climate credentials more than they already have.

Nine Major Tasks For 2022 Identified in the Government Work Report

- Achieving stable macroeconomic performance while keeping major economic indicators within the appropriate range
- Keeping the operations of market entities stable while maintaining job security through strengthened macroeconomic policies
- Deepening reform to strengthen market vitality and internal development momentum
- Continuing implementation of an innovation-driven development strategy while strengthening the foundation of the real economy
- Expanding domestic demand and promoting coordinated regional development and new urbanization
- Boosting agricultural production and promoting all-around rural revitalization
- Pursuing higher standard opening up and promoting stable growth of foreign trade and investment
- Continuing to Improve the Environment and Promoting Green and Low-Carbon Development
- Ensuring and improving the people's wellbeing and promoting better and new ways of conducting social governance

KEY AREAS FOCUS

The Government Work Report and motions of NPC and CPPCC deputies have significant impacts on a broad range of industries. The section below focuses on three top industries and selects the most influential topics that will give multinational corporations the critical context needed to optimize their business and communications strategies. Although the topics tend to be fragmented across the different industries, there is a common thread for multinational corporations, namely that despite the focus on driving domestic innovation in key sectors, cooperation and investment in government priority areas will create significant opportunities for multinationals.

- Continue to implement an innovation-driven development strategy, strengthening the foundation of the real economy
- Promote the large-scale roll-out of 5G to develop of the digital economy
- Accelerate the development of the industrial Internet to foster and strengthen digital industries such as integrated circuits and artificial intelligence
- Encourage the development of metaverse-related infrastructure, though the regulation of the metaverse will be designed to minimize risk to the digital economy
- Develop digital trade through innovation, strengthening cybersecurity, data security and personal information protection
- Accelerate independent research and development, manufacturing and application of chips
- Promote the legalization of driverless cars while ensuring the safety of intelligent driving
- Accelerate intelligent reform by promoting open-source software development and building industrial chains
- Ensure the safety of the energy supply chain and innovate electric vehicle battery charging technology infrastructure
- Develop a management system to encompass carbon footprint, investment, and industry

TECHNOLOGY INDUSTRY

- Carry out regular epidemic prevention
- Encourage innovation through tax and other incentives
- Overcome the problem of data silos and empower primary healthcare providers through digitization
- Encourage volume-based procurement of more medicines and high-value medical consumables
- Strengthen the supervision of the safety and quality of medicines and vaccines
- Continue to reform the public hospital system
- Support the revitalization and development of traditional Chinese medicines
- Strengthen social security services, expand the coverage of medical insurance, and accelerate the increase of medical insurance funds
- Support innovative domestic pharmaceutical enterprises
- Develop big potential areas including neuroscience, stem cell therapy, and gene therapy

HEALTHCARE INDUSTRY

CONSUMPTION AND SERVICES INDUSTRY

- Seek to integrate online and offline consumption, promoting overall recovery in consumption of consumer services, while encouraging new forms of and models for consumer spending
- Support sales of new-energy vehicles
- Encourage local governments to promote spending on green and smart home appliances in rural areas, as well as the replacement of aging home appliances
- Develop e-commerce and express delivery solutions for rural areas
- Strengthen supervision of livestream e-commerce
- Develop cultural programs and the cultural sector, while promoting the development of traditional Chinese culture
- Promote public fitness activities
- Stimulate personalized, diversified, high-quality consumer demand
- Accelerate the adoption and development of the consumer IoT
- Encourage the growth of local Chinese brands

ABOUT WE RED BRIDGE

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Given China's evolving geopolitical position, up-to-date intelligence on government narratives and objectives is more important than ever, especially for foreign corporates seeking to build or redirect their businesses in China. WE Red Bridge provides a suite of senior-led products that help clients across multiple sectors to determine the best way forward, to move public opinion, shape public policy, educate and engage key audiences.

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