



TWO SESSIONS

COMMENT

Reform, opening-up will continue

By YAO YANG

Premier Li Keqiang presented the Government Work Report to the National People's Congress, China's top legislature, on the first day of its annual session on March 5, which summarized China's achievements in the last five years and laid out plans and targets for this year.

After several years of economic slowdown, China's economy began a new growth cycle last year, with its GDP growing by 6.9 percent, enterprises' profits increasing by 21 percent, and trade volumes rising by 14.2 percent.

This year marks the 40th anniversary of China's reform and opening-up, and Li announced several new reform initiatives in his speech. For international observers, perhaps the most important is China's pledge to continue reform and opening-up.

The world economy is in a precarious state after the Donald Trump-led United States administration announced that it would impose high tariffs on steel and aluminum imports. The European Union has threatened to retaliate, and other countries are moving quickly to bargain for exemptions. China's exports contribute to 40 percent of the US'

trade deficit according to US statistics. So China is one of the obvious targets of Trump's high tariffs.

Many market observers were worried that China would retaliate against the US, with some Chinese observers fearing the country could reverse its course of opening-up. And the recent investigations against some private companies that have invested heavily abroad seemed to have reinforced the worry.

Li's report should allay those concerns. Over the last five years, China reduced two-thirds of the restrictions imposed on foreign direct investment, and shortened the negative list. Those progressive steps have been well received by business communities across the world and, as a result, foreign companies have increased their investment in China. The actual foreign direct investment last year was \$136.3 billion.

Domestically, China will continue to intensify economic reform. One of the most significant moves would be subjecting domestic companies to the negative list. As a relic of the planned economy, administrative review and approval has long been the standard regulatory method used by the Chinese government, as it believed the entry of enterprises and their projects should be

controlled in order to maintain an orderly economy.

However, this method cannot pass the information test proposed by Nobel Prize-winning Austrian economist Friedrich Hayek: How can the planner get sufficient information to make the right judgment? This question has become more acute as China moves toward an innovative economy. Innovations are risky and unpredictable, so the market, not the government, is more competent to select the winners.

Li has also pledged to drastically reduce the length of the negative list and promote a "one-stop" approval process in every business field. For foreign companies, he has promised to open more areas and reduce the number of restrictions.

In particular, China will get rid of the ceiling set for foreign equity in banks and other financial companies, unify the entry regulations for foreign and domestic banks, and defer taxes paid on the profits invested in China. In sum, China "will strengthen its compliance of the internationally prevailing commercial rules".

As for the investigations against some domestic companies, they are more about those companies' unlawful practices to gain or consolidate their hold on the market by buying

political influence. In the long run, breaking the business-political alliance will create a level playing field for everyone.

In his report, Li has stressed the importance of protecting private property and providing equal rights to private companies. These moves should be enough to ease the doubts of China skeptics. China's economic success has been driven by its relentless efforts to reform the market despite the West's belief that it has relied on State power to push forward its agenda. Private enterprises, including foreign companies, are still a strong driving force for China's growth.

Those who have forgotten that China had a massive reform program in the late 1990s that transformed many State-owned enterprises (SOEs) into market-oriented entities can draw comfort from Li's report, in which he has called for steady SOE reforms, including the introduction of private equity to change SOEs' corporate governance structure.

Opening-up is still China's choice. In the past 40 years, China undoubtedly has been the largest beneficiary of the current world order, particularly the free trade regime maintained by the World Trade Organization and other international trade

and financial architectures. Therefore, China has no reason to undermine this order. As for the trade imbalances between China and the US, they will not be resolved by a trade war. More fundamental changes are needed on both sides. In particular, Americans should increase their savings, and Chinese should increase their consumption.

The share of consumption in China's GDP has increased by 6 percentage points since 2010. The Chinese economy is on the way to rebalancing. In his report, Li calls for "strengthening consumption's fundamental function for economic development". As income in China continues to rise, the country will transform from "the world's factory" to a consumption center.

There is a strong consensus on reform and opening-up in China. And the course of the country cannot be easily reversed. This provides the foundation for China to play a constructive and stabilizing role on the world stage.

The author is Cheung Kong scholar and Boya Chair professor, and head of the National School of Development and China Center for Economic Research, Peking University.

Clearing hurdles on poverty's last mile

By ZHU LIJIA

Premier Li Keqiang has said in the Government Work Report that the central government has appropriated more than 280 billion yuan (\$44.23 billion) of poverty reduction funds over the past five years.

The government's efforts to eradicate extreme poverty are an apt example of the Communist Party of China's (CPC) people-centric development philosophy. Targeted poverty alleviation has made great progress in the five years since the 18th National Congress of the CPC in late 2012, with the impoverished population declining from more than 80 million in 2013 to about 30 million in 2017.

In his report to the 19th Party Congress, CPC Central Committee General Secretary Xi Jinping said: "We will intensify poverty alleviation ... and continue to promote well-

rounded human development and common prosperity for everyone."

And that China has stepped into "a new era" means 2018 will play a vital role in achieving the first of the Two Centenary Goals — building a moderately prosperous society by 2020 — by eradicating extreme poverty. This means on average China will lift about 10 million people out of extreme poverty every year till 2020.

But poverty alleviation work in China still faces many challenges.

First, in the past, some local authorities and departments adopted measures such as fudging or exaggerating their poverty alleviation statistics to enhance their political performance. And some grassroots poverty alleviation officials spent a lot of time filling up forms, attending meetings and writing reports, leaving them little time to visit the impoverished regions to provide real support. This kind of poverty alleviation work is inefficient and ends up wasting huge amounts

of human and material resources.

Eliminating "poverty alleviation work on paper" and reducing the pressure on grassroots poverty alleviation officials will be crucial to the poverty alleviation campaign in the future.

Second, corrupt practices have to be eliminated from poverty alleviation work, by strictly promoting the rule of law and Party regulations. Previous corruption cases show that some village officials in impoverished regions embezzled poverty alleviation funds and/or materials.

Such scandals not only undermine the implementation and results of the central government's poverty alleviation policies and infringe on impoverished residents' interests, but also damage the image of the Party and the government. In addition, they have had a negative impact on the local social order. Therefore, the poverty alleviation policy seems to be failing in the "last mile" in some areas.

To solve the "last mile" problem, the authorities should enhance supervision over poverty alleviation departments and officials. The people's congresses at various levels as well as the public should jointly supervise poverty alleviation work at the corresponding level, and the corrupt officials must be punished according to law.

Fortunately the authorities have already begun to address such problems. Hu Jinglin, vice-minister of finance, said on March 7 that the financial authorities will strengthen their supervision over the poverty alleviation funds, and evaluate the effect of such aid to truly improve livelihoods.

The authorities should also take measures to prevent "fake" poverty alleviation work. Media reports said some local officials abuse their powers to influence poverty alleviation work. For instance, some rural officials listed their relatives and friends

as targets of poverty alleviation while ignoring impoverished residents.

The need is to make the poverty alleviation process more open and transparent, so that public supervision is realized. And technologies that enable poverty alleviation funds and materials to be given directly to the impoverished households should be adopted, in order to avoid corruption.

With the introduction of the central government's rural revitalization strategy and anti-crime campaign in local areas, the process to build grassroots organizations in China will be further strengthened, which in turn will help remove the obstacles in the "last mile" of poverty alleviation work.

With the strong support of the central authorities, the goal of lifting people out of extreme poverty by 2020 will definitely be achieved.

The author is a professor of public management at the Chinese Academy of Governance.