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China's Two Sessions: Key Policy Priorities and Challenges

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SYNOPSIS

China's recently concluded "Two Sessions" discussed key policies amid external challenges. The main themes for the year encompassed China's peaceful development, advocacy for the Global South amid competition with the United States, cross-strait relations, and productivity. These themes underscore China's assertiveness as a rising power amid challenges.

COMMENTARY

China recently concluded its "Two Sessions", its annual parliamentary gatherings, with top leaders outlining key directives on domestic and foreign policy. Premier Li Qiang highlighted external challenges posed by the current global environment that may exert an "adverse impact on China's development".

The main themes introduced for the year included China's peaceful development; China's role as a champion of the Global South amid sustained strategic competition with the United States; peaceful development of cross-strait relations; and productivity, development, and modernisation. These themes underscore China's assertiveness as a rising power amid challenges.



The recently concluded Two Sessions unveiled China's policy priorities amid structural and practical challenges both domestically and internationally, highlighting the complex challenges that China will have to contend with as a rising power. *Image from Wikimedia Commons.*

Peaceful Development

The premier's [work report](#) emphasised China's pursuit of an "independent foreign policy of peace and peaceful development", "opening up for mutual benefit", "an equal and orderly multipolar world", and "a new type of international relations".

[The notion of peaceful development](#), from Hu Jintao to Xi Jinping, underscores China's rise within a peaceful global order. It was also mentioned in the 2015 and 2019 defence white papers on China's foreign policy and modernisation path.

Premier Li highlighted the country's efforts to expand "global partnerships" to play "an active and constructive role in addressing international and regional hotspot issues". The goal is in line with efforts to enhance China's image as a responsible global power and Xi's vision of promoting a "human community with a shared future" through [Chinese-style modernisation](#) (*zhongguo shi xiandaihua*). The report also referenced China's [global development, security, and civilisation initiatives](#).

China has engaged in peacebuilding activities where it has overseas interests. It sent Special Envoy Li Hui to meet with officials in [Moscow](#) and [Kyiv](#) to persuade both parties to engage in negotiations. It has also [pressed Iran to rein in attacks by Yemen's Houthis on commercial ships travelling through key shipping routes in the Red Sea](#). Beijing has also been working to [support](#) the peace and reconstruction of Afghanistan.

In addition, for both domestic reasons and to avoid tarnishing its international image, China has been cracking down on criminal activities in Southeast Asia involving Chinese nationals. However, while proactive in some areas, China exercises restraint in others to avoid entanglement in sensitive issues.

The work report referenced China's role as champion of the Global South, echoing Foreign Minister Wang Yi's earlier remarks that the expansion of the BRICS economic bloc was a reflection of the "[collective rise of the Global South](#)" in the shift toward "multipolarity".

In addition to mentioning increasing foreign trade and partnerships with countries under the Belt and Road Initiative (BRI) through free trade agreements and investment treaties, the work report highlights China's role in environmental conservation. China aims to boost "the green and low-carbon economy" and to work towards achieving carbon neutrality through 10 major initiatives.

The work report references a "new type of international relations" that mirrors Xi's 2014 mention of a "[new type of great power relations](#)", which would "break [from] the traditional law of conflict and confrontation between major powers".

China continues to face sustained strategic competition with the United States despite [recent stabilisation efforts](#). It faces ongoing trade tensions with the European Union and a potential US ban on the Chinese tech company Bytedance. China's more assertive foreign policy under Xi amid these challenges reflects greater willingness to challenge the US-led order.

While the Chinese government is assertive overseas, the Chinese Communist Party has enhanced its control over state and society. The country's financial regulation structure, national data bureau, and science and technology ministry are set to undergo [reform and reorganisation](#).

Also, this year China cancelled its annual press conference, typically led by the premier alongside the Two Sessions, and [indicated](#) that this tradition will no longer be continued. Over the last three decades, China's premiers have used the annual press conferences to discuss matters relating to the economy and other policy issues. Cancelling the annual premier press conferences signals a reduced focus on the premier's role, further centralisation of power under CCP General Secretary Xi Jinping, and the tightening of media and information control at the top level.

Peaceful Unification

Premier Li reaffirmed Beijing's stance on Taiwan during the Two Sessions, stating that China will firmly oppose separatist activities aimed at Taiwan independence and will "push for the peaceful development of cross-strait relations" (*tuidong liangan guanxi heping fazhan*). Key themes highlighted include "one country, two systems", the "1992 consensus", and "unification with the motherland" (*zuguo tongyi daye*), all aligned with China's aspiration to achieve great power status by 2049.

Recent incidents in the Taiwan Strait – the February 2024 clash between a Fujian fishing boat and Taiwan authorities, and Beijing's unilateral flight path changes – bear resemblance to [brinkmanship](#). Amid tensions over US arms sales to Taiwan, such manoeuvres raise concerns over potential conflict escalation.

China's Productivity, Development, and Modernisation

Another focus at the Two Sessions was leveraging "[new productive forces](#)" for "high-quality development" to modernise industries. The work report stressed innovative development in advanced sectors like electric vehicles (EVs), artificial intelligence (AI), renewable energy, infrastructure, semiconductors, and quantum computing, as well

as technological investments and support for entrepreneurs in boosting the science and technology industry. Projecting a target of 5% GDP growth, the central government pledged 370.8 billion yuan (US\$51.51 billion) towards science and technology investments to help boost productivity in 2024.

Economic development

Science and technology innovation are central to achieving China's pursuit of high-quality growth. China's science and technology industry leaders have proposed creating more "[independent and controllable](#)" AI ecosystems, [strengthening top-level design, clarifying development goals and key tasks](#), increasing investment, and [narrowing the gap with advanced systems in the United States](#). A nationwide push to integrate AI into education across all levels is under way, from [primary](#) to [tertiary institutions](#).

Xi's emphasis on the party's centrality has curtailed market forces, hindering [bottom-up innovation](#). This state-centric approach may impede collaboration, affecting [global solutions for climate change and public health](#). Domestically, it [affects innovation, foreign investment, and talent retention](#).

[Local actors](#) play an important role in AI development, [challenging the idea of unified state control over the sector](#). However, there is a risk that as [geopolitical risks](#) intertwine with Xi's [national security agenda](#) for AI, the space for local innovation may narrow. The central government may also view "hard" technologies like EVs more favourably than ["soft" ones](#) like social media and gaming, which are much harder to [regulate](#). [Balancing](#) technological progress with reforms and global understanding is critical for China's leadership in technology.

Military modernisation

Premier Li announced a 7.2% increase in China's defence budget from the previous year to 1.67 trillion yuan (US\$232 billion). This is in line with efforts to build a modern and technologically advanced joint fighting force, "basically complete national defence and military modernisation by 2035", and possess a "world-class military by mid-century".

China's [ongoing efforts to integrate the military with its hi-tech commercial sector and academic enterprise](#) is expected to bring about fresh challenges to China's civil-military fusion strategy. These are in addition to the practical challenges highlighted in a [RAND report](#): recruitment, training and retention of a professional fighting force, and [corruption](#). [US efforts](#) to restrict China's access to [advanced AI chips](#) used for developing military technology have also posed a challenge to China's military development. Analysts [warn](#) against collaboration with China owing to the security risks arising from the lack of a clear line between defence and commercial endeavours.

Conclusion

The Two Sessions unveiled China's policy priorities amid structural and practical challenges both domestically and internationally. Faced with economic headwinds and

heightened geopolitical tensions, including growing hostility from Western powers, China's response to these complexities will be closely watched by many observers as it treads a path towards its avowed peaceful development.

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