



## THE 5TH SESSION OF THE 12TH NATIONAL PEOPLE'S CONGRESS AND CHINA'S 2017 STRATEGIC PRIORITIES

Between 5-15 March 2017, the annual session of China's National People's Congress (NPC), which is the highest state institution and legislative body of the People's Republic of China (PRC), took place in China's capital, Beijing. The 1st session of the NPC was convened in 1954. The tenure of the general assembly of the NPC is a five years term, and it is held once a year in March. The current 12th NPC was elected in January 2013.

At the 5th session of the 12th NPC, which lasted 11 days, 2016 annual report on the work of Chinese Government was presented to the Congress. In addition to the announcement of the economic development goals for 2017, the 2017 budget plans of the country's central and local governments were approved. The Prime Minister, Li Keqiang, who delivered 2016 annual report on the work of Chinese Government at the opening of the Congress, highlighted the efforts made by the CPC Central Committee under the leadership of Xi Jinping towards achieving stable economic development and ensuring public security and improving social life and summarized the Government's work in 2016 as follows: 1) In general, the supply-side structural reforms of China have been thoroughly deepened and necessary measures have been taken to ensure stable growth of the economy. In this regard, 165 items for the review by the State Council departments and authorized local governments, 192 items of intermediary services for the Government review and 220 items of approvals and accreditations for professional qualifications have been cancelled. By opening up to the outside world and developing cooperation with countries along the route of One Belt, One Road Initiative more than \$130 millions of foreign investment has been attracted to the country. 2) An active fiscal policy has been implemented. The tax burden on businesses for the whole year was reduced by 570 billion yuan and the interest burden by 400 billion yuan. As a result of the stable monetary policy, China's large money supply (M2) increased by 11.3% in 2016. 3) The technology development strategy of the "Made in China 2025" initiative has been implemented in a comprehensive manner, and several technological innovation centers and innovation pilot regions have been established at the national level. Significant steps have been taken to cut overcapacity in the industrial sector. Annual coal production capacity was cut by 290 million tons and steel - by 65 million tons. 4) In terms of green economy, the share of clean energy consumption was increased by 1.7 points while the share of coal consumption was reduced by 2 points. By strengthening the fight against air pollution, carbon sulfur emissions were reduced by 5.6% and nitrogen oxide emissions by 4%. The annual average density of PM 2.5 was reduced by 9.1% in 74 biggest cities. 5) Particular attention was paid to the improvement of people's living conditions, and many new measures were taken to create employment and new jobs. In addition to allocating 10 billion yuan from the government budget to help the poor, 84 million poor children were given educational assistance. The share of annual education expenditures in the government budget exceeded 4%.

The economic and social developments that China achieved in 2016 are as follows: 1) *Eco-*

*nomie growth:* China's GDP increased by 6.7% to 74.4 trillion yuan (about \$11 trillion) and contributed more than 30% of global growth. The annual rate of change in the consumer prices index reached 2%. Although the profit increase in industrial enterprises reached 8%, it decreased by 2.3% compared to the previous year. Indeed, energy density in the country was reduced by 5%. 2) *Sectoral development:* The share of the service sector in China's GDP was the highest in history at 51.6%. As the high-tech industry and equipment manufacturing grow rapidly, stability was achieved in the agricultural sector. The number of new enterprises grew by over 15,000 with a 24.5% year-on-year increase. 3) *Technology and innovation:* While the amount of technology trade exceeded 1 trillion yuan this year, the contribution of technological progress to economic growth rose to 56.2%. The number of annual patents in the country exceeded 1 million. 4) *Employment and job creation:* While total employment remained stable, the number of work places newly opened in cities amounted to 13.41 million. The registered urban unemployment rate stood at 4.02%. 5) *Infrastructure:* Regarding transportation infrastructure, 1,900 kilometers of new high-speed rail lines came into service, and more than 6,700 kilometers of highways and 290,000 kilometers of rural roads have been built throughout the country. Construction of 21 large hydraulic structures was restarted. In terms of communication infrastructure, the number of 4G mobile communication users grew by 340 million and the optical fiber cables reached 550 million kilometers. 6) *Social life:* Personal disposable income per capita increased by 6.3%. The number of poor people in rural areas decreased by 12.4 million, and 2.4 million poor people relocated from hard-to-reach areas to developed areas. While more than 6 million new dwellings were built, over 3.8 million dilapidated rural houses were renovated. As the urbanization process accelerated, more than 16 million people were granted urban residency. This year, more than 120 million Chinese traveled abroad.

Announcing the Chinese Government's working plan for 2017, the Prime Minister, Li Keqiang, stated that in 2017, they would give priority to necessary technological transformation and macroeconomic stability efforts by strengthening supply-side structural reforms in key areas in order to ensure sustainable development and social progress in the country. According to the plan, in 2017, China aims: 1) to achieve the economic growth of around 6.5% and to reduce energy density by 3.4%; 2) to create 11 million new jobs and to keep country's registered urban unemployment rate below 4.5%; 3) to set the budget deficit at 23.8 trillion yuan reducing by 200 billion yuan compared to 2016; to increase large money supply (M2) by 12% and to keep inflation growth at around 3%; 4) within the scope of combating environmental pollution, to reduce steel production capacity by 50 million tons and to shut down at least 150 million tons of coal production facilities, as well as to reduce

carbon sulfur and nitrogen oxide emissions each by 2%; 5) to reduce the number of rural poor people by 10 million and to relocate 3.4 million poor people from hard-to-reach areas to developed areas by increasing central government funding for poverty alleviation by 30%; 6) to build more than 6 million new housing units and to place more than 13 million people in cities by accelerating the process of urbanization; 7) to construct more than 200 thousand kilometers of village roads and to extend fiber-optic broadband to 30 thousand villages.

This was the last session of the 12th NPC, which took office in March 2013. 2017 coincides with the year of change in political power in China, which takes place once every five years. This year, the leadership, which was elected at the 18th CPC General Congress in November 2012, will complete the first five years of the 10-year rotation period, and the ruling positions will be changed and renewed at the 19th CPC General Congress, which is expected to be held at the end of 2017. Later, the elections of the 13th NPC for the period 2018-2022 will take place. From this point of view, the Chinese Government's 2017 decisions and measures, which were set out at the 5th session of the 12th NPC, are very important. According to the results of the 5th session of the 12th NPC, the strategic priorities of China in 2017 can be summarized as follows: 1) *Ensuring stable economic growth.* To ensure economic growth stability is the most important goal for China, which has experienced a slowdown in economic growth in recent years. China's economy expanded by 6.7% in 2016, which is its slowest rate in the last 26 years. For instance, China has grown steadily with a rate of nearly 10% until 2008. 2) *Stability and security of the country.* According to the central budget plans for 2017, which were approved at the session, China's defense budget for 2017 is increased by about 7% to 1 trillion yuan, indicating that the Beijing administration gives great importance to the stability and security of the country. Because of the high tension between the U.S. and China, which started when the President Donald Trump came to power in the U.S., the plans of the Washington and Seoul to deploy the THAAD missile system in South Korea, as well as the growing tensions in the South China Sea and the Korean Peninsula, the Beijing administration has been having great concern on these issues. 3) *Fight against air pollution.* The issue of fighting air pollution can be considered as one of the strategic priorities of China in 2017. According to China's central budgetary plans for 2017, 12 billion yuan budget expenditures were allocated for the fight against air pollution, which is a 7.3% increase compared to the previous year. 4) *Health reform.* China's health and family planning budget for 2017 was increased by 50.3% to 9.116 trillion yuan, indicating that the Chinese Government is taking an important step in health care reform. Because of the comprehensive implementation of the second child policy since 2016, serious health reform is needed in China.

## Politics, Foreign Affairs and Security

- The Central Election Commission of Turkmenistan announced that the country would hold a parliamentary election on May 21, 2017. The country will also elect the members of local governing bodies on the same day due to changes in the administrative and territorial structures of the country's regions.
- During his official visit to Ashgabat, the President of Belarus, Alexander Lukashenko, and the President of Turkmenistan, Gurbanguly Berdimu-hamedow discussed a wide range of issues of mutual interest. As a result of the meeting, the parties signed 11 bilateral documents on cooperation in different areas, including an intergovernmental agreement on cooperation against crime and a tourism cooperation program between the Belarusian Sports and Tourism Ministry and the State Committee for Tourism of Turkmenistan for 2017-2018. In addition, the two leaders attended an official ceremony to open the Belarusian Embassy in Turkmenistan.
- During his official visit to Baku, the President of Kazakhstan, Nursultan Nazarbayev, and the President of Azerbaijan, Ilham Aliyev, discussed further ways of strengthening economic cooperation between the two countries. As a result of the visit, the parties signed a number of documents in various fields, including the Agreement on strategic cooperation in the field of logistics and rolling stock engineering between Kazakhstan Railways National Company and Azerbaijan Railways, and the Agreements on international road transportation between the Ministry of Economy of Kazakhstan and the Ministry of Investments and Development of Azerbaijan.
- During his official visit to St. Petersburg, the President of Belarus, Alexander Lukashenko, and the President of Russia, Vladimir Putin, discussed a broad range of issues concerning the development of the Belarusian-Russian bilateral relations focusing on trade and economic cooperation. As a result of the meeting, the parties agreed to solve the oil and gas dispute started in 2016.
- During his official visit to Ankara, the Deputy Foreign Minister of Azerbaijan, Khalaf Khalafov, and the Foreign Ministry Under Secretary, Umit Yalcin, held political consultations. The sides exchanged views on international issues and mulled prospects of development of bilateral and regional cooperation.
- The 30th meeting of the Council of the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization (RATS SCO) was held in Tashkent under the chairmanship of China. The officials of Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, and SCO RATS Executive Committee attended the meeting. The participants discussed the execution of the Cooperation Program on Combating Terrorism, Separatism, and Extremism for 2016-2018.
- During his official visit to Paris, the Minister of Foreign Affairs of Uzbekistan, Abdulaziz Kamilov, and the Minister of

Foreign Affairs and International Development of France, Jean-Marc Ayrault, discussed the state and prospects of the development of bilateral relations in the political, trade and economic, investment, military and cultural spheres. As a result of the visit, the parties signed the Cooperation Program between the Foreign Ministries of Uzbekistan and France for 2017-2018.

- The Eurasian Economic Commission (EEC) of the Eurasian Economic Union (EAEU) announced about signing the Memorandum of Understanding (MOU) with the General Secretariat of the Andean Community of Nations (CAN). The MoU will create a basis for sharing information and holding joint events such as conferences, forums, seminars, roundtables with the participation of businessmen, experts and government bodies of the member states of the EAEU and CAN.
- The Foreign Ministry of Iran stated that the country imposed sanctions on 15 American companies over their alleged support for terrorism and repression in the region. It was noted that the companies are banned from any agreements with Iranian firms and that former and current directors will not be eligible for visas.
- The Central Military District of Russia reported that Russian servicemen took part in a joint anti-terrorism exercise with the armed forces of Tajikistan. The servicemen trained to cooperate during joint operations on combating illegal armed groups. The drills were held at three training grounds of the Tajik armed forces and two grounds of Russia's 201 Military Base in Tajikistan.

## Economy, Finance and Energy

- According to the Turkish Energy Market Regulatory Authority, Azerbaijan exported 590.35 million cubic meters of gas to Turkey in January 2017 as compared to 594.46 million cubic meters exported in 2016. It was stated that Azerbaijan increased the natural gas supplies to Turkey from 6.17 billion cubic meters in 2015 to 6.48 billion cubic meters of gas in 2016. The share Azerbaijan in total gas imports of Turkey was 9.98% in January 2017.
- According to the Ministry of Energy and Water Resources of Tajikistan, the country exported about 2.6 million kWh of electricity per day to Afghanistan. It was noted that the flowage of the Vakhsh River allows not only to fully meet the domestic demand of the country, but also to export its surplus. Tajikistan produces about 55 million kWh of electricity daily. The volume of exports of electricity in 2016 increased by 138.3 million kWh to 1.3 billion kWh compared to the previous year. The country exported electricity to Afghanistan at 4,059 cents for 1 kWh.
- On the sidelines of the general meeting of the Union of Legal Entities of the Trans-Caspian International Transport Route Association the Head of Kazakhstan Railways National Company, Kanat Alpybayev, reported that the country plans to export over 450,000 tons of oil via the new Kuryk port and then through Azerbaijan and Georgia until late 2017. It was

also noted that the first cargo arrived at the Baku International Sea Trade Port from Kazakhstan's new port Kuryk in March 2017. The Kuryk port with a total area of 40 hectares is located closer to the Baku port, than the Aktau port, through which transit was carried out previously. The voyage from Kuryk to Baku takes 18 hours.

- The Russian biggest mobile phone operator MTS reported that the company sold its 50% stake in Uzbekistan telecommunications operator Universal Mobile Systems (UMS). It was stated that MTS sold its UMS stake to the State Unitary Enterprise Centre of Radio Communication, which is a part of Uzbekistan's Information Technologies Ministry, and already owns the other 50% of UMS.
- The Central Bank of Azerbaijan reported that the current account deficit of the country amounted to \$1.36 billion in 2016 compared to \$222.5 million in 2015. It was also stated that the current account surplus of Azerbaijan's oil and gas sector stood at \$4.4 billion in 2016 compared to \$6.55 billion in 2015 covering 76.3% of the deficit of the non-oil sector.

## Society and Culture

- The high-ranking officials of Turkey, Belarus, Kazakhstan, Ukraine and other Eurasian states expressed their condolences to the President of Russia, Vladimir Putin, on bombing attack in St. Petersburg. The bomb blasted between the Technology Institute and Sennaya Ploshchad subway stations killing 14 people and wounding 49. The city's transport authorities closed the entire subway network after finding second unexploded bomb at the Vosstaniya Square station, which was disarmed.
- The President of Azerbaijan, Ilham Aliyev, attended a ceremony of launching water supply systems in the city of Saatli, which is a part of the National Water Supply and Sanitation Project co-funded by the Government and the World Bank. The project designed to improve water supply and sanitation services for 22,000 people in the city of Saatli includes the construction of two water reservoirs with the capacity of 5,000 cubic meters each, and a pumping station.
- The President of Uzbekistan, Shavkat Mirziyoyev, signed a Law on introduction of changes and amendments to some legislative acts of Uzbekistan in connection with adoption of measures on ensuring reliable protection of rights and freedoms of the citizens. The law is aimed at further democratizing and liberalizing judicial, law enforcement and controlling bodies, as well as improving trust of population to rule of law.
- According to the Chairman of the Children's Rights Protection Committee of the Ministry of Education and Science of Kazakhstan, Yerzhan Yerssainov, in 2018 the orphanages of the country would be transformed into the centers for the support of families and children. It was noted that unlike the orphanages, the centers would temporarily accommodate and help children until new families adopt them.