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Full Text: Report on the Work of the Government



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BEIJING, March 17 (Xinhua) -- Following is the full text of the Report on the Work of the Government delivered by Premier Li Keqiang at the Fourth Session of the Twelfth National People's Congress on March 5, 2016 and adopted on March 16, 2016:

REPORT ON THE WORK OF THE GOVERNMENT

Delivered at the Fourth Session of the 12th National People's Congress of
the People's Republic of China on March 5, 2016

Li Keqiang

Premier of the State Council

Esteemed Deputies,

On behalf of the State Council, I will now report to you on the work of the government for your deliberation and approval. I invite comments on my report from the members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

Let me start with a review of the work we did in 2015.

In the past year, China has encountered many difficulties and challenges in its development. However, under the leadership of the Central Committee of the Communist Party of China (CPC) headed by General Secretary Xi Jinping, and with confidence and courage, all the people of China have worked to overcome obstacles and have pressed ahead with a pioneering spirit. As a result, progress has been achieved and stability ensured in economic and social development, the main tasks and targets for the year have been fulfilled, and major achievements have been made in reform, opening up, and socialist modernization.

-- The economy operated within an appropriate range.

GDP reached 67.7 trillion yuan, representing an increase of 6.9% over the previous year—a growth rate faster than that of most other major economies. Food crop production increased for the 12th year in a row. Consumer prices grew slowly. Of particular note, the employment situation overall remained stable, with 13.12 million new urban jobs created over the course of the year, surpassing the year's target and becoming an economic highlight.

-- Encouraging progress was made in structural adjustment.

The service sector as a proportion of GDP rose to 50.5%, accounting for more than half for the first time. The contribution of consumption toward economic growth reached 66.4%. High-tech industries and equipment manufacturing grew faster than other industries. Energy consumption per unit of GDP fell by 5.6%.

-- New driving forces for development grew rapidly.

Further progress was made in implementing the strategy of innovation-driven development, the penetration of the Internet into all industries picked up pace, and emerging industries grew rapidly. Business startups and innovations by the general public flourished, with the number of newly registered businesses rising by 21.6% in 2015, or an average of 12,000 new businesses per day. New driving forces played a major role in keeping employment stable and pushing ahead industry upgrading, and are now driving profound economic and social change in China.

-- Living standards improved.

Personal per capita disposable income increased by 7.4% in real terms, overtaking the growth rate of the economy. By the end of last year, personal savings deposits had risen by 8.5%, an increase of more than four trillion yuan. In rural areas, another 64.34 million people gained access to safe drinking water and greater alleviation efforts reduced the number of people living in poverty by 14.42 million.

A number of world-class innovations were made in science and technology. Major headway was made in the development of 3G nuclear power technology, China's self-developed C919 large jetliner rolled off the assembly line, and Tu Youyou was awarded the Nobel Prize for Physiology or Medicine.

These achievements in China's development, a source of pride and motivation for our people, did not come easily.

They were made in the context of an extremely complicated and challenging international environment. In 2015, world economic growth fell to its lowest rate in six years, growth in international trade slowed, commodity prices plummeted, and there was growing volatility in the global financial market. All this had a direct impact on China's economy.

They were made at the same time as deep-seated domestic problems were becoming prominent and downward pressure on the economy was mounting. While dealing with the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of previous economic stimulus policies, China was also confronted with many difficult problems and choices in the running of the economy, and this called for effective responses based on the need both to combine long-term and short-term considerations and to seek benefit and avoid harm.

Finally, they were made at a time when China's economic output had exceeded 60 trillion yuan. Every percentage point of GDP growth today is equivalent to 1.5 percentage points of growth five years ago or 2.5 percentage points of growth ten years ago. The larger the economy grows, the greater the difficulty of achieving growth.

In the face of these difficulties and pressures, all our people have truly exerted themselves and progressed step by step to get us where we are today. This once again demonstrates that no difficulty or hardship will ever stop China from moving forward.

I will now move on to discuss the main work we did last year:

First, we maintained stable growth, made structural adjustments, guarded against risks, and developed new ways of conducting macro regulation.

In responding to the mounting downward pressure on the economy, we exercised targeted and well-timed regulation on the basis of range-based regulation. We adopted proactive fiscal policy that focused on increasing intensity and efficacy by expanding the scope of structural tax reductions, reducing fees across the board, and putting dormant budgetary funds to good use. Local government bonds issued to replace outstanding debt reached 3.2 trillion yuan, lessening the interest payment burden of local governments by approximately 200 billion yuan while also reducing their debt repayment pressure. We pursued prudent monetary policy with an appropriate amount of intensity, making several cuts to interest rates and required reserve ratios, reforming management of the loan-to-deposit ratio, creating new monetary policy tools, and increasing support for the real economy. Effective investment increased, special-purpose funds were established, and development was strengthened in areas in need of attention, including water conservancy, rundown urban areas and dilapidated rural housing, and railways and highways in the central and western regions. Consumer spending was promoted in key areas, spurring rapid growth in spending on recreational travel, online shopping, and information goods and services. In 2015, we also responded proactively to a variety of risks and challenges in the financial sector, such as unusual fluctuations in the stock market and the foreign exchange market, ensuring that no systemic or regional threats arose, thus safeguarding China's economic and financial security.

Second, we intensified reform and opening up to invigorate the market.

Rather than adopting strong stimulus policies that would have an economy-wide impact, we continued to move forward with structural reform. We intensified reform to streamline administration, delegate more powers, improve regulation, and provide better services. We delegated the power or cancelled the requirement for government review for 311 items, cancelled the requirement for verification or approval for 123 professional qualifications, and put a complete stop to the practice of non-administrative review. The number of items which require government approval for new businesses prior to registration was cut by 85%, and the system of a separate business license, organization code certificate, and taxation registration certificate was replaced by a unified business license with a unified social credit code. Both operational and post-operational oversight over businesses were strengthened, and public service procedures were improved. Government-related procedures for individuals and businesses were made much simpler, such that enthusiasm for stepping out into business and making innovations is rising by the day.

Fiscal, tax, financial, and other key reforms were deepened. The central government cut, by one third, the number of items for which special transfer payments are permitted, while scaling up its general transfer payments. Steady progress was made in replacing business tax with VAT. Ad valorem taxation was extended to cover more types of resource taxes. The upper limit of the

floating band on deposit rates was removed, the deposit insurance system was introduced, and the RMB cross-border payment system was established. Pricing reform was intensified, with the number of central government set prices reduced by 80% and the number of local government set prices cut by more than 50%. We carried out state-owned enterprise (SOE) reforms, rural reforms, and investment and financing reforms, ecological management reforms, and others. Efforts to intensify reform in all respects are beginning to deliver results.

Momentum was created for reform and development through opening up. We worked hard to keep foreign trade stable by adjusting the mechanism for sharing the cost of export tax rebates between the central and local governments, overhauling and regulating charges for imports and exports, increasing trade facilitation, and making changes to the export mix. The number of restrictions on overseas investment in China was cut by 50%, and over 95% of overseas-funded projects may now be undertaken on a simple reporting basis. China utilized US\$126.3 billion of overseas investment, an increase of 5.6%. Non-financial outward foreign direct investment reached \$118 billion, up 14.7%. Pilot free trade zones were established in Guangdong, Tianjin, and Fujian based on the model of the China (Shanghai) Pilot Free Trade Zone. The RMB was included in the IMF's Special Drawing Rights basket. The Asian Infrastructure Investment Bank was officially inaugurated, and the Silk Road Fund opened for business. China signed free trade agreements with the Republic of Korea and Australia, respectively, and signed the Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN. Progress was made in the Silk Road Economic Belt and 21st Century Maritime Silk Road Initiative (the Belt and Road Initiative), the pace of our industrial-capacity cooperation with other countries was stepped up, and breakthroughs were made in China's export of high-speed railway and nuclear power equipment.

Third, we worked to promote industrial innovation and upgrading to improve economic performance.

To strengthen the new growth engines, an innovation-driven development plan was adopted along with guidelines on its implementation, policies and measures were introduced to encourage public participation in starting businesses and making innovations, and the Internet Plus action plan was implemented. A great number of makers started businesses and made innovations. Improvements were made to policies in support of agriculture to promote transformation of the agricultural growth model. In addressing the decline in industrial growth and the downward slide in corporate performance, we worked to foster new industries and upgrade traditional ones. We launched the Made in China 2025 initiative to upgrade manufacturing, set up government funds to encourage investment in emerging industries and to develop small and medium-sized enterprises, and established more national innovation demonstration zones. We cut overcapacity and encouraged business acquisitions and restructuring. Cuts made in outdated production capacity over the past three years have included over 90 million metric tons of steel and iron, 230 million metric tons of cement, over 76 million weight cases of plate glass, and more than one million metric tons of electrolytic aluminum. The development of production- and consumer-oriented service industries picked up momentum. We took serious measures to conserve energy, reduce emissions, and protect the environment, exceeding obligatory targets. We released self-imposed emissions reduction targets and contributed to the positive outcomes of international negotiations on climate change.

Fourth, we promoted coordinated development between regions and the new type of urbanization to expand development space.

Work continued to promote the coordinated development of the eastern region, the central region, the western region, and the northeast; priority was placed on moving forward with the Three Initiatives—the Belt and Road Initiative, the Beijing-Tianjin-Hebei integration initiative, and the Yangtze Economic Belt initiative. A number of major projects were also launched to develop infrastructure, improve the distribution of industries, and achieve ecological and environmental conservation. Policies and measures were introduced to promote the development of Tibet, Xinjiang, and Tibetan ethnic areas in the provinces of Sichuan, Yunnan, Gansu, and Qinghai. We pressed ahead with the reform of the household registration system, adopted a residence certification system, and stepped up the development of urban infrastructure, making progress in developing new urbanization.

Fifth, we promoted the reform and development of social programs to improve living standards.

Despite fiscal constraints, we continued to intensify efforts to help ensure the wellbeing of our people. New policies were launched to create jobs and business startup opportunities for college graduates and those with difficulties finding employment. Over the course of the year, 7.72 million government-subsidized housing units were basically completed in urban areas, work started on the reconstruction of 6.01 million housing units in rundown urban areas, and 4.32 million dilapidated houses in rural areas were rebuilt, helping large numbers of families that are struggling with housing realize their dream of having a home to settle in. We moved more quickly to improve conditions in badly built and poorly operated schools providing compulsory education in poor areas, deepened the reform of the professional title system for elementary and secondary school teachers, and increased the number of students from poor rural areas who were enrolled in key institutions of higher learning by a further 10.5%. Comprehensive reform was carried out in all public hospitals at the county level, the coverage of the serious disease insurance scheme was extended to more rural and non-working urban residents, a system of assistance for treating major and serious diseases was put in place, and a system for providing living allowances for people with disabilities who are in need and for granting nursing care subsidies to persons with severe disabilities was established. We increased subsistence allowances,

benefits for entitled groups, and basic pension benefits for enterprise retirees, implemented the reform of the pension system for employees of Party and government offices and public institutions, and improved their wage system. Efforts to develop basic public cultural services were also intensified. All of this has resulted in a stronger sense of benefit in society.

Sixth, we developed new ways of conducting law-based administration and governance to promote social harmony and stability.

The State Council submitted 11 legislative proposals to the Standing Committee of the National People's Congress and enacted or revised eight sets of administrative regulations. Efforts were accelerated to increase government transparency and expand the application of e-government and online administration. We set up a mechanism to inspect and establish accountability for the implementation of major government policies and introduced third-party evaluations. We responded effectively to natural disasters and emergencies. Efforts were stepped up to ensure workplace safety; as a result, we have seen a continued reduction in the number of total accidents, including the number of accidents of a serious or large-scale nature as well as those in industries where accidents tend to be more common. We moved ahead with the demonstration initiative to ensure food safety. We strengthened all-round efforts to maintain law and order and cracked down on crimes in accordance with the law to safeguard public security.

The campaign to build understanding of the Three Stricts and Three Honests* was intensified, the CPC Central Committee's eight-point decision on improving Party and government conduct continued to be implemented, action was taken against formalism, bureaucratism, hedonism, and extravagance, and rigorous efforts were made to carry out the State Council's three-point decision on curbing government spending. Administrative supervision and oversight through auditing were strengthened. We stepped up efforts to improve Party conduct and government integrity and fight corruption, and brought a number of offenders to justice.

We marked the 70th anniversary of the victory in the Chinese People's War of Resistance against Japanese Aggression and the Global War against Fascism. This anniversary was a reminder of China's place in history as the main theater in the East during the Global War against Fascism and its major contribution to the war effort. The Chinese people marked this occasion to demonstrate their dedication to safeguarding peace and upholding justice together with other peoples.

Over the past year, China's all-round diplomacy has delivered fruitful outcomes. President Xi Jinping and other Chinese leaders have visited many countries and attended international events including the United Nations summits, the G20 Leaders Summit, the 23rd APEC Economic Leaders Meeting, the 21st Session of the Conference of the Parties to the UN Framework Convention on Climate Change, the East Asian leaders' meetings on cooperation, and the World Economic Forum annual meeting 2016. The Summit of the Forum on China-Africa Cooperation and the China-EU Leaders' Meeting were held, and the China and the Community of Latin American and Caribbean States (CELAC) Forum was inaugurated. Fresh progress was made in China's relations with other major countries; pragmatic cooperation with neighboring countries was strengthened; friendship and cooperation with other developing countries grew; relations with the United Nations and other international organizations and mechanisms were strengthened in all areas; and notable achievements were made in economic diplomacy and cultural exchanges. As a responsible major country, China played an important constructive role in international and regional affairs.

We owe these achievements to the sound overall decisions made by the CPC Central Committee headed by General Secretary Xi Jinping, and to the concerted and determined efforts of all members of the Party, all members of the armed forces, and all the people of China. On behalf of the State Council, I wish to express our sincere gratitude to the people of all ethnic groups in China including public figures from all sectors of society and to the other parties and the people's organizations. I express our heartfelt appreciation to our fellow countrymen and women in the Hong Kong and Macao special administrative regions and in Taiwan, and to Chinese nationals overseas. I also wish to express our sincere thanks to the governments, international organizations, and friends from all over the world who have shown understanding and support for China in her endeavor to modernize.

While recognizing our achievements, we are also keenly aware that our country is still confronted with many difficulties and problems in pursuing development. With the decline in global trade, amongst other factors, China experienced a fall in its total imports and exports and failed to reach its growth objective in this regard. Growth in investment is sluggish, overcapacity is a serious problem in certain industries, some enterprises are facing difficulties in production and operations, growth prospects are mixed for different regions and different industries, notable imbalances exist between government revenue and expenditures, the basic institutions for the capital market still need to be improved, and there are latent risks in the financial and other sectors. There are many problems in medical care, education, elderly care, food and medicine safety, income distribution, and urban management that are of concern to the people. The situation remains grave when it comes to environmental pollution, and some regions are frequently hit by severe smog. Particularly distressing, last year saw the sinking of the cruise ship Oriental Star on the Yangtze and the massive explosion in Tianjin Port. The deaths and injuries and the damage and loss of property from these incidents were devastating, and the profound lessons these incidents have taught us should never be forgotten. There are still inadequacies in the work of the government. Some reforms, policies, and measures have not been fully implemented; a small number of government employees either do not or are unable to fulfill their duties, or behave irresponsibly; and the corruption and misconduct in some sectors cannot be ignored. We must be more mindful of the difficulties ahead, more ready to assume responsibility, and more hardworking in ensuring these problems are solved. The

wishes of the people should always determine the aim of our governance; we must do our utmost to deliver a strong performance in our work and never fail to live up to the great trust the people have placed in us.

Esteemed Deputies,

The period covered by the 12th Five-Year Plan came to a close in 2015. During the past five years, impressive achievements were made in China's development. Since the 18th CPC National Congress in 2012, we have found ourselves in a complicated international environment, and we have faced the challenging tasks of carrying out reform and development and maintaining stability at home. However, under the guidance of the CPC Central Committee headed by General Secretary Xi Jinping, we have continued our commitment to the general principle of making progress while working to keep performance stable, deepened reform and opening up, and adopted a series of major measures that should deliver both immediate and long-term benefits. As a result, we successfully fulfilled all the main tasks and targets set out in the 12th Five-Year Plan.

First, a high rate of economic development was maintained.

During this period, China's GDP grew at an average annual rate of 7.8%. This growth enabled China to comfortably maintain its position as the world's second-largest economy, and become the largest trading nation in terms of goods as well as a major outbound investor.

Second, milestone progress was achieved in structural adjustments.

Service industries have grown to be the largest economic sector, information technology has been further integrated into industrialization, and overall agricultural production capacity has notably improved. Consumption has become a major driver of growth. Over half of China's population now resides in urban areas. Energy consumption per unit of GDP has dropped by 18.2%, and the emissions of major pollutants have been cut by over 12%.

Note:

* To be strict with oneself in practicing self-cultivation, using power, and exercising self-discipline; and to be honest in one's thinking, one's work, and one's behavior.

Third, across-the-board improvements were made in infrastructure.

The length of railways in service reached 121,000 kilometers, of which more than 19,000 kilometers are high-speed rail lines—more than 60% of the world's total. The length of expressways open to traffic exceeded 120,000 kilometers, the eastern and middle routes of the South-to-North Water Diversion Project were put into operation, and the world's largest 4G mobile network was built in China.

Fourth, significant breakthroughs were made in scientific and technological innovation.

Original achievements were made in quantum communications, neutrino oscillation, and iron-based high-temperature superconductivity through basic research. World-class advances were made in manned spaceflight, the lunar exploration program, and deep-water exploration.

Fifth, living standards improved significantly.

Personal income increased faster than economic growth, and the urban-rural income gap was narrowed. Over 64 million urban jobs were created. Government subsidies were used to build 40.13 million housing units in urban areas, providing new homes for around 100 million people. The number of rural residents living in poverty was cut by more than 100 million, and over 300 million rural residents gained access to safe drinking water.

Sixth, notable achievements were made in social development.

Significant progress was made in ensuring equal access to education, and the quality of education markedly improved. Basic health insurance was expanded to achieve complete coverage, and participation in basic pension plans exceeded 80% of the whole population. China's soft power continued to grow. The rule of law was advanced in all respects. Significant achievements were made in the military revolution with Chinese characteristics. Over the past five years, China's economic strength, scientific and technological capabilities, defense capabilities, and international influence have all been strengthened considerably.

The achievements attained during the period of the 12th Five-Year Plan fully demonstrate the strength of socialism with Chinese characteristics and the creativity of the Chinese people. The Chinese people can derive great confidence and a strengthened sense of unity from these achievements, drawing on them to forge ahead on this new leg of the journey toward realizing the Two Centenary Goals.*



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