

Insights

KEY TAKEAWAYS FROM PRESIDENT XI'S SPEECH AT CHINA'S 20TH COMMUNIST PARTY CONGRESS

Oct 21, 2022

SUMMARY

On 16 October 2022, China's President Xi Jinping ("Xi") gave his opening speech to kick off the 20th National Congress of China's Communist Party (the "CCP") (the "Congress"), a political meeting held every five years to set out the CCP's objectives and to elect the leaders for the next term. Xi outlined in his speech the blueprint on the long-term objectives covering a wide range of matters from economy and Covid policy to national security. We set out the key takeaways in this article which may be relevant for foreign investors.

CREATION OF NEW DEVELOPMENT PATTERN AND PURSUING HIGH-STANDARD ECONOMIC GROWTH

Steady Expansion for Institutional Opening-up

"Dual-Circulation"

Prior to the Congress, many observers speculated that China would gradually cut its economic ties with the external market and seek to be economically self-reliant. However, Xi's speech reiterated that China must remain steadfast in expanding the opening up of its market. Likewise, Zhao Chenxin (deputy director of China's macroeconomic management agency, the National Development and Reform Commission), clarified that China is not seeking to become self-sufficient in its economy, echoing Xi's speech. Instead, China shall formulate a new development pattern, in which domestic and international "dual-circulation" reinforce each other.

"Belt-and-Road Initiative"

According to Xi's speech, China will "pursue a mutually beneficial strategy of opening up the market" and "create new opportunities for the world with its own development". As China's continuous engagement in international development, the "Belt-and-Road Initiative" is likely to remain a significant policy platform for China's foreign relations.

Foreign Investments

Xi mentioned in his speech that further appropriate reductions will be made to the items on the negative list for foreign investment in order to achieve global industrial cooperation, with a view to protect the rights and interests of foreign investors (in accordance with the law) and to foster a world-class business environment. China currently utilises a negative list to set out the industries which are restricted or prohibited to be invested by foreign investors.

Recently, we noticed that news were released and relevant legislations were amended immediately before the Congress which correspond with the principles set out in Xi's speech:

- On 8 October 2022, the State Council relaxed and temporarily adjusted (effective from even date until 8 April 2024) two provisions in laws relating to foreign investment in (i) travel agencies and (ii) nursing homes in Tianjin, Shanghai, Hainan, and Chongqing. The adjustments will:
 - i. enable foreign-invested travel agencies in Shanghai and Chongqing to engage in services in relation to international travel (excluding traveling to Taiwan) for mainland Chinese citizens for the first time; and
 - ii. relax access to non-profit private non-enterprise institutions supported by foreign donors to operate care homes in Tianjin, Hainan, and Chongqing.
- On 16 October 2022, pursuant to news reported by Shanghai Securities News, the China Securities Regulatory Commission is mulling two new rules on short-swing trading for foreign funds to facilitate qualified foreign fund's investment in China's A-share market on a product basis.

Promotion of Green Economy

In line with China's heavy investment strategy in renewable energy over the past decade, Xi's speech reemphasized the importance of accelerating the transition of the economy to a model of green development to pursuing economic growth. The Central Government seeks to:

- improve on the aspects of fiscal, taxation, financial, investment, pricing policies and systems of standards, to achieve a green and low-carbon economy;
- support green and low-carbon industries and improve the system for market-based allocation of resources and environmental factors;
- accelerate the research and development (R&D), promotion, application of advanced energy-saving and carbon emission reduction technologies, encourage green consumption, and promote green and low-carbon ways of production and life; and

- establish mechanisms to realize the market value of ecosystem goods and services and improve the compensation system for ecological conservation.

CONTINUOUS “ZERO-COVID” POLICY IN MAINLAND CHINA

The Central Government will continue to implement the dynamic “Zero-Covid” approach to handle the pandemic for the purpose of ensuring economic stability by using this most economical and effective prevention measures. Such approach seeks to promptly detect new infections, isolate the infected and close contact of the infected, and control the spread of the infections within the shortest period of time. This could include lock-downs of designated communities, districts or even a whole city.

Xi’s speech upholding continuous commitment to “Zero-Covid” sends a signal that current Covid policies might be persistent and not relaxed in a short term.

STRONG SUPPORT BY CENTRAL GOVERNMENT GIVES FULL PLAY TO THE STRENGTHS OF HONG KONG

Xi stressed “the policy of ‘One Country Two Systems’ is a great innovation of socialism with Chinese characteristics. This policy must be adhered to over the long term”. As the speech put it, the Central Government will fully, faithfully, and resolutely implement the policy of “One Country Two Systems” with a high degree of autonomy in Hong Kong. Xi addressed, Hong Kong needs to bring into play the advantages of the “One Country Two Systems” framework, strengthen its standing as an international hub, and promote the development of people’s livelihoods, the economy and politics.

Xi’s speech shows the Central Government’s support on maintaining the current legal and political systems in Hong Kong. With the support of the Central Government, during the policy address to the public on 19 October 2022, chief executive of Hong Kong John Lee Ka-chiu, brought up a number of meaningful measures aiming to develop the economy and improve standards of living, including land, housing and how to enhance competitiveness of Hong Kong. Please refer to our firm’s separate article on key takeaways from Hong Kong policy address 2022 for details.

HEIGHTENED FOCUS ON CULTIVATION OF HIGHLY SKILLED TALENT

The strategy to revitalize the nation through science and education was demonstrated in Xi’s speech. In his speech, Xi elaborated the significance of China’s advancement to accelerate the implementation of the innovation-driven development strategy, especially through cultivating and attracting the world’s most innovative talents and leveraging such talents to promote advanced scientific and technological independence.

On 7 October 2022, a guideline released by the State Council illustrates that policy support and cultivation system for highly skilled talent will be optimized by the end of the 14th Five-Year Plan

period (2021-2025). The guideline calls for the effort to optimize the skilled talent employment beyond 30%, while highly skilled personnel will account for one-third of the skilled by the end of 2025. Aiming at enhancing existing policies to attract global talents to Mainland China, we expect China government will roll out more practice measures to expedite employing global talents even facing challenges under current Covid policy.

DEVOTION TO NATIONAL SECURITY

The term “national security” was frequently mentioned in Xi’s speech, calling for a holistic approach to national security both in China’s foreign policy framework and its internal economy strategies. Linking this with the speech’s emphasis on securing China’s industrial chains and supply chains, it’s expected China will make more efforts to extend its protection over state-owned and private entities beyond its physical borders.

CONCLUSION

It is expected that Xi will continue to stay in office and enter into his third term as the leader of the country. Xi’s speech shows that even though China aims to further open up its economy to foreign investors, the Chinese government will continue to take a cautious approach with consideration to issues such as national security and Covid situations. Unlike the policy address given by the chief executive of Hong Kong on 19 October 2022 which includes detailed measures to be taken by the government, Xi’s speech sets out the general guidelines and principles to be followed by the government. It is expected that detailed measures will be reflected in the policy announcements from different government departments of the country. Investors shall watch out such specific policy announcements from different government authorities after the Congress.

RELATED PRACTICE AREAS

- Corporate
- Securities & Corporate Governance
- Public Policy & Government Affairs
- Government Contracts & Public Procurement
- International Trade

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be “Attorney Advertising” under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP’s principal office and Kathrine Dixon (kathrine.dixon@bclplaw.com) as the responsible attorney.

