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# 2026 TWO SESSIONS IN REVIEW

MARCH 13, 2026

# THE 2026 TWO SESSIONS

On March 12, China concluded its annual “Two Sessions”—the meetings of the National People’s Congress and the Chinese People’s Political Consultative Conference. This year carried added weight. Alongside the plan for this year, the 15th Five-Year Plan was released setting the direction and developmental objectives till the close of the decade.

For those invested in, or exposed to, China, this is one of the clearest windows into leadership thinking. Officials delivered a notably candid assessment of internal and external pressures, defined economic, industrial, and foreign policy priorities, and laid out objectives across sectors—from technology and advanced manufacturing to agriculture and energy.

The volume of material from the nine-day session is substantial. In this report, we distill the themes that matter most for the year ahead and for the next five years. There is significantly more to dig into to understand sector specific implications.

## What you need to know

- **Still Aiming for Growth**: The government set a target of 4.5–5% growth this year, reducing the 5% target that has been in place since 2023. If achieved at the lower end, it would represent roughly USD 880 billion in additional economic output, equivalent to adding an economy the size of Switzerland in a single year.
- **Boosting Consumption**: Reviving household confidence remains central, but expect targeted support—not broad stimulus—with trade-in programs, income measures, and selective incentives in the strategy playbook.
- **Still Open for Business**: Foreign investment remains encouraged, with new sectors opened, renewed commitments to national treatment, and a clear push for reinvestment. Experiences will be sector-specific, and areas close to national priorities are increasingly viewed through a security and self-reliance lens.
- **New Quality Productive Forces**: Xi’s signature concept anchors the 15th Five-Year Plan, directing policy, capital, and talent toward advanced manufacturing, strategic emerging industries, and frontier technologies.
- **Securing the Nation**: Development and security remain inseparable, with an all-of-state push for self-reliance and resilience extending beyond technology into energy, food, critical minerals, natural resources, and advanced manufacturing.
- **All-In on Green**: Despite dropping the energy intensity target and shifting to a 3.8% carbon intensity goal, China remains committed to the green transition—scaling renewables, reforming power markets, and tightening environmental governance. Investors should embed decarbonization into their China strategy.
- **Navigating Strategic Competition**: Officials were explicit about rising protectionism, unilateralism, and United States pressure. China is leaning into multilateral trade, Global South partnerships, and supply chain connectivity—while strengthening counter-sanctions and economic leverage tools in preparation for what it sees as sustained strategic competition.
- **Building for 2027**: Next year marks the 21st Party Congress and the PLA’s centenary. The Congress will appoint the head of the Party for a five-year term, with expectations high for a fourth five-year term for Xi. This positions 2026 as a critical period—consolidating economic, technological, security, and self-reliance priorities ahead of a major political year.

## LAUNCH OF THE 15TH FIVE-YEAR PLAN (2026-2030)

The Five-Year Plan is the central organizing document of China's economic and industrial development system. It translates Party strategy into priorities and targets for the government to execute. For investors and those engaging with China, it is essential to understand not only the objectives set each year at the Two Sessions, but also the direction embedded in the Five-Year Plan and how this aligns with longer-term 2035 goals. For those looking back across previous Plans, the ambitions laid out are not abstract. Goals are systematically driven forward.

The 15th Five-Year Plan is iterative and does not represent a break with the past. Many of the core priorities in the 15th Plan, including innovation, industrial upgrading, green transition, market opening, and national security, have been building for over a decade. While there are new concepts, it is important to observe the weight attached to goals and how they are integrated into the national strategy.

First, tech and industrial policy are central. Earlier Plans emphasized innovation as a growth driver. The 14th Plan elevated self-reliance. The 15th Plan embeds tech capability directly into economic security and geopolitical positioning. Core tech, supply chains, standards, and digital infrastructure are strategic imperatives. This reflects a clear assessment of external risk and focus on strengthening domestic capabilities and resilience.

Second, opening-up continues — but on more defined terms. The 11th and 12th Plans framed China as a beneficiary of globalization. The 13th elevated the Belt and Road Initiative as an economic and geopolitical platform. The 14th introduced "dual circulation," anchoring growth in the domestic market while maintaining external engagement. The 15th Plan formalizes this balance. It leans into trade agreements, multilateral participation, and connectivity. At the same time, it embeds economic security, risk management, and supply chain resilience. China is not seeking isolation. It wants foreign investment and engagement. There is clear recognition that inbound investment and global integration are essential. But in a more contested geopolitical environment, investment is seen through a security lens.

Third, national security is now a structural imperative. Security language has expanded across successive Plans. Since the 20th Party Congress in 2022, the integration of development and security has become more explicit. In the 15th Plan, security considerations are woven through energy, food, finance, tech, and data governance. This reflects a now widely held view that development and security are inseparable in today's competitive global environment. For business, the implication is clear: commercial activity, particularly in sectors touching strategic capabilities, will continue to intersect with national priorities.

Taken together, the 15th Five-Year Plan does not represent a change in course. Growth remains important, but resilience and strategic capability now define national objectives. The absence of dramatic policy shifts should not obscure the deeper message: China's policy system is moving toward tighter integration of industrial policy, economic security, and geopolitical positioning. This alignment will shape the operating environment.

## CONSUMPTION: A PRIORITY AND CHALLENGE

The Premier made clear that boosting consumption is the top macro priority for the year ahead. However, the approach remains controlled and consistent with the past three years, balancing support for demand with continued caution over debt risks and financial stability.

| KEY ANNUAL TARGETS | | | | |
|---|---|---|---|---|
| **Indicator (Targets)** | **2023** | **2024** | **2025** | **2026** |
| **GDP Growth (Target)** | Around 5% | Around 5% | Around 5% | 4.5-5% |
| **GDP Growth (Actual)** | 5.2% | 5.0% | 5.0% | |
| **Fiscal Deficit-to-GDP** | 3.0% | 3.0% | Around 4.0% | Around 4.0% |
| **Fiscal Policy** | Proactive | Proactive | More proactive | More proactive |
| **Monetary Policy** | Prudent | Prudent | Appropriately accommodative | Appropriately accommodative |
| **Urban Unemployment** | Around 5.5% | Around 5.5% | Around 5.5% | Around 5.5% |
| **New Urban Jobs** | Around 12m | Over 12m | Over 12m | Over 12m |
| **CPI (Target)** | Around 3.0% | Around 3% | Around 2% | Around 2% |
| **CPI (Actual)** | 0.2% | 0.2% | 0.2% | |
| **National Defense Budget** | RMB 1.55tn (+7.2%) | RMB 1.67tn (+7.2%) | RMB 1.78tn (+7.2%) | RMB 1.91tn (+7%) |
| **Science & Tech Budget** | RMB 328.0bn (+2%) | RMB 370.8bn (+10%) | RMB 398.1bn (+10%) | RMB 426.4bn (+10%) |
| **Diplomatic Budget** | RMB 54.8bn (+12.2%) | RMB 60.7bn (+6.6%) | RMB 64.5bn (+8.4%) | RMB 71.0bn (+9.3%) |
| **Grain Output (metric tons)** | Over 650m | Over 650m | Around 700m | Around 700m |
| **Energy Consumption per unit of GDP** | Decrease around 2.0% | Decrease around 2.5% | Decrease around 3% | Not stated |
| **Carbon Dioxide per unit of GDP** | Not stated | Decrease (*no # target*) | Decrease (*no # target*) | Decrease around 3.8% |

Since 2023, policymakers have avoided large-scale stimulus. That path continues. What has shifted is the recognition that weak consumption is structural. Rebuilding household confidence requires more than short-term subsidies. The question in the year ahead is whether they can boost the confidence required to produce a genuine uplift in consumer spending.

### From Subsidies to Incomes and Confidence

The Premier introduced an income enhancement plan for urban and rural residents, aiming to support consumption via wage growth, social security reform, and property income. The NDRC reinforced this with language on refining minimum wage adjustment mechanisms and strengthening national coordination. Regulators also encouraged listed companies to increase dividends and buybacks, underscoring the importance of household asset income.

Credit channels are also being broadened. Interest subsidies on consumer loans are capped at RMB 3,000 (~USD 420) per loan, with coverage expanded to installment and other mainstream credit products. The intent is to scale support through the banking system rather than rely solely on fiscal transfers.

Regardless, the challenge remains in moving households from ‘able to consume’ to ‘eager to consume.’

### Controlled, But Measured Fiscal Support

Fiscal policy support remains significant, but disciplined.

- RMB 250 billion (~USD 35 billion) in ultra-long special treasury bonds will fund consumer goods trade-in programs. This is modestly below last year’s RMB 300 billion allocation.

- RMB 100 billion (~USD 14 billion) in a new fiscal–financial coordination fund will deploy interest subsidies, guarantees, and risk-sharing tools to mobilize credit for consumption and service-sector activity.

This reflects an evolution from direct fiscal subsidies toward greater use of financial leverage, expanding scale without materially increasing headline deficits.

### Trade-Ins: Effective, But Not Sufficient

Trade-in programs remain central. In 2025, related measures drove more than RMB 2.6 trillion (~USD 360 billion) in sales—representing roughly the entire GDP of a mid-sized European country.

Policymakers appear realistic about the limits. Trade-ins can accelerate replacement cycles for durable goods, yet they do not resolve saving behavior or subdued sentiment. The slightly lower allocation this year suggests officials see diminishing marginal returns and are seeking new demand drivers.

### Services and Inbound Spending

The 2026 package leans more heavily into services and experience-based consumption, including tourism, culture, sports, and entertainment. It also seeks to create time to spend by promoting staggered paid leave and piloting spring and autumn school breaks.

Inbound consumption is another focus, with plans to expand duty-free locations and increase tax refund outlets, alongside efforts to make China a more attractive shopping destination. This dovetails with a growing number of countries that have visa free access to China. The hope is to convert increasing inbound leisure travel into greater domestic retail and service spending.

### Expanding the Geographic Pools of Demand

Officials highlighted consumption potential beyond the coastal provinces and major urban centers, identifying inland regions as the next source of demand. Policy support is aimed at upgrading retail infrastructure, logistics networks, and service capacity across a broader footprint so spending can expand to more regions. For investors, this reinforces that success in China requires having strategies matched to the realities of local markets within the country.

# NATIONAL SECURITY AND SELF-RELIANCE

## Tech and the All-of-State Bet

This year's Two Sessions reinforce Beijing's all-of-state approach to tech security. The 15th Five-Year Plan positions tech capability and self-reliance at the center of national strategy, with President Xi emphasizing the need to align innovation, industry, capital, and talent within a coordinated system.

This approach did not begin this year. It has been building for more than a decade. In 2014, Xi introduced the concept of "overall national security," expanding the security lens beyond traditional military concerns to encompass economic resilience, tech, energy, food, and resources. The 14th Five-Year Plan (2021–2025) elevated tech self-reliance as a strategic pillar of national development. The 20th Party Congress in 2022 made the all-of-state framing explicit. The 15th Five-Year Plan now consolidates and institutionalizes that approach, embedding tech capability more deeply within China's security and development architecture.

### Strengthening the National Innovation System

The NDRC spoke about the effort to strengthen China's "national innovation system," linking policymakers, national laboratories, leading universities, SOEs, and private tech firms across the full research-to-commercialization cycle. The emphasis is on alignment. Basic research, applied development, and industrial deployment are increasingly treated as parts of a single strategic chain rather than separate.

Beijing continues to advance what it describes as a “new-type whole-nation system” to mobilize resources in priority fields. The objective is twofold: accelerate breakthroughs in core technologies and improve the efficiency of converting scientific research into scalable industrial solutions.

To sharpen prioritization, the 15th Five-Year Plan calls for advancing today’s strategic emerging industries while formalizing a catalogue of frontier technologies.

On the emerging side, this includes sectors such as advanced materials, artificial intelligence, biomedicine, commercial aerospace, high-end equipment manufacturing, high-end medical devices, industrial machine tools, integrated circuits, intelligent connected vehicles, the low-altitude economy, new energy vehicles, new-generation information technology, and next-generation energy systems. These are areas where industrial scaling and supply chain security are immediate priorities.

On the frontier side, the Plan identifies longer-horizon technologies including 6G communications, atomic-level manufacturing, biomanufacturing, brain–computer interfaces, controlled nuclear fusion, deep sea exploration, deep space infrastructure, embodied artificial intelligence, general artificial intelligence, humanoid robots, hydrogen energy, quantum technology, and synthetic biology. These represent strategic bets designed to secure future advantage.

Expect resource allocation to become more targeted, and strategic technologies, both those ready for industrial expansion and those still at early-stage development, to receive sustained policy backing.

### Embedding Tech in the Real Economy

We are seeing a strong push to move tech innovation into the real economy at pace, not only to support commercialization, but to modernize the industrial base. The rapid adoption of AI across sectors is evident on the ground and runs through officials’ remarks this year (*see our deep dive into AI below*).

The issuance of RMB 200 billion (~USD 28 billion) in ultra-long-term special treasury bonds to support equipment renewal reflects this shift and the priority placed on embedding domestic tech at scale.

Regulators are being encouraged to prioritize practical innovation that can be deployed in current and future real-world environments, including in the low-altitude economy and advanced robotics. SOEs are expected to be early adopters—especially where scale or managed risk is required. They also remain seen as important in pushing early and creating a market.

The strategy is layered. Upgrade traditional industries, scale emerging sectors through clearer industrial pathways, and incubate future industries over a longer horizon. The state’s role goes beyond funding and policy directive to procurement guidance (e.g. buy local) and coordination across ministries and local governments.

### Targeting Financial Support

Fiscal and financial levers are being aligned in support. The 15th Five-Year Plan calls for annual growth in R&D spending of more than 7%, with total outlays now exceeding RMB 4 trillion (~USD 560 billion). A larger share is directed toward basic research and original innovation. Science and technology expenditure remains among the largest year-on-year increases in the central budget and is treated as priority spending.

Beyond direct fiscal support, authorities are refining the innovation financing framework. Exit channels are to be improved through streamlined IPO and M&A processes. National-level venture capital guidance funds are steering long-term capital into strategic sectors. The Plan also signals adjustments to facilitate equity and venture investment, including from foreign participants, and proposes the creation of a bond market "technology board" to broaden access to debt financing for technology firms, similar in concept to the STAR market for equities.

For foreign financial investors, the signal is constructive. Beijing recognizes that tech innovation requires diversified capital channels and credible exit pathways. The practical impact, however, will depend on implementation and regulatory clarity while being clear minded about the tech self-reliance objectives.

### Building the Talent Pipeline for Tomorrow

The 15th Five-Year Plan places sustained emphasis on integrating education, science, and talent policy. Talent is treated as a strategic resource. Universities are being steered toward disciplines aligned with national priorities, particularly in advanced manufacturing, semiconductors, AI, and frontier technologies.

Reforms are also aimed at improving mobility between academia and industry. Policymakers are seeking to narrow the gap between research institutions and commercial application by encouraging joint laboratories, enterprise-led innovation consortia, and more fluid movement of researchers into industry. This reflects recognition that tech competition is not only about funding, but also institutional flexibility and a deep pool of technical talent.

## Artificial Intelligence: Building for the Future

Artificial intelligence was a defining tech theme of this year's Two Sessions. AI ran through the Premier's remarks and is embedded in the 15th Five-Year Plan. Even delegates speaking on the sidelines spoke openly about OpenClaw.

AI language has been building steadily in recent years. Looking at frontier tech development, the 15th Five-Year Plan references artificial general intelligence for the first time, calling to "explore development paths" for it. Earlier references focused on positioning AI within the digital economy and strengthening foundational research. In 2024, the introduction of the AI Plus Initiative pushed to embed AI across the economy, integrating it into manufacturing, logistics, energy systems, healthcare, and public administration to drive productivity and industrial upgrading.

The release of DeepSeek early last year and the rapid emergence of advanced domestic large-scale models has reinforced this direction. The NDRC noted that China "now leads the world in terms of open-source AI models."

Policy focus is twofold. On the science side, there is heightened attention to compute capacity, foundational model architectures, and data systems. On the application side, officials are accelerating integration into production systems, commercial activity, and public services under an accelerated AI Plus Initiative. The emphasis is pushing adoption at scale.

The Plan elevates compute, algorithms, and data into a coordinated agenda. There's a clear mission to develop domestic high-performance chips and model architectures together with an expansion of nationally coordinated computing networks. Weaning dependency from foreign sources in this space will continue.

Equally important is the development of surrounding tech ecosystems. Authorities are promoting open-source AI communities and broader access to models, tools, and datasets. The emphasis is on lowering barriers to experimentation and accelerating diffusion and commercialization. This approach is visible, for example, within China's domestic AI ecosystem at the moment. While framed in terms of openness and collaboration, it also serves a strategic function. It expands the domestic developer community and reduces reliance on external platforms.

At the same time, data has been formalized as a strategic production factor, with efforts to expand public data access and build high-quality datasets across energy, transport, manufacturing, education, healthcare, and finance. The language of "controllability" is clear with the NDRC noting the imperative to build a "self-reliant AI ecosystem." Compute capacity and data governance are clearly seen as sovereign capabilities and resources.

As acceleration gathers pace, officials have also underscored the need to manage AI's impact on employment and have spoken about strengthening employment monitoring and early warning mechanisms to address potential job impact.

## Securing the Nation: Defense and Military

### Modernization with Political Consolidation

Recent months have seen renewed scrutiny of the military leadership, with multiple senior officers removed from their posts. Against that backdrop, the Premier was unequivocal that the Party exercises absolute leadership over the armed forces and reaffirmed the ultimate responsibility system of the Chairman of the Central Military Commission, making clear that final authority rests with Xi Jinping in his capacity as CMC Chairman.

During Xi's meeting with delegates from the People's Liberation Army (PLA), set against the backdrop of intensifying major-country competition and a more volatile external environment, he stressed the need to "resolutely and effectively safeguard national sovereignty, security, and development interests."

With next year marking the centenary of the PLA, advancing combat readiness and accelerating high-quality military modernization has been made a priority. Development of new combat forces, high-end scientific and technological talent, and strategic management capacity were explicitly called out during the Two Sessions. In the face of greater intervention in other nations' territories, expect China to accelerate focus in this space further.

Stated defense spending continues to rise in line with long-term modernization goals. The Ministry of Finance announced a 7% increase in national defense spending to RMB 1.91 trillion (~USD 265 billion), a consistent annual change in recent years.

Xi Jinping's message to the PLA delegation was direct: there can be no divided loyalties, no tolerance for corruption, and no relaxation of oversight.

### Civil–Military Integration and National Mobilization

China's civil–military integration remains a central pillar of the defense strategy and ever more visible. The Work Reports call for improving the framework of defense-related science, technology, and industry, strengthening resource sharing between civilian and military sectors, and integrating regional economic development with defense planning.

This has direct implications for technology, advanced manufacturing, infrastructure, and logistics. Dual-use innovation is effectively embedded in national strategy. Companies operating in sensitive sectors should expect continued scrutiny where tech intersect with defense capability or strategic resilience.

The NDRC also emphasized national defense mobilization and civil air defense reform. Protecting key infrastructure, improving mobilization capacity, and reinforcing emergency preparedness form part of the broader “holistic approach to national security.” Political, economic, tech, and military security are treated as a single system.

For foreign investors, the boundary between commercial and strategic sectors will remain under high scrutiny—in China and from home governments. Expect regulatory review, export controls, procurement standards, and due diligence expectations to continue to tighten in areas with potential defense relevance. For some, navigating this line will require strategic choices.

## ACCELERATING THE GREEN TRANSITION

Even as Beijing reinforces traditional energy security—expanding coal flexibility, securing oil and gas supply chains, and strengthening strategic reserves—it is accelerating its green transition at scale. Officials stated plainly that China has built “the world’s largest system of renewable energy” and that “installed capacity of new energy has surpassed that of coal-fired power for the first time in history.” The 15th Five-Year Plan frames this as construction of a “new type of energy system,” linking decarbonization, industrial upgrading, and energy security.

The scale is significant. In 2025, installed renewable energy capacity reached 2.34 billion kilowatts, accounting for 60.1% of total installed power capacity. Newly installed wind and solar capacity reached 430 million kilowatts, representing 80.4% of all new additions. For the first time, growth in renewable electricity generation exceeded the annual increase in total electricity consumption. New-type energy storage capacity reached 136 million kilowatts, and nuclear capacity under approval, construction, and operation ranks first globally. Non-fossil fuels now account for 21.7% of total energy consumption, while carbon intensity fell 5.0% in 2025.

A critical policy shift under the 15th Five-Year Plan is the transition from controlling energy consumption to controlling carbon emissions. The 2026 target is a 3.8% reduction in carbon dioxide emissions per unit of GDP, with a cumulative 17% carbon-intensity reduction targeted over the course of the Plan. Carbon intensity, rather than energy intensity, is now the key metric.

The build-out of the new energy system includes accelerated renewable base construction, expansion of trans-provincial green power transmission, faster deployment of smart grids and storage, refinement of the unified national electricity market, and further expansion of the carbon trading system. In 2025, the China Carbon Emission Trade Exchange recorded 235 million metric tons in quota trading, valued at RMB 14.63 billion (~USD 2 billion). Zero-carbon industrial parks and hydrogen pilots are being scaled, alongside the establishment of a national low-carbon transition fund.

Yet China continues to build coal capacity, and it remains the world’s largest absolute emitter. Observers worry that the new focus on reduction of carbon dioxide emissions per unit of GDP will not cap absolute emissions and could allow total carbon dioxide output to increase as the economy expands. They argue that intensity targets, without accompanying absolute caps, are less consistent with global climate norms focused on peaking and then reducing total emissions.

Officials present this not as a contradiction but as a timing issue. Coal is positioned as a stabilizer within a system undergoing rapid renewable expansion. Plants are being retrofitted for flexibility. Coal chemical projects are being paired with green hydrogen and biomass and officials emphasize “clean and efficient use” of fossil fuels. Energy security and decarbonization are proceeding in parallel with a mix of energy sources seen as critical for self-reliance. Recent instability in the Middle East and the volatility in global energy markets have reinforced this view in Beijing.

Environmental governance is also being elevated. On March 12, the National People's Congress adopted the Environmental Code, consolidating more than twenty existing laws into a unified framework. More significantly, the legislation formally establishes "Ecological and Environmental Law" as a separate legal category within China's socialist legal system.

This is only the second statute formally designated a "Code," after the Civil Code. The move does more than streamline regulation. It elevates environmental protection to a foundational legal domain, providing clearer statutory authority, greater consistency in enforcement, and a more systematized compliance framework.

While China may adjust some targets and timelines, it is not pulling back from its green ambition. It is embedding it into industrial policy, legal architecture, and energy system design.

## STILL OPEN FOR BUSINESS

Officials again reiterated their commitment to foreign investment and the need to stabilize inflows after a multi-year decline in annual FDI. The Premier noted efforts over the past year "to stabilize foreign investment" and committed to "expand market access and open up more areas." NDRC officials pointed to having "ensured a notably smaller decline in the scale of foreign direct investment while generating momentum for recovery."

Opening in the services sector drew particular attention, including expanded trials in value-added telecommunications, biotechnology, and wholly foreign-owned hospitals, alongside steps to broaden opening in the digital sector and cross-border trade in services. This builds on the Premier's statement last year to "expand trials to open sectors such as telecommunications, medical services, and education."

While policies allowing tax deferral on reinvested profits have existed since 2017 and were referenced in the Premier's 2018 Government Work Report, explicit emphasis on encouraging foreign enterprises to reinvest locally has become more pronounced since 2024. This year, the language goes further, combining reinvestment with encouragement to "expand production locally." The formulation comes at a time when many multinational companies are reassessing global supply chains and production risk, underscoring Beijing's desire to remain a viable and attractive location.

This year, as in the past two years, the Premier reiterated commitments to ensure national treatment of foreign investors in areas such as access to production factors, licensing, standards-setting, and government procurement, alongside updating the Catalogue of Encouraged Industries for Foreign Investment. Skeptics argue that there can be a disconnect between language and reality—particularly in sectors that intersect with national priorities.

## ONE CHINA: HONG KONG, MACAO, AND TAIWAN

Policy language on Hong Kong and Macao signals a clear transition from political stabilization to functional integration within the national development strategy. It frames the start of a new phase.

The core political formula remains unchanged. Hong Kong and Macao must be administered by patriots. Constitutional order must be upheld. But the emphasis has shifted. It is performance, differentiation of roles, and deeper institutional and economic integration. In his live remarks, the Premier referred to enhancing governance effectiveness to support social and economic development. That line did not appear in the written report, but it captures the direction of travel.

For Hong Kong, this year's Two Sessions reaffirm its role as China's international financial, shipping, and trade center and underscore the ambition for it to develop as an international innovation and technology center. The NDRC was more explicit. It highlights Hong Kong's role in helping mainland enterprises expand overseas and calls for stronger cooperation in trade, finance, science and technology, and cultural exchange. This links Hong Kong directly to outbound capital flows, supply chain reconfiguration, and external economic engagement.

Greater Bay Area financial connectivity continues to deepen. This year's integration agenda places greater emphasis on infrastructure connectivity, research and education collaboration, and cross-border mobility of people and capital. The posture reflects policy confidence and a deliberate effort to leverage Hong Kong's institutional strengths in support of national competitiveness.

On Taiwan, the framework remains consistent but the tone is firmer. The one-China principle and the 1992 Consensus remain the political foundation. Yet there is a clear shift from the 14$^{th}$ Five-Year Plan which emphasized "promoting the peaceful development of cross-Strait relations" and advancing reunification within that context to the latest Plan that retains peaceful development but introduces firmer phrasing. It calls for "resolutely fighting against separatist forces aimed at 'Taiwan independence'," "opposing external interference," and "firmly maintaining the initiative and the ability to steer cross-Strait relations." The latter statement is new and signals an intent not simply to respond to developments, but to control pace and direction of cross-Strait relations.

At the same time, the economic track remains active. Officials continue to promote integrated cross-Strait development, including support for cross-Strait financial cooperation, mainland capital market access for Taiwan-funded firms, and expanded economic and cultural exchange. These policies underscore an effort to deepen institutional integration.

## EXTERNAL STRATEGY IN A FRAGMENTED WORLD

Officials were direct in their assessment of the global environment, citing unilateral measures, protectionism, erosion of multilateral trade norms, and intensifying major-country competition.

Against that backdrop, Beijing is leaning into multilateral engagement. Officials reaffirmed support for the World Trade Organization and signaled continued efforts to conclude regional and bilateral trade agreements. China is pursuing accession to the Digital Economy Partnership Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Beijing has embedded its Four Global Initiatives[1] into the 15th Five-Year Plan, signaling that development finance, security

[1] The Four Global Initiatives refer to the Global Development Initiative (launched in 2021, focused on development finance and poverty reduction), the Global Security Initiative (2022, centered on sovereignty, non-interference, and alternative security concepts), the Global Civilization Initiative (2023, promoting cultural pluralism and political diversity), and the Global Governance Initiative (2025, advocating reform of international institutions toward what Beijing describes as a more "multipolar" and "equitable" order). Together, they articulate China's framework for reshaping elements of the existing international system.

cooperation, and governance reform are now long-term policy commitments rather than diplomatic messaging.

The Global South features prominently. China has implemented zero tariffs on all taxable items from least developed countries with diplomatic ties and extended zero-tariff treatment across 100% of tariff lines to African countries maintaining diplomatic relations. Trade and economic partnership agreements across Africa, Central Asia, and ASEAN continue to expand. Belt and Road cooperation remains active, with infrastructure connectivity, logistics corridors, and digital trade frameworks moving forward.

Transport and logistics architecture are central to this strategy. Despite disruption from the war in Ukraine and instability in the Middle East, freight rail links between China and Europe and across Asia remain long-term strategic corridors. The New International Land-Sea Trade Corridor, linking western China to Southeast Asia and global markets, is being accelerated. Port capacity, intermodal transport, and digital customs cooperation are being upgraded. These initiatives are commercial in nature but strategically significant. Connectivity to secure influence.

At the same time, Beijing continues to refine the tools it can deploy in periods of bilateral or multilateral tension. The 15th Five-Year Plan calls for strengthening measures against foreign sanctions and extraterritorial enforcement. Domestic legal and regulatory mechanisms have expanded in recent years, including export controls and counter-sanctions authorities. The rare earths episode last year demonstrated that China is prepared to use targeted economic leverage. While playing this card has contributed to a period of tactical stabilization in bilateral tensions, it also drew attention to global markets the extent of China's leverage in critical supply chains and has unleashed a new great game to secure resources and change leverage.

China continues to position itself as a defender of multilateral trade and a partner of predictability while building tools to push back against external pressure.

## UNDERSTANDING THE TWO SESSIONS

The Two Sessions (lianghui, 两会) are China's most important annual political gatherings, where leaders set the national agenda. They include the National People's Congress (NPC, 全国人民代表大会) and the Chinese People's Political Consultative Conference (CPPCC, 中国人民政治协商会议).

The CPPCC opened on March 4, 2026, followed by the NPC on March 5, 2026. The NPC, China's top legislature, enacts laws, approves major policies, and elects key leaders, including the President (Xi Jinping) and Premier (Li Qiang). The CPPCC is a political advisory body, bringing together representatives from business, academia, and other sectors to provide policy recommendations. The Two Sessions concluded on March 12, 2026.

This year marked the 4th Session of the 14th NPC and CPPCC, both serving five-year terms.

## TO CONTINUE THE CONVERSATION


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