

China Politics Weekly

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Dear friends and colleagues,

Today's a national holiday in China, but we're still working hard here at CPW.

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We do it our way...

Xi Jinping is back from his eleven-day trip to Europe. Official media have collected a list of Xi's [statements](#), as well as [selected outcomes](#) from the trip (both in Chinese). Xi repeated familiar themes of peaceful development and win-win cooperation, and was successful in getting a commitment from the EU to [potentially open discussions on a free trade agreement](#). All of this is bodes well for bilateral trade and investment.

At the same time, Xi was also explicit that China will not copy Western development models, and is firm in its commitment to the current CCP-led system. This serves as a reminder that new reforms to increase government transparency and allow larger scope for market forces are seen as means to creating a stronger China and a stronger Party, not as ends in themselves. Foreign businesses should keep in mind that they operate at the Party's permission, and will thus always be more successful when they are able to demonstrate contributions to the Party's development goals.

...so deal with it

Li Keqiang was relatively direct in [his recent discussion with foreign business leaders](#) at the China Development Forum. You won't find it in [English language coverage](#) of the CDF, but the premier basically told companies that the Party's priorities are to build strong Chinese firms. He also told foreign companies to stop complaining about an unfair playing field, countering that he hears many complaints from domestic firms that feel that MNCs are given favorable treatment.

Li's statements are indicative of a change in attitude towards foreign investment among Chinese leaders. For decades, China was happy for any investment, so long as it brought jobs and boosted GDP. However, as efforts to transform the economic structure accelerate, foreign investment is under increasing scrutiny to contribute to goals of moving the economy up the value chain and contributing to sustainable growth.

Making it all clear

On Tuesday, the State Council [released its 2014 Priorities for Government Information Disclosure Work](#), which urges governments at all levels to further increase transparency and openness. The document urged further disclosure of information about administrative approvals, budgets and government spending, as well as for more sensitive issues such as land requisitions and pollution.

There's reason for optimism that we will see progress on the government transparency front. In late February, [Li stated that all administrative approvals would be published](#), including those by local governments. This was quickly followed by the establishment of a [web portal allowing visitors to view all central level administrative approvals](#).

More important will be what happens at the local government level, where the majority of China's administrative approvals exist. The premier made a point of pushing the issue last week in his inspection tour to Inner Mongolia, and some local governments have already published their approvals lists. Most promising is the recent [successful attempt by a lawyer to sue the Guangdong government](#) for not releasing information about how it uses certain funds.

Greater government transparency should, on the whole, benefit multinationals. It will save time and money by making investment and registration more straightforward, while also making it easier to compare the relative merits of different jurisdictions. It should also reduce governments' abilities to protect local companies through administrative barriers to entries and indirect subsidies. The downside is that MNCs that have been successful in negotiating favorable deals with local governments may see these advantages evaporate if they come under public scrutiny.

Helping hand

At Wednesday's State Council meeting the government announced three targeted stimulative measures: 1) tax cuts for SMEs; 2) fast-tracking of railway construction; and 3) support for shantytown rehabilitation. The measures are small, and are intended to show that the government will look to support growth, but will try to do so in ways that do not cause large distortions in the economy or exacerbate the debt build-up in the financial system.

Private companies are increasingly being asked to participate in providing infrastructure and other public services. On Tuesday and Wednesday the [Ministry of Finance convened a conference on public-private partnerships \(PPP\)](#) to further research supportive policies. Pilot projects are underway in the cities of Harbin, Heilongjiang and Luoyang, Henan, as well as Zhejiang, Hunan, Fujian and Shanghai.

Vice Minister of Finance Wang Bao'an estimates that China will need USD 7 trillion worth of investment to support urbanization through 2020. This is a huge opportunity for companies in the energy, construction, logistics and other related sectors; they should be proactive in offering to partner with local governments and trying to obtain favorable terms for such cooperation.

PBSC Week in Review

Xi Jinping

Apr 4

[Xi attended a tree planting event at the Tuancheng Reservoir outside Beijing.](#)

- Apr 2** Xi met with [Fatih Ezzedine al-Mansur](#), speaker of the [Sudanese National Assembly](#).
- Apr 1** Xi visited the [Volvo factory](#) in [Ghent](#), [Belgium](#).
- Xi gave a speech at the [College of Europe](#) in [Bruges](#), [Belgium](#).
- Mar 31** Xi met with [EU Commission President Jose Manuel Barroso](#).
- Xi met with [European Parliament President Martin Schulz](#).
- Xi held talks with [Prime Minister of Belgium Elio Di Rupo](#).
- Xi met with [President of the Belgian Chamber of Representatives Andre Flahaut](#).
- Xi held talks with [European Council President Herman van Rompuy](#).

- Li Keqiang** **Apr 4** Attended tree planting event at [Tuancheng Reservoir](#).
- Li sent written instructions to a meeting on the reform of public hospitals at county level.
- Apr 2** Li chaired an executive meeting of the [State Council](#).
- Li spoke to [Australian prime minister Tony Abbot](#) by telephone.
- Apr 1** Li attended and spoke at the central government [Party committee's annual work conference](#).
- First time for premier to address the conference in five years.*

- Zhang Dejiang** **Apr 4** Attended tree planting event at [Tuancheng Reservoir](#).
- Apr 3** Zhang held talks with [Fatih Ezzedine al-Mansur](#), speaker of the [Sudanese National Assembly](#).

- Yu Zhengsheng** **Apr 4** Attended tree planting event at [Tuancheng Reservoir](#).
- Apr 3** Yu chaired a [CPPCC symposium on physical fitness](#).
- Apr 1** Yu visited an exhibit of [Zhou Enlai's personal belongings](#).

- Liu Yunshan** **Apr 4** Attended tree planting event at [Tuancheng Reservoir](#).

- Wang** **Apr 4** Attended tree planting event at [Tuancheng Reservoir](#).

Qishan

- Zhang Gaoli** **Apr 4** **Attended tree planting event at Tuancheng Reservoir.**
- Apr 3** **Zhang met with Kazakh Deputy Prime Minister Aset Isekeshev.**
Sino-Kazakh relations looking strong. Just signed strategic cooperative partnership in September 2013. Bilateral trade increasing by double digits every year. Putin's annexation of Crimea makes Kazakhstan nervous, gives further impetus to develop strong ties to China.
Xi met with President Nazarbayev in the Hague two weeks ago, and will see him again when he visits Beijing in May.
- Apr 1** **Zhang continued his Hebei inspection tour, going to Baoding.**
- Mar 31** **Zhang went on an inspection tour to Hebei, visited Langfang and Cangzhou.**

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