

# China Politics Weekly

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## The premier's speech

Premier Li gave the keynote speech at the opening of the World Economic Forum (WEF) meeting in Tianjin this week. He also attended a Q&A session with business leaders the day before. The speech and Q&A represent rare opportunities to see the Premier make extended comments about the economy and world affairs. As such, taking a closer look at Li's statements is essential for those who want to understand the direction of policy in China. Links to the full text of Li's speech and a record of the Q&A session can be found in the Week in Review below. They are worth reading in full. The most important takeaways from Li's statements are as follows:

1. **The government remains committed to structural reform.** Li said, "Instead of adopting strong economic stimulus or easing monetary policy, we have vigorously promoted reform and economic readjustment". This is nothing new, but it is still important that China's top economic policymaker puts structural reforms at the top of the economic policy agenda.
2. **The government *may* accept lower growth in the future.** Li said that "we should realize that an important goal of maintaining stable growth is to ensure employment." The Premier has made similar statements before, but never quite so strongly.

The new emphasis could signal an attempt by the Premier to move the focus of economic policy away from headline growth targets. It is well-known that many of the top technocrats within the government are in favor of eliminating the GDP growth target, but that so far they have been overruled by more conservative leaders who fear that the public may see slowing growth as a sign of incompetence.

The need to meet the growth target is the biggest obstacle to structural reform. To maintain growth at the current "around 7.5%" target will necessitate continued inefficient investment that will exacerbate the current imbalances in the economy. If Li and other technocrats can succeed in gaining buy-in for a lower growth target, it will give more space to carry out reforms and put the economy on a more stable long-term trajectory.

3. **This administration is business-friendly.** This no doubt comes as a shock to the many MNCs that are complaining ever more loudly about a deteriorating business environment. But the truth is that this

administration is very focused on encouraging the private sector and creating a level playing field for all businesses. To this end, as Li proudly noted in his speech, the government has eliminated or devolved over 600 administrative approvals and simplified business registration. This has led to eight million newly registered businesses in the past six months, an increase of 61% over the previous year.

Li made it very clear that the government will continue to pursue policies that encourage business by seeking to “remove all institutional obstacles to development so that everyone interested in starting a business is given more space for entrepreneurship”.

- 4. The government is taking a more active approach to regulation.** As the government reduces its role in granting administrative approvals, it is turning its energies towards becoming a “referee of the market”. Consequently, we will continue to see stricter enforcement of existing laws and regulations, and harsher penalties for those found to be in violation.

Li said, “We will mete out stringent punishment to companies, domestic or foreign, that are involved in producing counterfeit, fake and shoddy products, engaging in fraud and deception, and stealing trade secrets.” He also said that IPR violations will be more strictly prosecuted, a move that the recent establishment of dedicated IPR courts corroborates.

Increased enforcement raises compliance costs, but should be a net win for MNCs less prone to product safety problems and more dependent on intellectual property.

The news was not all good, however. In the Q&A session with business leaders, Li tried to allay fears that recent anti-monopoly investigations were targeting MNCs, saying that only 10% of recent cases were directed against foreign companies. This may be true. But Li’s assertion that the recent investigations had been carried out in a “legal, transparent and fair” manner is patently false. In fact it is widely known that the NDRC has used coercive, extralegal methods to prosecute many of its recent cases. It would have been comforting if the Premier had acknowledged the abuses and said that the government was taking measures to correct them. Instead, by brushing away concerns he may have given tacit approval for regulators to further abuse their powers.

- 5. China will play a more active role globally.** Regarding international relations, the most important part of Li’s speech was what he didn’t say. At the same venue last year Li said, “The international responsibilities and obligations China undertakes must be commensurate with both the level and approach of its development.” Such rhetoric has long been used by China to justify ambivalence to international cooperation on global issues.

The jettisoning of such rhetoric is the clearest sign yet that China is pursuing a much more active and robust foreign policy. It is also seeking to play a larger role in international affairs.

On the whole this is a welcome development as China is indispensable to solving global issues such as climate change and terrorism. China is also necessary to maintaining and improving the global trading system.

Some see a more assertive China as a threat. Indeed, some aspects of the Xi administration’s foreign policy have at times been redolent of Cold War us-versus-them thinking. And Xi’s trumpeting of nationalism has the potential to unleash forces the Party cannot control.

But Li’s speech should help to quiet those that see a more powerful China as inevitably destabilizing. Li made it clear that China aims to work within the current international system, saying “China is a defender and builder of the existing international system and is dedicated to maintaining an overall environment of peace and stability.” This is welcome news for businesses and governments alike.

## PBSC Week in Review

- Xi Jinping**      **Sep 14**      **Xi arrived in the Maldives for an official visit.**
- Sep 13**      **Xi held talks with President of Tajikistan Emomali Rahmon.**
- Xi attended the groundbreaking ceremony of the Tajikistan section of Line-D of the China-Central Asia Gas Pipelines with President of Tajikistan Emomali Rahmon.**
- The 1000-km-long Line-D, one of China's major energy cooperation projects in Central Asia, will run from Turkmenistan across Uzbekistan, Tajikistan and Kyrgyzstan to China, with an expected delivery capacity of 30 billion cubic meters (bcm) of natural gas every year once construction is completed in 2016.*
- Xi met with Prime Minister of Tajikistan Kokhir Rasulzoda.**
- Xi met with Shukurjon Zuhurov the speaker of Tajikistan's lower house.**
- Sep 12**      **Xi attended and made a speech at the 14th Shanghai Cooperation Organization summit in Dushanbe, Tajikistan.**
- Xi had dinner with President of Tajikistan Emomali Rahmon.**
- Xi met with President of Kazakhstan Nursultan Nazarbayev.**
- Xi met with Pakistan's top national security and foreign affairs adviser, Sartaj Aziz.**
- Xi met with President of Turkmenistan Gurbanguly Berdimukhamedov.**
- Xi met with President of Kyrgyzstan Almazbek Atambayev.**
- Sep 11**      **Xi held a meeting with the President of Russia Vladimir Putin and Mongolian President Tsakhiagiin Elbegdorj.**
- The three countries, Xi pointed out, can dovetail the Silk Road Economic Belt initiative with Russia's transcontinental rail plan and Mongolia's Prairie Road program, and jointly build a China-Mongolia-Russia economic corridor.*
- Xi met with Russian President Vladimir Putin.**
- Xi arrived in Dushanbe, Tajikistan.**
- Sep 10**      **Xi published an editorial on Sino-Tajik relations in several Tajikistan media.**

**Xi sent congratulations on the opening of China-Arab friendship years activities in Beijing.**

*2014 and 2015 designated as China-Arab friendship years.*

**Sep 9 Xi met with United States National Security Advisor Susan Rice.**

**Xi met with Indian National Security Adviser Ajit Doval, special envoy of Prime Minister Narendra Modi.**

**Xi met award winning teachers from across the country in advance of Teacher's Day.**

**Xi visited teachers and students at Beijing Normal University.**

**Xi met with Prime Minister of Denmark Helle Thorning-Schmidt.**

**Li Keqiang Sep 11 Li inspected the Tianjin Binhai New Area Administrative Approval Office.**

**Li visited small businesses in Tianjin.**

**Li inspected Customs at Tianjin's port.**

**Li promoted shantytown renovation in Tianjin.**

**Sep 10 Li gave the keynote speech at the World Economic Forum meeting in Tianjin.**

*Full text in English is here.*

**Li met with Prime Minister Aleksandar Vucic of Serbia.**

**Li met with Albanian Prime Minister Edi Rama.**

**Li met with President Ibrahim Boubacar Keita of Mali.**

**Sep 9 Li attended a dialogue with representatives from the business community in Tianjin to attend the World Economic Forum meeting.**

*Full text of the event is here (in Chinese).*

**Li met award winning teachers from across the country in advance of Teacher's Day.**

**Zhang Sep 10-12 Zhang went on inspection tour to Guizhou.**

**Dejiang**

**Sep 9 Zhang chaired an NPC Chairmen's Meeting.**

*According to a statement released after the meeting, the political system should*

serve as a means to ensure thorough and effective implementation of the CPC's various policies and decisions as well as the authority and unity of the Party and the country.

<b>Yu Zhengsheng</b>	Sep 12	<b>Yu spoke at the opening ceremony of the Third Forum of Social Groups of Taiwan Compatriots.</b> <i>"We understand that Taiwan compatriots have their own mentality for complicated historical and realistic reasons," Yu said. "Misunderstanding accumulated for years needs years to be removed, and we have the confidence, persistence and patience to do it," he added.</i>
	Sep 11	<b>Yu chaired a CPPCC symposium on increasing employment opportunities in ethnic minority areas.</b>
<b>Liu Yunshan</b>	Sep 12-13	<b>Inspected and spoke at campaign to promote Socialist Core Values.</b> <i>"Our confidence in socialist values comes from Marxist theory, the outstanding traditional culture of the Chinese nation and the successful practice of socialism with Chinese characteristics," Liu said.</i>
	Sep 11	<b>Liu met a delegation from the Communist Party of Cuba.</b>
	Sep 9	<b>Liu met award winning teachers from across the country in advance of Teacher's Day.</b>
<b>Wang Qishan</b>		
<b>Zhang Gaoli</b>	Sep 10	<b>Zhang met Governor of Texas, USA Rick Perry.</b>
	Sep 9	<b>Zhang co-chaired the first meeting of the China-Russia Investment Cooperation Committee with Russian First Deputy Prime Minister Igor Shuvalov.</b> <i>Two sides promised to increase yuan-ruble transactions.</i>  <b>Zhang met award winning teachers from across the country in advance of Teacher's Day.</b>

**About CPW**

China Politics Weekly aims to keep business leaders, investors, diplomats, scholars and other China hands up to date on important trends in China. It is produced by Trey McArver, a London-based consultant providing advice and intelligence to firms and investors engaged in China and the region.

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