

China Politics Weekly

Issue No. 30 – October 14, 2014



Dear friends and colleagues,

There will be a CPW Dinner in Beijing on Thursday, October 23, and you are all invited. If you would like to attend, please send me an email by the end of the week. Once I have an idea of how many people will be coming I will book a restaurant and send details to those who have expressed interest in attending.

This week's newsletter is a bit short as I have several other projects going on at the moment. I will be traveling for the next three weeks and issues will likely be abbreviated over that time

I will be following the Fourth Plenum closely. If you are interested in analysis, reports and/or briefings on the outcomes of the Plenum and its implications for your sector(s) please contact me.

Your comments and feedback are always welcome. Old issues are always available at www.chinapoliticsweekly.com. Sign up or unsubscribe by sending an email to info@chinapoliticsweekly.com.

Slowing down

There were further indications this week that the top leadership is willing to accept lower growth as it carries out structural reforms. In speeches in Berlin and Hamburg Li Keqiang said that the government can accept growth below 7.5% "as long as employment is guaranteed, household income raised and quality and efficiency improved."

Government officials seem increasingly on message on this point. PBOC Chief Economist Ma Jun [made similar statements](#) at the Institute of International Finance annual meeting in DC, and reiterated the government will not enact big stimulus while employment remains stable. Meanwhile, at a meeting in Beijing, [officials from the PBOC, MOF, MIIT, NBS and Development Research Center stated that growth in 2015 would be around 7%](#), i.e. half a percentage point lower than this year's target.

As I wrote in a piece published last week in the [Nikkei Asian Review](#), China's "new normal" isn't necessarily bad for business:

"China's slowdown is likely to lead to a more friendly business environment. This may come as a surprise to multinational companies operating in China that have recently been subjected to an increase in investigations under the country's anti-monopoly law. Companies are right to complain about heavy-handed tactics by the National Development and Reform Commission, a state agency that has pursued aggressive investigations into alleged anti-competitive behavior. But the high-profile investigations of companies such as Qualcomm, the U.S.

semiconductor group, and a local unit of Volkswagen, the German carmaker, should not obscure the fact that the overall trend in China is towards freer markets and less government involvement in the economy.

Since taking control in March 2013, the Xi-Li administration has been very clear in its intention to spur growth through continued economic reforms. Since that time the government has been aggressive in reducing requirements for administrative approvals, and has simplified the process of investing. Ongoing fiscal reforms are helping to remove subsidies at the local level, creating a more level playing field. The end of large-scale monetary stimulus is driving up the cost of capital, which disproportionately affects state-owned enterprises that have long received a large share of inexpensive bank loans. The removal of this indirect subsidy will benefit private enterprises by further leveling the playing field. As growth slows further, it will give added impetus to business-friendly, supply-side reforms.”

PBSC Week in Review

Xi Jinping

Oct 13

Xi chaired a Politburo Study Session.

The Politburo held its 18th study session since Xi Jinping took the reins as General Secretary in November 2012. The session invited back Professor Bu Xianqun, a historian specializing in the Han Dynasty. Bu first addressed the Politburo at its fifth study session in April 2013.

At the session, Xi said that “answers to China's issues must be found in our own land”, and encouraged officials to draw on China's historical approaches to governance for guidance.

Xi's political philosophy is very conservative. Looks like he is setting the tone for the 4th Plenum. Definitely more “rule by law” than “rule of law”.

Oct 10

Xi sent instructions to the national meeting of Communist Party Committee Secretaries held in Beijing on October 10-11.

Xi spoke at a meeting to mark the end of the Mass Line Education Campaign.
The speech (in Chinese).

Oct 8

Xi entrusted Li Zhanshu to express his condolences to those affected by the Yunnan earthquake.

Xi gave instructions regarding the earthquake rescue efforts in Yunnan.

Li Keqiang

Oct 13

Li held talks with Russian Prime Minister Dmitry Medvedev.

Li laid flowers at the Tomb of the Unknown Soldier in Moscow.

Li met with Sergei Naryshkin, chairman of the Russian State Duma.

	<p>Li met with with Valentina Matviyenko, chairwoman of the Russian Federation Council.</p>
Oct 12	<p>Li did an exclusive interview with All-Russia State Television and Radio Broadcasting Company (VGTRK).</p> <p>Li arrived in Moscow, Russia.</p>
Oct 11	<p>Li spoke at the China-Europe Forum Hamburg Summit in Hamburg, Germany.</p> <p>Li met with European Parliament President Martin Schulz.</p> <p>Li met with Prime Minister of Luxembourg Xavier Bettel.</p> <p>Li met with Mayor of Hamburg Olaf Scholz.</p>
Oct 10	<p>Li co-chaired the third round of bilateral governmental consultations with German Chancellor Angela Merkel.</p> <p>Li held a joint press conference with German Chancellor Angela Merkel.</p> <p>Li attended and spoke at the 7th Germany-China Economic and Technology Cooperation Forum.</p> <p>Li toured a supermarket with German Chancellor Angela Merkel.</p> <p>Li met with German President Joachim Gauck.</p>
Oct 9	<p>Li arrived in Berlin, Germany.</p> <p>Li left Beijing for Europe.</p>
Oct 8	<p>Li chaired an executive meeting of the State Council.</p> <p>Li chaired a State Council departmental meeting. <i>Pointed out six policy areas that require special attention: water conservation and environmental protection; increasing consumption; structural reform with more supports to agriculture, small enterprises and new businesses; fiscal and monetary policies; and opening-up.</i></p> <p>Attended meeting to mark the end of the Mass Line Education Campaign.</p>
Oct 7	<p>Li gave instructions regarding the earthquake rescue efforts in Yunnan.</p>
Zhang	Oct 8 Attended meeting to mark the end of the Mass Line Education Campaign.

Dejiang

Yu Zhengsheng Oct 8 **Attended meeting to mark the end of the Mass Line Education Campaign.**

Liu Yunshan Oct 12 **Chaired meeting of the Mass Line Education Campaign Leading Small Group.**
Oct 8 **Chaired meeting to mark the end of the Mass Line Education Campaign.**
Liu met with a delegation from the International Trade Union Confederation.

Wang Qishan Oct 8 **Attended meeting to mark the end of the Mass Line Education Campaign.**

Zhang Gaoli Oct 10 **Zhang chaired a meeting on the New Silk Road and the Maritime Silk Road in Xi'an, Shaanxi.**
More should be done in cooperation with countries along the routes in sectors such as energy and resources, agriculture, manufacturing, services and the maritime economy, he said.

Zhang met with Gazprom CEO Alexei Miller.

Discussed opening a western route natural gas pipeline.

Oct 8 **Attended meeting to mark the end of the Mass Line Education Campaign.**
Attended State Council departmental meeting.

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.

Want to help? Please tell us how we can make this newsletter more useful to you. Feedback on both form and content are always welcome, as are suggestions for topics to be covered. Please contact us at info@chinapoliticsweekly.com. We look forward to hearing from you.

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