

China Politics Weekly

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Dear friends and colleagues,

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As I am sure all readers are aware, this was a busy week as the APEC, East Asia, ASEAN +3, ASEAN + 1 and G-20 summits all took place. Just for good measure, the State Council also held an executive meeting on Saturday once all the dignitaries had cleared out of Beijing and Premier Li had returned from Naypyidaw.

I am still sifting through the deluge of officials statements, speeches and media coverage that has surrounded these events. There is a lot of information to digest. Below are some initial thoughts and observations on this week's events.

Another bear hug

Traditional wisdom has it that, no matter how chummy Xi and Putin seem to be, Sino-Russian relations are doomed by geography and a history of conflict and mistrust. I tend to agree with this view, but I must admit that both leaders seem to be going out of their way to build closer ties.

For his part, Xi has done everything he can to show that he considers Sino-Russian cooperation to be a cornerstone of his foreign policy. His first trip abroad as president was to Moscow, and he has met with Putin numerous times in the 20 months since. He extended the red carpet treatment again at APEC this week, meeting with Putin at the Diaoyutai State Guesthouse on the evening before other world leaders arrived. Considering Russia's estrangement from Europe in light of the Ukraine crisis, Xi holds all the leverage in the relationship. That being the case, his warm embrace of Putin implies that there is more to China's approach than can be explained by traditional theories of power politics.

China and Russia have drawn closer out of a shared ambivalence towards the Western-led global order that, on some level, sees both countries' political systems as illegitimate. They both share a fear (not completely unfounded) of color revolutions and similar attempts to undermine their regimes (See [CPW 26](#)). And they appreciate the mutual respect (or at least lack of censure) that each side accords the other.

Tensions over influence in Central Asia will persist. As will Russian fears of Chinese influence in Russian East Asia. It is notable that, even as Putin and Xi were making a show of their strong relationship, Russia was also making

overtures to Japan and confirming that it will sell more warships to Vietnam; both countries are in the midst of heated territorial disputes with China.

China understands these moves. It's business. It's what countries do- they attempt to maximize power and influence. Likewise, even though Russia bristles at China's inroads into its backyard, it does not take it personally. There is a big difference between maximizing power and advocating for regime change.

Post-China Mao and post-Soviet Russia abandoned their previous foreign policies that sought to spread their respective ideologies and export revolution. But when they look at Western (mainly US) behavior in the post-Cold War era, they see a different picture. From Moscow and Beijing events in Kosovo, Iraq, Georgia, Libya and elsewhere (including Hong Kong) make clear that many in the West see the world through an ideological lens that justifies (sometimes mandates) regime change.

Neither China nor Russia look likely to institute the liberalizing political reforms that would make them more palatable to the West. That being the case, they will continue to cooperate to counterbalance what they perceive to be a hostile West.

An evolving relationship between the world's two largest economic powers...

The same forces that drive China and Russia closer also motivate the Chinese promotion of the phrase "new type of great power relations" to describe the US-China relationship. What China wants from the US is, essentially, respect. More specifically, they want the US to acknowledge the legitimacy of China's CCP-led political system.

The US does not explicitly say that the Chinese system is illegitimate, but there are certainly voices on the Hill that say exactly that; even within the administration one can occasionally hear overtones of such sentiment. This is one reason (among many) that the US has assiduously avoided using China's favorite new description of the bilateral relationship.

The US has always had an uneasy relationship with Communist states (or, in China's case, a state ruled by a Communist party). But in the 70s and 80s engagement with China was justified on the *realpolitik* assumption that it helped to contain the Soviet Union. After the fall of the Soviet Union, the United States predicated its engagement with China on the assumption that such engagement (and the economic development that came with it) would lead to gradual political reform.

The assumption that as China got richer it would inevitably also become more democratic has proved to be a false one. This has been slowly dawning on the US political class over the past few years, but to date no strategy to deal with this new reality has emerged. The "pivot" (or "rebalance") feels reactive, more of an acknowledgment of the growing importance of Asia than a strategy for engaging with it. Its confused, and at times half-hearted, implementation have done little to clarify matters.

Until the United States can formulate a coherent China strategy, there will continue to be a fundamental tension in the US-China relationship. This leads to increased uncertainty and risk in the region.

For business this is bad. If the US and China cannot work out an explicit, mutually acceptable *modus vivendi* it will hinder trade and investment flows between the world's two largest economies. Sectors that touch on anything remotely sensitive (defense, technology, media, finance, legal services, etc.) will continue to face direct and indirect barriers. Progress on global trade agreements will continue to be elusive. More government resources will be devoted to managing risk as opposed to producing wealth, not just in China and the United States but across the world.

This is not simply the US's problem. For its part, the Chinese could do a better job of explaining to America and the rest of the world why their rise is not a threat. Xi's speech to the Australian parliament on Monday was a move in the right direction. Xi explained that China is motivated by a desire for peace and prosperity. It's important that Xi and other Chinese leaders make this point clearly and forcefully to the rest of the world, not just through speeches, but through actions as well.

...doesn't mean you can't still work together

Fundamental tensions aside, the US and China are both aware of the benefits of cooperation, and there are hundreds of officials on both sides focused on furthering cooperation in trade, investment, the environment, people to people exchanges and other areas.

The outcomes of the meetings between Xi and Obama this week were decidedly positive. The specific merits of the various agreements will be debated, but taken as a whole the progress made on visas, climate change and trade in technology was unequivocally a good sign.

Both sides tried hard to make sure that the optics showed a healthy and productive bilateral relationship. According to official Chinese media, Obama's dinner with Xi at Zhongnanhai went two hours over schedule because the two men had such fruitful discussions. This doesn't mean that the fundamental issues spelled out above have been solved, but it hopefully it does provide momentum for strengthening understanding and cooperation in the longer term.

Language partner

It's pretty rare to hear a Chinese leader (Jiang Zemin excepted) speak English in public, but at around 2:00 in [this video](#), Xi says "very good to see you" to President Obama...

A cold shoulder is better than no shoulder

The meeting between Xi and Japanese Prime Minister Shinzo Abe was an important step towards de-escalating tensions between China and Japan. But don't expect too much. [This video](#), in which Xi barely acknowledges Abe or any of his entourage is even worse than the widely circulated pictures of their grumpy handshake.

What's more, 2015 is bound to be a difficult year for bilateral relations. It will be the 70th anniversary of WWII, and Abe is almost certain to visit Yasukuni to honor the more than 2 million Japanese soldiers that died in the war. Meanwhile, the Chinese (with Russia) will be holding their own festivities to commemorate "victory in the war against global fascism". Fun times.

The price isn't right

Amidst all the summitry, the State Council meeting on Saturday received little press. The meeting moved market-oriented reforms further along. The government committed to reduce or eliminate fees associated with business registration, as well as to scrap an additional 42 administrative fees.

More importantly, the government said it will "gradually and in an orderly manner" reform the pricing mechanisms in the energy, transportation and environment sectors. We've heard similar things before, but there is reason for cautious optimism this time around. Many officials in the NDRC Price Department have been sacked for corruption as of late, and many believe that this is a precursor to carrying out price reforms.

PBSC Week in Review

- Xi Jinping** **Nov 17** **Xi held talks with Australian Prime Minister Tony Abbot.**
- Xi gave a speech to the Australian Parliament.**
Full text of the speech (in Chinese).
- Xi attended the Australia China CEO Roundtable Meeting.**
- Xi met with Australian Labour Party leader Bill Shorten.**
- Xi met with Governor-general of Australia Peter Cosgrove.**
- Nov 16** **Xi attended the second round of talks at the G-20 Leaders Summit.**
- Xi met with French President Francois Hollande.**
- Xi met with Brazilian President Dilma Rousseff.**
- Xi met with European Commission President Jean-Claude Juncker.**
- Xi met with Premier of Queensland Campbell Newman.**
- Nov 15** **Xi attended the G-20 Leaders Summit.**
Full text of Xi's remarks (in Chinese).
- Xi held unofficial talks with leaders from the other BRICS countries.**
- Nov 14** **Xi flew to Australia.**
- Nov 13** **Xi held talks with Mexican President Enrique Pena Nieto.**
- Nov 12** **Xi held talks with US President Barack Obama.**
- Xi held a joint press conference with US President Barack Obama.**
- Xi hosted a welcome banquet for US President Barack Obama.**
- Xi held a welcoming ceremony for US President Barack Obama.**
- Xi held talks with President of Chile Michelle Bachelet.**
- Xi held talks with President of Peru Ollanta Humala.**

- Nov 11** **Xi chaired the APEC Economic Leaders Meeting.**
Full text of his opening remarks. And full text of his closing remarks.
- Xi held talks with American President Barack Obama.**
- Xi spoke with Philippine President Benigno Aquino on the sidelines of the APEC Economic Leaders meeting.**
- Xi spoke to reporters after the Economic Leaders Meeting.**
- Xi and other APEC attendees planted trees.**
- Nov 10** **Xi hosted a welcome banquet for leaders attending APEC.**
Xi's welcome speech [here](#) (in Chinese).
- Xi spoke at the APEC Business Advisory Council Dialogue.**
Outlined four achievements for this year: 1) launch of the Free Trade Area of the Asia-Pacific (FTAAP) process; 2) issuance of a statement on the 25th anniversary of the APEC; 3) promotion of innovation, reforms and growth to seek new momentum for long-term development of the Asia-Pacific; 4) blueprint for all-round connectivity in the Asia-Pacific.
- Xi met with Korean President Park Geun-hye.**
- Xi met with Vietnam's President Truong Tan Sang.**
- Xi met with Malaysian Prime Minister Najib Razak.**
- Xi met with Sultan of Brunei Hassanal Bolkiah.**
- Xi met with Papua New Guinea Prime Minister Peter O'Neill.**
- Li Keqiang** **Nov 15** **Li chaired an executive meeting of the State Council.**
- Nov 14** **Li held talks with President of Myanmar Thein Sein.**
- Li met with Thura U Shwe Mann, speaker of Myanmar's Union Parliament and the House of Representatives.**
- Li spoke at a middle school in Naypyidaw.**
- Nov 13** **Li attended the China-ASEAN Summit.**
Full text of his speech is [here](#) (in Chinese).
- Li attended the ASEAN + 3 Summit.**
Full text of Li's speech (in Chinese).

		<p>Li attended the East Asia Summit. <i>Full text of Li's speech at the summit is here (in Chinese).</i></p> <p>Li met with Indian Prime Minister Narendra Modi.</p>
Nov 12		<p>Li met with US President Barack Obama.</p> <p>Li spoke briefly with Japanese Prime Minister Shinzo Abe at the East Asia Summit welcome dinner.</p> <p>Li flew to Myanmar.</p>
Nov 11		<p>Li met with Mexican President Enrique Pena Nieto.</p>
Nov 10		<p>Li met with Australian Prime Minister Tony Abbot.</p> <p>Li met with Malaysian Prime Minister Najib Razak.</p> <p>Li met with Chilean President Michelle Bachelet.</p>
Zhang Dejiang	Nov 17	<p>Zhang attended a ceremony to commemorate the 100th anniversary of the birth of former PLA general and Minister of Defense Qin Jiwei.</p>
	Nov 13	<p>Zhang met with Mexican President Enrique Pena Nieto.</p>
	Nov 12	<p>Zhang met with US President Barack Obama.</p> <p>Zhang met with President of Peru Ollanta Humala.</p>
Yu Zhengsheng	Nov 13	<p>Yu chaired a biweekly CPPCC symposium on protecting the rights of builders who sustain injuries on the job.</p>
	Nov 12	<p>Attended welcome banquet for US President Barack Obama.</p>
	Nov 11	<p>Yu met with Chilean President Michelle Bachelet.</p>
Liu Yunshan	Nov 17	<p>Liu met with a delegation from Thailand's Democrat Party.</p>
	Nov 14	<p>Liu attended and spoke at a ceremony marking the beginning of the second fall term at the Central Party School.</p>
	Nov 12	<p>Attended welcome banquet for US President Barack Obama.</p>
	Nov 8-10	<p>Liu went on an inspection tour to Chongqing.</p>

Wang Qishan	Nov 12	Attended welcome banquet for US President Barack Obama.
Zhang Gaoli	Nov 17	Zhang attended and spoke at a work conference on advancing household registration system reform. Zhang met with Christiana Figueres, executive secretary of the secretariat of the United Nations framework convention on climate change.
	Nov 14	Zhang attended a ceremony commemorating the 100th anniversary of the birth of former vice premier Yu Qiuli.
	Nov 12	Attended welcome banquet for US President Barack Obama.
	Nov 11	Zhang met with US Secretary of State John Kerry.

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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