

China Politics Weekly

Issue No. 49 – April 13, 2015



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Too slow too fast

China's Q1 GDP figure comes out Wednesday and all expect the number to come in below the government's "around 7%" target for growth this year. There is increasing worry that downward pressure on the economy could lead to unemployment and social instability. Premier Li Keqiang explicitly raised the specter of social instability Friday at a meeting in Changchun with governors from China's three northeastern provinces (where the economic slowdown is particularly acute).

To counter the slowdown, the government is turning to one of its favorite tools: infrastructure spending. At the same meeting in Changchun Li said, "To maintain smooth economic development in Northeast China, the top issue is to initiate major infrastructure projects which will give big incentives to the local economy, at the same time the government has to increase investment in transportation, water conservancy and urban sewage system upgrading."

The meeting in Changchun came two days after a State Council meeting that was also focused on ways to boost economic growth. The meeting decided to lower the price for coal-generated electricity and slash the resource tax on iron ore by 60%. Both moves seem to go directly against the government's stated goals of restructuring the economy and cleaning up the environment. The measures reflect growing nervousness in Beijing about the state of the economy.

Wayward officials

China's economic policymakers have been working under the assumption that disruptions caused by structural reforms would be cushioned by efficiency gains resulting from less government involvement in the economy. The idea was that subsidies and other supports would be withdrawn from traditional industries, while at the same time, the government would make it easier for SMEs to invest and access capital. The hope was that as unprofitable traditional industries exited the market, new private firms would be there to absorb the laid-off workers.

In theory, the government's plan makes sense. In practice, it has been frustrated by a lack of implementation at the local level. At Wednesday's State Council meeting Li said that central and local governments canceled 1,000

fees related to enterprises last year. However, it appears that many of these cancelations were in name only. “We should use this opportunity to inspect and self-examine whether the reform has been implemented,” said the Premier. “We should not just issue policies and then forget to check whether enterprises receive the benefits.”

The Premier went on to say that there is a real disconnect between what he hears from companies and what he hears from government officials. While the latter tout the efforts they have undertaken to reduce investment approvals and remove unnecessary fees, the former continue to complain of meddling bureaucrats and arbitrary charges. “The disorganized situation seriously affected the development of enterprises and must now be reformed,” Li said.

To address the problem, the government is instituting a review to get rid of all “unreasonable” fees on enterprises. It’s a sensible plan. But if previous efforts to reduce administrative approvals and eliminate fees have failed, why should we expect this one to be successful?

PBSC Week in Review

Xi Jinping

Apr 7

Xi held talks with Nguyen Phu Trong, general secretary of the Central Committee of the Communist Party of Vietnam.

A big trip with a huge delegation meant to mend relations after a particularly rocky patch over the past year. Optics look good, though neither the CCP or the VCP are the most reliable sources of information.

As expected, lots of cooperation agreements and other deals signed including: a co-operation plan between the Communist Party of Vietnam and the Communist Party of China; an extradition treaty; a memorandum of understanding on co-operation in United Nations peacekeeping between the Vietnamese and Chinese Defense Ministries; and a memorandum of understanding on the establishment of a working group on land infrastructure between the Vietnamese Ministry of Planning and Investment and the Chinese National Development and Reform Commission.

Other agreements set the terms of reference for a working group on financial and monetary co-operation between the State Bank of Vietnam and the People's Bank of China; an agreement on taxation for a joint oil and gas exploration project in the Tonkin Gulf between the two Finance Ministries; and a memorandum of understanding on cooperation in making thematic TV films.

Xi attended and spoke at the 15th China-Vietnam Youth Friendship Meeting.
Xi's speech (in Chinese).

Xi sent instructions to a meeting commending the holding the of the Summer Youth Olympic Games in Nanjing last year.

Li Keqiang

Apr 11

Li sent instructions to a work conference on regional railway development.

Apr 10

Li chaired a symposium on the economy of the northeast provinces in Changchun, Jilin.

Apr 9 **Li went on inspection tour to Changchun, Jilin.**

Apr 8 **Li chaired an executive meeting of the State Council.**

Li met with general secretary of the Communist Party of Vietnam Nguyen Phu Trong.

Apr 7 **Li met with Speaker of the South African National Assembly Baleka Mbete.**

Li said that Chinese companies will be encouraged to invest in and participate in the construction of South Africa's special economic zone, and promote bilateral cooperation in areas including port construction, oil and gas exploitation, and fishing.

Li sent instructions to a meeting commending the holding the of the Summer Youth Olympic Games in Nanjing last year.

**Zhang
Dejiang**

Apr 10 **Zhang chaired an NPC Standing Committee chairmen's meeting.**

Next NPC Standing Committee meeting to be April 20-24.

Upcoming session will review draft amendments to: Food Safety Law, Advertising Law, National Security Law and Foreign NGO Management Law.

Will also deliberate proposals to revise: Securities Law, Seed Law and Drug Administration Law.

Will also review proposals and reports concerning reform of the jury system, pilot free-trade zones and cultural services.

Will decide whether to ratify the Treaty on a Nuclear-Weapon-Free Zone in Central Asia proposed by the State Council.

Apr 9 **Zhang met with a delegation of young lawmakers from the Russian State Duma led by Vice Chairperson Sergey Zheleznyak.**

Apr 8 **Zhang met with general secretary of the Communist Party of Vietnam Nguyen Phu Trong.**

Zhang met with Ethiopian Federal Council Speaker Kassa Teklebirhan.

Apr 7 **Zhang held talks with Speaker of the South African National Assembly Baleka Mbete.**

**Yu
Zhengsheng**

Apr 9 **Yu chaired a biweekly CPPCC symposium.**

Discussed soil protection along the black earth belt in northeastern China.

Apr 8 **Yu met with general secretary of the Communist Party of Vietnam Nguyen Phu Trong.**

Apr 7 **Yu met with Ethiopian Speaker of the House of Federation Kassa Teklebirhan.**

Liu Yunshan Apr 9 **Liu met with Alexander Kosinets, head of the Belarus President Administration.**

**Wang
Qishan**

Zhang Gaoli Apr 10 **Zhang met with Swedish Deputy Prime Minister and Minister for Climate and Environment Asa Romson.**

Apr 9 **Zhang met with Deputy Prime Minister of Turkmenistan Baymyrat Hojamammedov.**

Zhang met with Thai Deputy Prime Minister and Minister of Defense Prawit Wongsuwan.

Apr 8 **Attended executive meeting of the State Council.**

Zhang met with Deputy Prime Minister of Singapore Teo Chee Hean.

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. You can find out more about Trey and CPW in [this interview](#).

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