

# China Politics Weekly

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## A different kind of trans-Pacific partnership

China's active diplomacy turned itself towards Latin America this week, where Premier Li Keqiang is in the midst of a nine-day tour that will take him to Brazil, Columbia, Peru and Chile. China has pursued closer ties with the Latin America under this administration. While this is Li's first trip to the region, President Xi Jinping has already visited twice. China has also created the Forum of China and the Community of Latin American and Caribbean States (CELAC), which held its first ministerial meeting in Beijing earlier this year. The group noticeably excludes the United States.

So far the trip has displayed all the hallmarks of the typical overseas visit of a Chinese leader: lots of rhetoric about a "community of common destiny" coupled with pledges for massive amounts of investment. In Brazil, Li and his coterie of 200 Chinese businessmen signed investment pledges of over USD 50 billion. Such deals are only the tip of the iceberg. In addition, it was announced that China Investment Corporation (CIC) has set up a company to manage overseas equity investments; the company will manage a fund that is expected to be over USD 40 billion. A USD 20 billion line of credit for infrastructure funding was also established, and Li also announced plans for a USD 30 billion fund to support industrial production capacity in the region. The China-Latin America Cooperation Fund also appears to have grown; when announced last year it was described as a USD 5 billion fund; on Li's trip it is now said to have USD 50 billion.

China's domestic economic agenda is very much at the heart of these deals, particularly when it comes to cooperation on "production capacity". China wants to upgrade its economy, which means creating world-leading firms, increasing the export of Chinese technologies and moving "sunset industries" overseas. Li summed it up in Brazil, when he said, "we hope to export not only advanced technologies and equipment to Brazil, but also to set up factories and production streamlines to help create jobs".

Li is doing more to promote Chinese industry abroad than simply acting as their chief salesperson to foreign governments. On May 16 the State Council issued a guideline that said "the government will work to help Chinese companies 'go abroad'" by offering tax breaks and concessionary financing.

The growing footprint of Chinese industry abroad is a good thing for the world economy. Although Chinese overseas investment is sometimes met with skepticism, it often creates jobs and provides much needed investment in recipient countries.

However, Chinese investment abroad presents dangers for foreign companies. As Chinese companies gain more experience operating in foreign countries, they will increasingly challenge MNCs in more and more markets around the world. Companies that can assess the risk and prepare accordingly will be more successful in protecting market share.

## Fronting

Li's visit to Latin America attempted to portray a friendly and open China. Meanwhile, back in Beijing Xi Jinping struck a much different tone, warning again of the dangers of foreign influences. The forum for these admonitions was the Central United Front Work Conference, held for the first time since 2006.

The United Front was designed to let non-Party organizations input into China's policymaking process. United Front work has grown in importance under Xi. This can be seen by the fact that the Party's United Front Work Department is fronted by a Politburo member (Sun Chunlan) for the first time in over two decades.

Liberals had hoped that the elevated status of the United Front would signal a larger voice for interest groups outside the Party. These hopes were misplaced; instead the new prominence of the United Front means exactly the opposite. The Party is not interested in what those outside the Party think- it wants those outside the Party to think what the Party tells them to think.

The work conference enumerated a slew of conservative goals, including indoctrinating non-Party intellectuals, co-opting new media sources to "cleanse" the internet and indigenizing religion within China, among others. It is not a good time to be a free thinker in China.

## AIIB AOA OKed, to be signed ASAP

Preparations for establishment of the Asian Infrastructure Investment Bank (AIIB) took an important step forward this past week. The 5th Chief Negotiators' Meeting was held in Singapore this week, and saw agreement on the bank's Articles of Agreement (AOA). The AOA are scheduled to be signed next month.

Shi Yaobin, vice minister of Chinese Ministry of Finance and permanent chair of the Chief Negotiators' Meeting, said "we will establish the AIIB by the end of the year, and start its operation as soon as possible, after legal ratification in certain number of countries".

The Chinese are wasting no effort in ensuring the bank's success. In and of itself, the AIIB is not a game changer, but it is part of a larger constellation of events that have signaled China's growing influence in Asia and the world. I talked about these issues and more on a recent episode of the Sinica podcast, which can be found here: <http://popupchinese.com/lessons/sinica/the-furor-and-the-asian-infrastructure-investment-bank>.

## PBSC Week in Review

**Xi Jinping**

**May 23**

**Xi attended and spoke at the China-Japan Friendship Exchange Meeting.**

*Japanese delegation of over 3,000 led by Toshihiro Nikai, chairman of the Liberal Democratic Party's General Council. Generally a positive sign that Xi decided to*

meet and address the delegation. Said some encouraging things, such as "History has proved that the China-Japan friendship benefits not only the two countries and the two peoples, but also Asia and the world at large," and "peace and friendly cooperation between China and Japan is the common will of the people, and the general trend of events".

No Japan-related event would be complete without an admonition on history, and Xi reminded his audience that, "efforts of anyone seeking to distort or beautify the facts of Japan's acts of militaristic invasion will not be accepted by the people of China".

**Xi sent a congratulatory letter to the International Conference on ICT and Post-2015 Education.**

**May 21** Xi sent instructions to the People's Daily Overseas Edition in advance of its 30th anniversary.

**May 20** Xi attended and spoke at the Central United Front Work Conference. Conference took place from the 18<sup>th</sup>-20<sup>th</sup>, but it's not clear whether Xi attended all three days or only the last one.

**Xi sent condolences to Columbian President Juan Manuel Santos for the landslide there.**

**May 19** Xi met with representatives from various agencies involved in national security.

**Li Keqiang**

**May 23** Li chaired a discussion with Chinese-funded enterprises in Peru.

**Li attended a series of cultural exchange activities between China and Latin America.**

**May 22** Li held talks with Peruvian President Ollanta Humala.

**Li held a joint press conference with Peruvian President Ollanta Humala.**

**Li flew from Colombia to Lima, Peru.**

**Li attended and spoke at a discussion of China-Latin American cultural exchanges in Bogota, Columbia.**

**May 21** Li held talks with Colombian President Juan Manuel Santos. China and Colombia have agreed to start a feasibility study of Sino-Colombian free trade agreement (FTA).

**Li held a joint press conference with Colombian President Juan Manuel Santos.**

**Li flew from Brazil to Bogota, Colombia.**

	May 20	<p>Li met with Rio de Janeiro Governor Luiz Fernando de Souza.</p> <p>Li met with Chinese and Brazilian business leaders aboard a Chinese-made ferry in Rio de Janeiro, Brazil.</p> <p>Li met with Mayor of Rio de Janeiro Eduardo da Costa Paes. <i>Received key to the city.</i></p> <p>Li attended a Chinese equipment and manufacturing exhibition in Rio de Janeiro, Brazil.</p> <p>Li rode in a Chinese-made subway car on the Rio de Janeiro subway.</p>
	May 19	<p>Li held talks with President of Brazil Dilma Rousseff.</p> <p>Li held a joint press conference with Brazilian President Dilma Rousseff.</p> <p>Li attended and addressed the China-Brazil Business Summit. <i>Full text of his speech (in Chinese).</i></p> <p>Li met with Brazilian Senate President Renan Calheiros.</p> <p>Li met with Brazilian Chamber of Deputies President Eduardo Cunha.</p> <p>Li sent instructions to a national conference on employment and entrepreneurship.</p>
	May 18	<p>Li arrived in Brasilia, Brazil.</p>
Zhang Dejiang	May 18	<p>Zhang met with Kenyan National Assembly Speaker Justin Muturi.</p>
Yu Zhengsheng	May 20	<p>Attended Central United Front Work Conference.</p>
	May 19	<p>Yu chaired a biweekly CPPCC symposium. <i>Focused on protecting wetlands in the Yangtze River Economic Belt.</i></p>
Liu Yunshan	May 21	<p>Liu sent instructions to the People's Daily Overseas Edition in advance of its 30<sup>th</sup> anniversary.</p>
Wang Qishan		
Zhang Gaoli	May 19	<p>Zhang attended a meeting on coordinated prevention of air pollution in the Beijing-Tianjin-Hebei region.</p>

**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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