

China Politics Weekly

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When the Premier speaks

The World Economic Forum held its annual “Summer Davos” meeting in Dalian, Liaoning last week. As per custom, the Chinese premier addressed the gathering and laid out the government’s view on the economy and economic policy.

In the past these speeches were opportunities to tout the country’s achievements and wow onlookers with plans for further economic expansion. But as growth slows and anxieties about the underlying health of the economy become more prevalent, the premier’s speech has become more about quelling fears than stoking excitement.

In this year’s speech Li Keqiang said all the right things:

- First, the economy is fine: “Despite the moderation in speed, the performance of the Chinese economy is stable and moving in a positive direction.”
- Second, the government has the tools to manage potential difficulties: “We will be fully capable to deal with the situation once signs indicate that the economy is sliding out of the reasonable range. I’m not making an empty promise when I say that the Chinese economy will not head for a ‘hard landing’”.
- Third, structural reforms will continue: “We will continue with structural reform to tap the full potential of existing resources, and improve the allocation of resources and put them to more efficient use.”
- Finally, China’s economy will become more open: “China will open still wider to the rest of the world.”

The problem is that these words look a lot less credible than they did when Li delivered similar messages last year. By all accounts, China’s economy is slowing more quickly than expected (and reported). Government responses to the stock market downturn and the RMB revaluation have raised serious doubts about the government’s competence. The “control bias” exhibited in policies like Monday’s SOE reform plan brings into question just how far the government will go in giving markets broader play to determine economic outcomes. Finally, foreign businesses are complaining more loudly than ever about unfair treatment and a worsening environment for foreign investment.

These doubts are all reasonable, and grounded in truth. And yet, China's short to medium term growth prospects continue to be very good. This is because of two things that Li was at pains to emphasize in his speech.

The first is the entrepreneurial spirit of the Chinese people. In part due to administrative reforms spearheaded by Li, new company registrations have increased dramatically in the past year and a half. These companies- which are predominantly private- are efficient creators of economic value and employment.

Secondly, China's economic structure is changing, and household consumption is growing at an impressive clip. China's middle-class will continue to grow for decades, and this will be a significant driver of growth moving forward.

Growth is slowing, policymaking is imperfect and reforms will not be as deep as desired. Despite all of this, as Li says, "China is not a source of risks for the world economy but a real source of strength for world economic growth." It's not true because he said it, but it is true nonetheless.

PBSC Week in Review

Xi Jinping

Sep 11

Xi chaired a meeting of the Politburo.

The meeting focused on the importance of socialist art and literature in promoting Chinese values. Official statement said, "The prosperity of Chinese culture and art are necessary for the great rejuvenation of the Chinese nation".

Meeting also approved a plan for reforming mechanisms to build an ecological civilization.

Xi chaired and spoke at a Politburo study session.

Meeting focused on the "three stricts and three earnest" education campaign. Xi said, "We must run the Party strictly and maintain close relations with the people... We should always keep the 'three stricts and three earnest' in mind, adhere to the truth and resolutely correct misconduct that goes against the cause of the CPC and the people".

Sep 10

Xi sent congratulations letter to China-Arab States Expo.

Sep 9

Attended cremation of Zhang Zhen, former vice chairman of China's Central Military Commission.

Xi met with Jordanian King Abdullah II Bin al Husein.

Xi met with teachers from Guizhou studying at Beijing Normal University.

Li Keqiang

Sep 10

Li addressed the opening ceremony of the World Economic Forum New Champions meeting in Dalian, Liaoning.

Li met with Malawian President Peter Mutharika.

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| | | <p>Li met with Prime Minister of Grenada Keith Mitchell.</p> <p>Li met with Mongolian Prime Minister Chimed Saikhanbileg.</p> <p>Li met with Prime Minister of Georgia Irakli Gharibashvili.</p> <p>Li met with Russian Deputy Prime Minister Yury Trutnev.</p> |
| | Sep 9 | <p>Li had a discussion with business leaders attending the World Economic Forum New Champions meeting in Dalian, Liaoning.</p> <p>Li went on inspection tour in Dalian, Liaoning.</p> <p>Attended cremation of Zhang Zhen, former vice chairman of China's Central Military Commission.</p> |
| | Sep 8 | <p>Li met with teachers ahead of National Teachers Day.</p> |
| Zhang Dejiang | Sep 10 | <p>Zhang met with Asser Kapere, chairperson of Namibia's National Council.</p> |
| | Sep 9 | <p>Attended cremation of Zhang Zhen, former vice chairman of China's Central Military Commission.</p> |
| Yu Zhengsheng | Sep 11 | <p>Yu returned to Beijing from Tibet.</p> <p>Yu met with villagers in Gojag Village, southwest Tibet.</p> |
| | Sep 9 | <p>Yu met with Tibetans from all walks of life in Lhasa, Tibet.</p> <p>Yu attended the opening ceremony of a highway linking Lhasa and Nyingchi in Tibet.</p> |
| Liu Yunshan | Sep 9 | <p>Attended cremation of Zhang Zhen, former vice chairman of China's Central Military Commission</p> |
| | Sep 7 | <p>Liu attended and spoke at the opening ceremony of the autumn semester at the Party School in Beijing.</p> |
| Wang Qishan | Sep 9 | <p>Wang met with overseas attendees of the 2015 The Party and World Dialogue.</p> <p>Attended cremation of Zhang Zhen, former vice chairman of China's Central Military Commission.</p> |
| Zhang Gaoli | Sep 10 | <p>Zhang attended a meeting on the development of Beijing-Tianjin-Hebei</p> |

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Sep 9 **Attended cremation of Zhang Zhen, former vice chairman of China's Central Military Commission.**

[Zhang met with Brian Deese, senior advisor to United States President Barack Obama.](#)

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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