

China Politics Weekly

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Dear friends and colleagues,

Happy New Year!

Mischievous monkey

Kim Jong-un has likely ruined Xi's holiday with his "satellite test". Xi and the rest of the PRC elites are no doubt irate at the North Koreans. The timing is particularly awkward after Xi rebuffed US Secretary of State Kerry's admonitions to do more to rein in Kim and co. last week in Beijing.

All in all, not an auspicious beginning to the year. North Korea and Taiwan could both prove major headaches for Beijing in 2016.

Money troubles

Arguably the biggest problem China faces stems from its continued capital outflows. Net outflows look to have been another USD 100 billion last month, slightly lower than anticipated, but still a staggeringly high number. As China's FX reserves continue to drop, the threat of a currency crisis looms ever larger. Such a scenario is still unlikely, but I would put the probability of a crisis in 2016 at 25%- a level high enough that there are doubtless many an official in Beijing losing some sleep over the prospect. My guess is that more tightly enforced capital controls and a weakening dollar help to stabilize the situation, but if market sentiment continues to think that RMB is grossly overvalued, bureaucrats in Beijing will not be able to fend off depreciation for much longer.

Deep red

Xi burnished his conservative credentials further this week by traveling to Jinggangshan, place of Mao's legendary soviet. Xi has also been to the other holy Party sites of Zunyi, Gutian and Yan'an since becoming General Secretary.

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PBSC Week in Review

Xi Jinping

Party General Secretary; PRC President; Chairman of Central Military Commission

- Feb 6** Xi attended a reception to extend Spring Festival greetings to all Chinese people.
- Feb 5** Xi and United States President Barack Obama spoke by telephone.
- Xi and South Korean President Park Geun-hye spoke by telephone.
- Feb 4** Xi sent a congratulatory message to Sri Lankan President Maithripala Sirisena on the 68th anniversary of the founding of the country.
- Feb 3** Xi visited villagers and extended holiday greetings to residents in Ji'an, Jiangxi.
- Feb 2** Xi arrived in Jinggangshan, Jiangxi to extend New Years greetings to residents.
Jinggangshan is the location of the Communist Party's first revolutionary base in 1927, founded by Mao Zedong.
- Xi met with senior officers at local military units to extend New Years greetings in Nanchang, Jiangxi.
- Feb 1** Xi conferred military flags on the five newly-established theater commands of the People's Liberation Army.
China has regrouped its previous seven military area commands into five new battle zones (eastern, northern, southern, western and central).

Li Keqiang

Premier

- Feb 6** Li attended and spoke at a reception to extend Spring Festival greetings to all Chinese people.
Full text of his speech (in Chinese).
- Feb 5** Li attended a seminar with foreign experts working in China.
He extended New Years greetings.
- Feb 4** Li sent a congratulatory message to Sri Lankan Prime Minister Ranil Wickremesinghe on the 68th anniversary of the founding of the country.
- Feb 3** Li chaired an executive meeting of the State Council.
The State Council discussed developing 'makerspaces' to cultivate a new driving force, a new round of upgrading projects for power grids in rural areas, and more support to ensure the basic needs of destitute people.
- Feb 2** Li expressed New Years greetings to local people from the "Smart Ningxia" cloud platform in Ningxia.

		<p>Li visited a reservoir construction site, mosque, nursing home and local businesses on an inspection tour in Ningxia Hui Autonomous Region.</p>
	Feb 1	<p>Li went to Ningxia Hui Autonomous Region on an inspection tour. <i>He visited the poorest village in Guyuan, Ningxia, which has been listed in the government's poverty alleviation and relocation plan.</i></p> <p>Li sent a written instruction to a ceremony honoring migrant workers. <i>Li said that migrant workers would be integrated into cities in the next five years in an 'orderly way.' The State Council announced reforms to the household registration system in late 2015.</i></p>
Zhang Dejiang <i>Chair of the National People's Congress</i>	Feb 6	<p>Zhang attended a reception to extend Spring Festival greetings to all Chinese people.</p>
Yu Zhengsheng <i>Chair of the Chinese People's Consultative Conference</i>	Feb 6	<p>Yu attended a reception to extend Spring Festival greetings to all Chinese people.</p>
	Feb 4	<p>Yu chaired a symposium with leaders of national religious groups. <i>He extended new years greetings and called on religious groups to play a great role as a bridge between the Party, government and religious people.</i></p> <p>Yu met with Cambodian Deputy Prime Minister Hor Namhong.</p>
	Feb 2	<p>Yu chaired a symposium with private entrepreneurs to hear suggestions and opinions on the country's economic structural adjustment.</p> <p>Yu delivered a speech at an annual meeting of officials in charge of Taiwan affairs.</p>
Liu Yunshan <i>Head of Party Secretariat; Head of Propaganda</i>	Feb 6	<p>Liu attended a reception to extend Spring Festival greetings to all Chinese people.</p>
	Feb 1	<p>Liu extended new years greetings to cultural workers and icons.</p>
Wang Qishan <i>Secretary of the Central Commission for Discipline Inspection</i>	Feb 6	<p>Wang attended a reception to extend Spring Festival greetings to all Chinese people.</p>
Zhang Gaoli <i>Executive Vice</i>	Feb 6	<p>Zhang attended a reception to extend Spring Festival greetings to all Chinese people.</p>

Premier

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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