

# China Politics Weekly

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Dear friends and colleagues,

On the road, so an abbreviated edition this week. Your comments and feedback are always welcome. Old issues are always available at [www.chinapoliticsweekly.com](http://www.chinapoliticsweekly.com). Sign up or unsubscribe by sending an email to [info@chinapoliticsweekly.com](mailto:info@chinapoliticsweekly.com).

## The power of the Premier

The government is increasingly worried about an economic slowdown and the ability to carry out its reform agenda. Premier Li seems desperate to enforce discipline on a massive and recalcitrant bureaucracy accustomed to the current system and inherently resistant to change. For the past two weeks the Premier has castigated ministerial and local level officials for dragging their feet on implementing reforms. He is trying to give his admonishments some bite by sending out inspection teams to evaluate policy implementation at the local level.

The Premier's sense of urgency is due to the fact that the economy is slowing down faster than top officials had expected. The hope in Beijing was that reforms to reduce government intervention in the economy would lead to productivity and efficiency gains that would offset some of the downward pressure caused by tighter credit conditions and reduced investment. Under this scenario, Beijing would gradually slow the economy down while undertaking restructuring, keeping displacements at an acceptable level.

Unfortunately for Beijing, the downturn in the property market has been greater and happened sooner than anticipated. The government has reacted, at times almost apologetically, with "mini-stimulus" measures, the latest of which was the reserve ratio requirement (RRR) cut for most banks [announced this past week](#).

Businesses can take comfort, at least in the short run, that the government is unwilling to let growth decelerate too quickly. More stimulative measures are likely.

The medium term outlook, however, is more problematic. On the bright side, the rhetoric coming out of Beijing makes clear that the top leadership understands the need to move the economy in a more market-oriented direction. But the mini-stimulus measures show that, when forced to make a choice, the government will always choose growth over reform. In the long run, this is unsustainable.

Ultimately, it doesn't matter what the policy is if it is not implemented, which is why Li's exhortations are so interesting. Do they show a Premier unable to control his bureaucracy? Or a dogged reformer who will not back down? The answer holds the key for China's prospects.

## PBSC Week in Review

### Xi Jinping

- June 11** Xi met with Italian Prime Minister Matteo Renzi.
- June 10** Xi met with Prime Minister of Bangladesh Sheikh Hasina Wajed.
- June 9** Xi attended and addressed the opening ceremony of the 17th Congress of the Chinese Academy of Sciences (CAS) and the 12th Congress of the Chinese Academy of Engineering (CAE).
- June 6** Xi chaired the third meeting of the Leading Small Group on Comprehensively Deepening Reform.
- Xi met with secretary of Russia's Security Council, Nikolai Patruchev.
- Xi spoke at the 7th Conference for Friendship of Overseas Chinese Associations.
- June 5** Xi attended and addressed the Sixth Ministerial Conference of the China-Arab States Cooperation Forum.
- Proposed a "1+2+3" framework for China-Arab states collaboration. MFA press conference described it thusly: Our cooperation can be summarized as "1+2+3": we will take energy cooperation as the one main body, infrastructure building and trade and investment facilitation as two wings, and three new and hi-tech areas, namely nuclear energy, space satellite and new energy as new breakthroughs. The full text of Xi's speech is [here](#) (in Chinese).*
- Xi met with attendees of the CASC.
- Xi congratulated Abdel- Fattah al-Sisi on his election as Egypt's President.
- June 4**
- Xi met with Kuwaiti Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah.
- Xi sent congratulations to Petro Poroshenko on his election as President of Ukraine.
- It's reported that Xi has appointed four new ambassadors.**  
*Vietnam (not an easy job), Canada, Indonesia and Macedonia. New Vietnamese ambassador Hong Xiaoyong already on the job for two weeks prior to announcement.*
- June 3** Xi addressed the International Conference on Engineering Science and Technology.

Li Keqiang	June 11	Li chaired an executive meeting of the State Council.
		Li held talks with Prime Minister of Italy Matteo Renzi.
	June 10	Li gave a report on the economy at the biennial meeting of the Chinese Academy of Sciences and the Chinese Academy of Engineering.
	June 9	Li held talks with Prime Minister of Bangladesh Sheikh Hasina Wajed.
		Attended the opening ceremony of the 17th Congress of the Chinese Academy of Sciences (CAS) and the 12th Congress of the Chinese Academy of Engineering (CAE).
	June 6	Li chaired the Economic Work Conference for selected provinces.
		Attended meeting of Leading Small Group on Comprehensively Deepening Reform.
		Li sent comments to a State Council conference on reforming the administrative approval system.
	June 4	Li chaired an executive meeting of the State Council.
	June 3	Li held talks with Kuwaiti Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah. <i>10 MOUs signed.</i>
Zhang Dejiang	June 11	Zhang met with Italian Prime Minister Matteo Renzi.
	June 5	Zhang met with Pakistani Chief of Army Staff General Raheel Sharif.
	June 4	Zhang met with Kuwaiti Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah.
Yu Zhengsheng	June 10	Yu met with Prime Minister of Bangladesh Sheikh Hasina Wajed.
	June 6-9	Yu went on an inspection tour to Hubei. <i>Yu is former Hubei Party Secretary.</i>
	June 3	Yu chaired a CPPCC meeting on on deploying a modern vocational education program. <i>Vice Premier Liu Yandong said there should be more coordination between schools and businesses, more private investment in education and more autonomy for educational institutions. Education key to economic transformation- sounds like education policy moving in right direction.</i>

Liu Yunshan	June 9	Attended the opening ceremony of the 17th Congress of the Chinese Academy of Sciences (CAS) and the 12th Congress of the Chinese Academy of Engineering (CAE).
	June 6	Attended meeting of Leading Small Group on Comprehensively Deepening Reform.

## Wang Qishan

Zhang Gaoli	June 10	<a href="#">Zhang met with General Electric CEO Jeff Immelt.</a>
	June 9	Attended the opening ceremony of the 17th Congress of the Chinese Academy of Sciences (CAS) and the 12th Congress of the Chinese Academy of Engineering (CAE).
	June 6	Attended meeting of Leading Small Group on Comprehensively Deepening Reform.  Attended Economic Work Conference for selected provinces.
	June 5	<a href="#">Zhang inspected the Chinese Research Academy of Environmental Sciences (CRAES) and China National Environmental Monitoring Center (CNEMC).</a> <i>Urged further efforts to protect environment.</i>

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