

# China Politics Weekly

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Dear friends and colleagues,

Finally back home, but have several projects on so another short edition this week.

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## The shape of things to come

Xi's trip to South America has so far been an unqualified success. He succeeded in establishing the new BRICS development bank, which will be headquartered in Shanghai. China has been pushing the bank for years, but other BRICS countries have been reluctant to sign on to what will almost certainly be a China-dominated institution. The establishment of the bank is a victory for the Chinese and an important step forward in the country's efforts to remake the current global order dominated by the Western powers.

In addition to the development bank, Xi also announced plans to build a transcontinental railway as well as tens of billions of dollars in investments in power plants and other infrastructure across the continent.

In a meeting with leaders from the Community of Latin American and Caribbean States (CELAC) Xi formally established a China-CELAC cooperation forum. The new forum brings to mind the Forum on China Africa Cooperation (FOCAC) that has been so successful in positioning China as the major player on that continent. Xi's goodwill is backed by cash- he pledged to contribute USD 5 billion to a development fund for the region as well as USD 20 billion in preferential loans for infrastructure.

All of the above should increase China's standing and influence in the region and the world. It will create friends that can help in multilateral fora like the UN and the WTO, and it will bring tangible benefits to Chinese companies.

It should also increase trade and investment among and between developing countries. This only accelerates the trend that sees global growth being driven by the East and South.

Despite this obvious shift, many businesses and investors have failed to devote the resources to understanding frontier markets and developing sound strategies to succeed in them. The Chinese government spends time and money to ensure that it succeeds in regions that are becoming increasingly more important economically and geopolitically. Western businesses should do the same.

## Trickier back home

While the new administration has been largely successful in pushing China's interests internationally, its record is murkier when it comes to economic management at home. The new leadership wants to have its cake and eat it too as it attempts to undertake structural reforms while maintaining growth. The Ministry of Finance (MOF) released data for H1 that shows tax revenues down and government spending up, which is just one of many clear signs that the economy is still relying on debt-fuelled spending to maintain growth. Recent statements by the Premier that the growth target will be met bring into question the government's reform commitment.

The MOF data also showed another worrying trend. Local government revenue from land transfers was at an all time high in H1, and up over 26% from a year earlier. This is not sustainable. The encouraging fiscal reforms announced at the end of June look all the more urgent in light of the new data.

Xi and Li have had several meetings with economists and business leaders over the past two weeks to solicit their opinions as they continue to try and strike a balance between growth and reform. It's a reminder that there is still a lot of debate about economic reform and that the policy environment is fluid.

## PBSC Week in Review

Xi Jinping	July 19	<b>Xi visited a farm outside Buenos Aires, Argentina.</b> <i>Good sign for Argentinian agricultural exporters.</i>
	July 18	<b>Xi held talks with President of Argentina Cristina Fernández de Kirchner.</b>  <b>Xi met with Amado Boudou, Argentina's vice president and head of the Senate and Julian Dominguez, president of the Chamber of Deputies.</b>  <b>Xi arrived in Argentina.</b>
	July 17	<b>Xi held talks with Brazilian president Dilma Rousseff.</b>  <b>Xi met with the current four leaders of the Community of Latin American and Caribbean States (CELAC).</b> <i>The four leaders are currently Costa Rican President Luis Guillermo Solis, Cuban leader Raul Castro, Ecuadorian President Rafael Correa and Prime Minister of Antigua and Barbuda Gaston Browne.</i> <i>At the meeting, they decided to found a China-CELAC cooperation forum.</i>  <b>Xi spoke at a China-CELAC leaders meeting.</b> <i>Full text of the speech (in Chinese).</i>  <b>Xi attended a welcome ceremony in Brazil.</b>
	July 16	<b>Xi addressed the Brazilian parliament.</b> <i>Full text of the speech (in Chinese).</i>

**Xi took part in a dialogue between BRICS and South American leaders.**

*11 South American leaders took part, including Surinamese President Desi Bouterse, Argentine President Cristina Fernandez, Bolivian President Evo Morales, Colombian President Juan Manuel Santos, Chilean President Michelle Bachelet, Ecuadorian President Rafael Correa, Guyanese President Donald Ramotar, Paraguayan President Horacio Cartes, Peruvian President Ollanta Humala, Uruguayan President Jose Mujica, and Venezuelan President Nicolas Maduro.*

**Xi met with Brazilian Senate President Renan Calheiros and Chamber of Deputies President Henrique Eduardo Alves.**

**Xi viewed an exhibition on forty years of Sino-Brazilian friendship.**

**Xi met with President of Chile Michelle Bachelet.**

**Xi met with President of Peru Ollanta Humala.**

**Xi met with President of Bolivia Evo Morales.**

**Xi met with President of Ecuador Rafael Correa.**

**Xi met with President of Costa Rica Luis Guillermo Solís.**

**July 15** **Xi attended the sixth BRICS summit meeting.**  
*The full text of his speech (in Chinese) is [here](#).*

**People's Daily published an interview with Xi Jinping that was jointly published by media in Brazil, Argentina, Venezuela and Cuba.**

**Xi flew to Brasilia, Brazil.**

**July 14** **Xi arrived in Fortaleza, Brazil.**

**Xi spoke by phone with United States president Barack Obama.**

**Xi met with Russian President Vladimir Putin.**  
*This was the eighth meeting between the two since Xi assumed the presidency in March 2013.*

**Xi met with Indian Prime Minister Narendra Modi.**

**Xi met with South African President Jacob Zuma.**

<b>Li Keqiang</b>	<b>July 18</b>	<b>Li urged officials to prepare for typhoon Rammasun and address the flooding in southern China.</b>
	<b>July 16</b>	<b>Li chaired an executive meeting of the State Council.</b>

		<p><i>Li said that the cabinet will continue to simplify administrative approval, open more sectors to private investment, enhance financial support for agriculture and small companies, and speed up key projects such as railways, municipal infrastructure and water projects.</i></p> <p><i>He urged local authorities to adhere to central government policies in boosting trade, and promoting growth in sectors such as environmental protection, energy savings, elder care, health and culture.</i></p> <p><b>Li chaired a symposium on the economy.</b></p> <p><b>Li sent congratulations to Carl Juncker on his election as president of the European Commission.</b></p>
	July 14	<b>Li chaired a symposium on the economy.</b>
Zhang Dejiang	July 15	<p><b>Zhang met with First Vice President of the Russia State Duma Ivan Melnikov.</b></p> <p><i>The cooperation committee between the NPC and the Russian Federal Council and the State Duma, the upper and lower houses of the Russian parliament, is the only high-level parliamentary exchange mechanism that China has with a foreign country, Zhang said.</i></p>
Yu Zhengsheng	July 17	<p><b>Yu chaired a CPPCC chairmen's meeting.</b></p> <p><i>Preparing for CPPCC Standing Committee meeting to be held in August.</i></p> <p><b>Yu met with Taiwanese politician Yao Eng-chi.</b></p> <p><i>Interesting meeting as Yao is a big proponent of Western-style democracy. He is currently president of the Taiwan chapter of the World League for Freedom and Democracy.</i></p>
Liu Yunshan	July 17-19	<b>Liu went on an inspection tour to Qinghai.</b>
	July 16	<p><b>Liu met with Banri Kaieda, president of the opposition Democratic Party of Japan.</b></p> <p><i>It does not appear to have been a fruitful trip for Kaieda. China still refusing a summit meeting.</i></p>
	July 15	<b>Liu attended the graduation ceremony for the spring term of the Central Party School.</b>
	July 14	<p><b>Liu attended a meeting on promoting young officials.</b></p> <p><i>According to Xinhua, Liu called for selecting more officials from young leaders in enterprises, colleges and scientific research institutes.</i></p>
Wang Qishan	July 16	<p><b>Wang attended and spoke at a meeting on corruption investigation work.</b></p> <p><i>At the meeting it was announced that the CDIC will be focusing on corruption in mining, natural resources, land transfers, real estate development, construction</i></p>

*projects, and other public and special funds.*

*Anti-corruption authorities will soon begin a second round inspection in 10 provincial-level regions. They include Guangxi, Shanghai, Qinghai, Tibet, Zhejiang, Hebei, Shaanxi, Heilongjiang, Sichuan and Jiangsu. They are also scheduled to inspect the General Administration of Sport, the Chinese Academy of Sciences, and the First Automotive Works Group Corporation.*

**Zhang Gaoli**    July 17-19    **Zhang went on inspection tour to Fujian.**

July 15    **Attended symposium on the economy.**

July 14    **Attended meeting on the economy.**

China Politics Weekly aims to keep business leaders, investors, diplomats, scholars and other China hands up to date on important trends in China.

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