

# China Politics Weekly

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Dear friends and colleagues,

I'm still on the road, so another short newsletter this week. I will be in Paris from Tuesday for a week. If there are any readers in Paris who would be interested in meeting, please get in touch.

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).

## Rules of the game

The Fourth Plenum, which concluded Thursday, is an important step in moving forward the Party's ambitious reform agenda laid out at the Third Plenum last November. This leadership shows a sense of purpose and determination that is impressive. As per usual, the full text of the Decisions reached at the meeting have not been released; they should come out in the next week. Nevertheless, the communiqué itself is clear and relatively detailed as to the path of reform.

The proposed reforms do not seek to alter the current Party-led political system; instead they aim to optimize it. A complex set of interlocking measures seek to better regulate Party and state institutions, further circumscribe the power of officials, improve the legislative process and create a more professional, independent judiciary. These reforms essentially boil down to:

- Make better rules.
- Make sure people follow the rules.
- Make accountable those who do not follow the rules.

While simple in principle, it represents a Herculean task in a bureaucracy as large and fragmented as that of China. Progress is likely to be slow, but the direction of change is clear.

For business, this is a welcome development. One of the key aims of the reforms is to enhance productivity and economic efficiency. A more transparent, rules-based system that limits the ability of officials to interfere in the economy should help to create a more friendly business environment and spur competition.

However, there is a downside for business as well. As the government shifts from market manager to regulator, companies will face an increasingly challenging regulatory environment. Recent aggressive actions on the parts of regulators (typified by the NDRC's anti-monopoly investigations) are likely to become more common as officials become more incentivized to enforce the law.

## Are you a believer?

The Central Discipline and Inspection Commission (CDIC) held its fourth plenary session on Saturday October 25. The meeting focused on implementing the decisions of the Central Committee's Fourth Plenum.

In his speech at the meeting, Wang said, "the CPC is a political organization with a sacred mission." Most foreign analysts (and a fair number of Chinese as well) dismiss such lofty rhetoric as "empty speech". Instead they believe that the Party's sole motivation is to maintain power.

The Party does want to maintain power, but many of its members are also motivated by a sincere desire to create a strong and prosperous country. Economists on both sides of the debate tend to agree about structural issues in the economy, as well as what should be done to solve them. The debate is not about what is happening, but rather whether or not the Party has the will and ability to push through reforms. Pessimism in the bear camp springs from a view that sees all Party officials as self-interested rent seekers. Bulls tend to have more faith in the Party's technocrats.

I think Wang's statement is a sincere one. He and many other top leaders- in particular Xi Jinping- seem to be motivated by much more than just power (though I suspect they like that too). The important question is what grassroots and mid-level officials think. If they buy into the Party's mission, the prospects for stable, sustainable growth are good. If not, no amount of anti-corruption campaigns will solve the country's problems.

## PBSC Week in Review

Xi Jinping	Oct 25	<b>Xi, along with Russian President Vladimir Putin extended congratulations on the opening of the 2014 Pujang Innovation Forum.</b>
	Oct 24	<b>Xi met with representatives from the 21 countries involved in setting up the Asian Infrastructure Investment Bank (AIIB).</b> <i>The representatives were from Bangladesh, Brunei, Cambodia, China, India, Kazakhstan, Kuwait, Laos, Malaysia, Mongolia, Myanmar, Nepal, Oman, Pakistan, the Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam.</i>  <i>Three of the five largest shareholders of the Asian Development Bank (Japan, USA and Australia) noticeably absent from AIIB. Part of larger efforts including New Silk Road and Maritime Silk Road to more closely tie neighboring countries to China.</i>  <i>While US and Japan are clearly annoyed at the new bank, it should be beneficial for the region, which is still very infrastructure poor.</i>  <b>Xi held talks with Tanzanian President Jakaya Mrisho Kikwete.</b>  <b>Xi called Joko Widodo to congratulate him on his assumption of the presidency of Indonesia.</b>
	Oct 20-23	<b>Xi attended and spoke at the 4<sup>th</sup> Plenum of the 18<sup>th</sup> Central Committee of the</b>

Chinese Communist Party.

Li Keqiang	Oct 24	<p><b>Li chaired an executive meeting of the State Council.</b> <i>Government will open more sectors to private investment, including energy and telecoms.</i></p> <p><b>Li chaired a meeting of the State Council Party Group.</b></p> <p><b>Li met with Tanzanian President Jakaya Mrisho Kikwete.</b></p>
	Oct 20-23	<b>Attended 4<sup>th</sup> Plenum of the 18<sup>th</sup> Central Committee of the Chinese Communist Party.</b>
	Oct 21	<p><b>Li met with attendees of the APEC Finance Ministers meeting.</b></p> <p><b>Li had a phone conversation with United Nations Secretary-General Ban Ki-moon about Ebola.</b></p>
Zhang Dejiang	Oct 24	<p><b>Zhang chaired a meeting of the NPC Party Group.</b></p> <p><b>Zhang met with Tanzanian President Jakaya Mrisho Kikwete.</b></p> <p><b>Zhang met with President of the Senate of the Bahamas Sharon Wilson.</b></p>
	Oct 20-23	<b>Attended 4<sup>th</sup> Plenum of the 18<sup>th</sup> Central Committee of the Chinese Communist Party.</b>
Yu Zhengsheng	Oct 24	<p><b>Yu chaired a meeting of the CPPCC Party Group.</b></p> <p><b>Yu met with President of the Senate of the Bahamas Sharon Wilson.</b></p>
	Oct 20-23	<b>Attended 4<sup>th</sup> Plenum of the 18<sup>th</sup> Central Committee of the Chinese Communist Party.</b>
Liu Yunshan	Oct 25	<b>Liu attended and spoke at a meeting of ideology and propaganda officials to discuss the work of disseminating the 4<sup>th</sup> Plenum decisions.</b>
	Oct 20-23	<b>Attended 4<sup>th</sup> Plenum of the 18<sup>th</sup> Central Committee of the Chinese Communist Party.</b>
Wang Qishan	Oct 25	<p><b>Wang attended and spoke at the fourth plenary session of the 18<sup>th</sup> Central Discipline and Inspection Commission.</b> <i>Full text of the speech is <a href="#">here</a>.</i></p> <p><b>Wang met with overseas members of the advisory board of Tsinghua University's School of Economics and Management.</b></p>

	Oct 20-23	Attended 4 <sup>th</sup> Plenum of the 18 <sup>th</sup> Central Committee of the Chinese Communist Party.
Zhang Gaoli	Oct 24	Zhang attended and spoke at the 3 <sup>rd</sup> meeting of the coordinated work group for controlling air pollution in the Beijing-Tianjin-Hebei region.
	Oct 20-23	Attended 4 <sup>th</sup> Plenum of the 18 <sup>th</sup> Central Committee of the Chinese Communist Party.
	Oct 22	Zhang gave the opening address and attended the opening of the APEC Finance Ministers meeting.

#### 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.

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