

# China Politics Weekly

Issue No. 33 - November 4, 2014



Dear friends and colleagues,

This week's newsletter below. 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).

## In charge

Xi Jinping attended the work conference on political work in the military held in Gutian, Fujian. Gutian is famous for being the place where in 1929 Mao Zedong established definitively that the army would be subservient to the Party. 85 years on, the message from Xi is exactly the same: "The Party commands the gun".

Xi has worked hard to ensure control over the military since taking over as Party general secretary and chairman of the Central Military Commission two years ago. This was an urgent task as Xi's predecessor Hu Jintao was thought to not command full support from several quarters of the military.

Xi seems to have succeeded where Hu failed. Xi's revolutionary heritage, experience working with the military throughout his career and strong stance with regards to territorial disputes in the East and South China Seas earn Xi respect among those in uniform.

And Xi is clear that he will come after those that oppose him. Xi exhorted officers to carefully study the case of Xu Caihou- the former CMC vice chairman and general who has been one of the biggest "tigers" caught in Xi's anti-corruption drive- and was quoted as saying, "We'll never slacken the efforts to deepen the fight against corruption in the army".

Reasserting Party control over the military is a positive development for regional stability. It reduces the chance that hardliners within the military could bring China into conflict of their own accord.

In the long run, cleaning up corruption in the PLA will create a stronger, more effective military. The implications of this are more ambivalent. A China more confident in its military capabilities may be more inclined to put them to use.

## Let's get negative

After Gutian, Xi headed to Pingtan, a large island off the coast of Fujian across the strait from Taiwan. The visit follows one by Vice Premier Zhang Gaoli this summer and would seem to show that the central government is fully behind Pingtan's reforms to attract foreign investment.

Pingtan's Comprehensive Pilot Zone (CPZ) instituted a negative list approach to foreign investment in June 2014. It became the second locality to do so after the Shanghai Free Trade Zone. Considering the high-level attention that the CPZ has received, it would not be surprising to see other local governments instituting negative lists as well. The Chengdu government saw the writing on the wall and introduced its own negative list in August.

As more governments institute a negative list approach to foreign investment, it should create a competitive dynamic in which different cities seek to "out-reform" each other. This will gradually help to open more sectors to foreign investment. And as more and more governments successfully implement negative lists, it will give the central government more confidence to go farther in its bilateral investment treaty (BIT) negotiations with the US and EU (in which China has adopted a negative list approach).

## Baby steps

The State Council meeting on October 29 said that it would open the bank card-clearing business to foreign and private businesses. It's a small measure, and there is a lot of uncertainty as to exactly how wide the opening will be and how quickly it will be implemented. But it's another clear, if tiny step in the right direction with regards to structural economic reforms.

## Officials got to get paid

During the six-day session of the NPC Standing Committee held last week, the Internal and Judicial Affairs Committee delivered a report on improving recruitment and appraisals of civil servants. Importantly, the report stressed that civil servant incomes have not risen since 2006, despite high economic growth and considerable price inflation.

Addressing the low pay of officials is an important part of stamping out corruption in the government and Party. A big reason that official corruption is so low in Singapore (viewed as a model of one-party governance by officials and academics in China) is because government salaries are so high. Well compensated officials have fewer incentives to take bribes or otherwise extract rents from constituents.

Addressing corruption in China is a very complex issue because it is engrained in every level of society. Raising officials' salaries will not solve the problem, but it will help.

## PBSC Week in Review

**Xi Jinping**

**Nov 3**

**Xi sent instructions to a national work conference on public security.**

**Xi held talks with Sheikh Tamim Bin Hamad al-Thani, Emir of Qatar.**

*Upgraded relationship to a strategic partnership.*

*Signed a currency swap deal worth RMB 35 billion and opened QFII scheme to Qatar with quota of RMB 30 billion.*

- Nov 1-2** Xi went on an inspection tour of Pingtan, Fujian.
- Oct 31** Xi attended and spoke at a military political work conference in Gutian, Fujian.
- Oct 29** Xi met with members of the board of directors of the Boao Forum for Asia.  
*Xi will attend forum next year- will make the forum a big deal. Other high-profile attendees now likely.*
- Xi spoke to Argentine President Cristina Fernandez by telephone.
- Xi sent written instructions to the China International Culture Exchange Center's 30<sup>th</sup> anniversary celebration.
- Oct 28** Xi held talks with President of Afghanistan Ashraf Ghani Ahmadzai.  
*Xi said China would like to bolster tangible progress on major projects like the Aynak copper mine and the Amu Darya basin oil project.*
- Xi met with representatives of model police teams and individual officers who received awards for their performance in serving the people.
- Oct 27** Xi chaired the sixth meeting of the Leading Small Group for Comprehensively Deepening Reform.
- Xi held talks with President of the Czech Republic Milos Zeman.
- Xi met with Chairman Zandaakhuu Enkhbold of the State Great Hural of Mongolia, the country's top legislative body.
- Xi sent congratulations to Dilma Rousseff on her reelection as President of Brazil.

Li Keqiang	Nov 4	Li met with Sheikh Tamim Bin Hamad al-Thani, Emir of Qatar.
	Nov 3	Li chaired a meeting to discuss the economic situation and economic work.
	Oct 31	Li spoke at the Ministerial Conference of the Istanbul Process on Afghanistan.
		Li sent a congratulatory letter to the World City Day activities in Shanghai.
	Oct 29	Li chaired an executive meeting of the State Council.
		Li met with Afghan President Ashraf Ghani Ahmadzai. <i>China is vigorously opening up westward, Li said. The country supports Afghanistan's peaceful reconstruction process and is willing to take part in building Afghanistan's infrastructure including railway, road, water conservation, and electricity.</i>

	Oct 28	Met with representatives of model police teams and individual officers who received awards for their performance in serving the people.
	Oct 27	Li attended the meeting of the Leading Small Group on Comprehensively Deepening Reform.  Li met with Czech President Milos Zeman.
Zhang Dejiang	Nov 4	Zhang met with Sheikh Tamim Bin Hamad al-Thani, Emir of Qatar.
	Nov 3	Zhang met with Chairman of the Joint Chiefs of Staff Committee of Pakistan Rashad Mahmood.
	Nov 1	Zhang spoke at the closing session of the NPC Standing Committee meeting. <i>Passed Counterespionage Law, amended Administrative Procedure Law, ratified December 4 as National Constitution Day.</i>  Zhang chaired an NPC Standing Committee study session focused on implementing the 4 <sup>th</sup> Plenum spirit and pushing forward with ruling the country according to law. <i>Study session led by NPC Standing Committee Deputy Secretary General Shen Chunyao.</i>  Zhang chaired an NPC chairmen's meeting.
	Oct 30	Zhang chaired a chairmen's meeting of the NPC.  Zhang met with chairman of Russia's A Just Russia party Sergei Mironov.
	Oct 29	Zhang met with Afghan President Ashraf Ghani Ahmadzai.
	Oct 28	Zhang participated in NPC deliberations of the draft Counterespionage Law.  Zhang met with Dariga Nazarbayeva, vice chairman of the Lower House of the Kazakh parliament.
	Oct 27	Zhang chaired an NPC Standing Committee meeting.  Zhang chaired an NPC Chairmen's meeting.  Zhang held talks with Chairman Zandaakhuu Enkhbold of the State Great Hural of Mongolia, the country's top legislative body.
Yu Zhengsheng	Nov 1-2	Yu paid an official visit to Algeria.

	Oct 31	Yu met with Chao Shou-po, head of an industry and commerce delegation from Taiwan.
	Oct 30	Yu chaired a CPPCC biweekly symposium discussing the use of cement kilns in waste disposal.
	Oct 29	Yu spoke at the end of the CPPCC Standing Committee meeting.
	Oct 27	Yu chaired a CPPCC Standing Committee meeting.
Liu Yunshan	Oct 28	Met with representatives of model police teams and individual officers who received awards for their performance in serving the people.
	Oct 27	Liu attended the meeting of the Leading Small Group on Comprehensively Deepening Reform.
		Liu met with Secretary General of the Cambodian People's Party (CPP) Say Chhum.
Wang Qishan	Oct 29	Wang met with a delegation from the Socialist Party of France headed by first secretary Jean-Christophe Cambadélis.
Zhang Gaoli	Nov 3	Attended meeting on economic situation and economic work.
	Oct 31	Zhang met with Rosneft Executive Chairman Igor Sechin.
	Oct 29	Zhang spoke with Russian Deputy Prime Minister Arkady Dvorkovich. <i>Zhang and Dvorkovich co-chair the China-Russia Energy Cooperation Committee.</i>
	Oct 28	Zhang met with John Podesta, adviser to US President Barack Obama.
	Oct 27	Zhang went on an inspection tour in Jiangsu.
	Oct 26-27	Zhang met with Singaporean Deputy Prime Minister Teo Chee Hean in Suzhou, Jiangsu.

**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.

**Want to help?** Please tell us how we can make this newsletter more useful to you. Feedback on both form and content are always welcome, as are suggestions for topics to be covered. Please contact us at [info@chinapoliticsweekly.com](mailto:info@chinapoliticsweekly.com). We look forward to hearing from you.

**Want more?** We offer tailored briefings and research reports for senior management who need to know more about China. Our network of analysts and associates have experience across a range of sectors. Please email us to discuss your needs and get a quote.