

China Politics Weekly

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We are the reformers and we will define what reform is

The Party's Leading Small Group on Comprehensively Deepening Reform (LSGCDR) held its thirteenth meeting this week. After only three meetings in the eight months following its formation, the group is now meeting on an almost monthly basis, and has become the most important body in China's policymaking system.

The group has been successful in re-centralizing policymaking within the Party (as opposed to the government), as well as overcoming some of the bureaucratic bottlenecks that have historically bedeviled policy implementation in China. LSGCDR meetings are thus windows into policy priorities and important harbingers of things to come.

This week's meeting focused on SOE reform (among other issues), passing two opinions on the matter. Reform of SOEs has long been seen as key to carrying out structural economic reforms. However, those heartened to finally see SOE reform taking a prominent position were likely disappointed. The two opinions focused on strengthening Party leadership over SOEs and preventing the loss of state assets, respectively. Full texts of the documents have not been released, but judging from their titles and official commentary it is safe to assume that the documents do little to move SOEs in a more market-oriented direction.

This appears to be a sign that market-oriented reforms will only go so far. While such an outcome is disappointing to liberal-minded reformers, it should not come as a surprise.

Confusion over the meaning of "reform" is common. Many China analysts see "reform" as necessarily implying movement towards a more liberal economic and political order. But for Chinese leaders, "reform" is a process of change to make the Party-state more powerful. Such an understanding of reform does not rule out a more market-oriented economy; in fact, for over three decades Chinese leaders have seen market-oriented reforms as invaluable to creating a strong Party-state. But it also means that free markets are seen as means to an end, and not as being good in and of themselves. Put simply, there are limits to reform.

In the case of SOEs it is likely that we will see efforts in some areas to make them more efficient. But this will not be done through privatization or severing ties between operations and ownership. Friday's meeting makes clear that "state-owned" will continue to mean "Party-controlled".

PBSC Week in Review

Xi Jinping	June 5	Xi chaired a meeting of the Leading Small Group on Comprehensively Deepening Reform.
	June 4	Xi chaired a Politburo Standing Committee meeting. <i>Meeting focused on rescue efforts for capsized Yangtze River cruise ship.</i>
	June 2	Xi sent instructions regarding rescue efforts for a cruise ship that capsized on the Yangtze River.
	June 1	Xi exchanged congratulatory letters with South Korean President Park Geun-hye on occasion of the signing of a free-trade agreement (FTA) between the two countries. <i>China is ROK's largest trading partner. Bilateral trade was USD 235.4 billion in 2014. The new agreement is China's largest bilateral FTA in terms of trade volume.</i> Xi attended and addressed the 7th National Congress of the Chinese Young Pioneers. <i>Xi: "In you, I see the future of our nation... The socialist modernization drive, and the great rejuvenation of the Chinese nation will be obtained with your hands... A person can have a lot of aspirations but the most important are about the motherland and its people. You should aspire to seek truth and serve the country."</i>
Li Keqiang	June 5	Attended a meeting of the Leading Small Group on Comprehensively Deepening Reform.
	June 4	Li chaired an executive meeting of the State Council. <i>Discussed measures to support entrepreneurs, increase private capital in healthcare and simplify business registrations.</i>
	June 3	Li continued to direct rescue efforts for a cruise ship that capsized on the Yangtze River.
	June 2	Li went to Hubei to direct rescue efforts for a cruise ship that capsized on the Yangtze River. Li visited rescued passengers from the capsized cruise ship.
Zhang Dejiang	June 8	Zhang attended the first meeting of the BRICS parliamentary forum in Moscow, Russia.
Yu Zhengsheng	June 8	Yu chaired a symposium to solicit opinions on the 13 th Five Year Plan from non-Party organizations.

	June 5	Yu met with private businessmen to discuss the 13th Five Year Plan. <i>Attendees included Jack Ma of Alibaba, Yang Yuanqing of Lenovo and Liu Yonghao of the New Hope Group.</i>
	June 4	Yu chaired a biweekly CPPCC symposium. <i>Meeting focused on treatment and prevention of echinococcosis, a parasitic disease caused by the larval stages of a canine tapeworm.</i>
	June 2	Yu met with president of the Senegalese Economic, Social and Environmental Council Aminata Tall.
Liu Yunshan	June 6-8	Liu went on inspection tour to Fujian.
	June 6	Liu attended the National Village Grassroots Party-building Work Symposium in Hangzhou, Zhejiang.
	June 5	Attended a meeting of the Leading Small Group on Comprehensively Deepening Reform.
	June 1	Liu attended the 7th National Congress of the Chinese Young Pioneers.

Wang Qishan

Zhang Gaoli	June 5	Attended a meeting of the Leading Small Group on Comprehensively Deepening Reform. Zhang met with Japanese Finance Minister and Deputy Prime Minister Taro Aso.
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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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