

China Politics Weekly

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Dear friends and colleagues,

I am off to Beijing in a few hours, where I will be for the entirety of August. Please get in touch if you would be interested in meeting while I am in town. I've been rushing around London in preparation for the trip and am a bit behind on correspondence, so apologies to those of you who have already reached out and have not gotten a response – I will get back to you soon, I promise!

Your comments and feedback are always welcome. Old issues are always available at www.chinapoliticsweekly.com. Sign up or unsubscribe by sending an email to info@chinapoliticsweekly.com.

Second half half measures

The Politburo's annual meeting to review the H1 economic performance and set priorities for the rest of the year was held on Tuesday. The meeting was notable for its increased sense of urgency with regards to economic policy. The Politburo's April meeting on the economy urged officials to study and employ dialectical materialism and historical materialism to properly understand the economic situation. In contrast, this week's meeting dispensed with the theory and directly called on officials to act and more vigorously implement the Party's policies.

So what are those policies? It's all about supply-side reforms. First announced last December, the supply-side agenda has been gradually taking shape over the past eight months. Tuesday's meeting helped to further flesh out exactly what the priorities of this agenda are. Unfortunately, even with more details, the overall plan still seems confused.

On one hand, the supply-side reforms offer a very clear pro-business agenda. Efforts to ease business registrations and cut administrative approvals will continue. Taxes and fees will be further reduced. And, of particular note, the government is loosening labor regulations in an effort to "strengthen labor market flexibility". These efforts should serve to improve the business environment.

However, SOE reforms have now also become central to the supply-side agenda. Normally, this would come as welcome news, as failure to make progress on such reforms has been one of the signature non-achievements of the Xi administration. The problem is that, now that SOE reforms are gaining momentum, they don't seem to be heading in the right direction.

There is still a lot of debate around SOEs, and different actors are still trying to push their own preferred agendas. But, overall, the dominant direction of reforms at present is towards stronger direct state control over a broad range of sectors, and stronger Party control over firm decision making. The result is that in large areas of the economy, the scope for market forces to determine economic outcomes is shrinking. This will hurt

overall productivity and efficiency and will offset any benefits from the pro-business measures that are also being promoted.

PBSC Week in Review

Xi Jinping

Party General
Secretary; PRC
President;
Chairman of
Central Military
Commission

Jul 29

Xi promoted two senior military officers to full general.

Yi Xiaoguang was the deputy chief of staff of the Joint Staff Department, and Zhu Fuxi was the political commissar with the Western Theatre Command. These are the first promotions since the military restructuring effort that began last year.

Xi met with representatives from model organizations and individuals receiving awards for promoting military-civilian solidarity.

Xi sent a congratulatory letter to the Coordinators' Meeting on the Implementation of the Follow-up Actions of the Johannesburg Summit of the Forum on China-Africa Cooperation.

Jul 28

Xi went on an inspection tour in Tangshan, Hebei Province.

On the 40th anniversary of the Tangshan earthquake, he visited a memorial to leave flowers and pay his respects to the 240,000 who died.

Xi sent a congratulatory message to the opening ceremony of the first Asian-African Youth Festival.

Jul 27

Xi inspected the PLA headquarters and listened to a PLA work report.

Jul 26

Xi chaired a meeting of the Politburo.

Discussed economic situation and decided to hold the 6th plenary session in October. The 6th Plenum will include the delivery of a work report by the Politburo reviewing key issues concerning Party management; writing the norms of intra-Party political life; and a revision to an intra-Party supervision regulation.

Xi chaired and spoke at a Politburo study session.

The study session focused on building a strong armed forces.

Xi sent a congratulatory letter to the 2016 Media Cooperation Forum on the "One Belt One Road" initiative.

Jul 25

Xi attended and spoke at a forum with non-Party experts on the economic situation and H2 economic work.

Xi met with United States National Security Advisor Susan Rice.

Xi met with World Health Organization Director-General Margaret Chan.

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| Li Keqiang <i>Premier</i> | Jul 30 | Li visited the State Flood Control and Drought Relief Headquarters and chaired a special meeting on flood control and disaster relief. |
| | Jul 29 | Li met with representatives from model organizations and individuals receiving awards from promoting military-civilian solidarity and addressed the award ceremony. |
| | Jul 27 | Li chaired an executive meeting of the State Council. Meeting promised to promote implementation of major projects by local governments; establish a law-based and market-oriented mechanism for cutting excess capacity; continue replacing business tax with value-added tax; create measures to help small and micro enterprises raise funds; and approved the revised draft plan for the surveying and mapping law. |
| | Jul 26 | Li attended a meeting of the Politburo. |
| | July 25 | Attended forum with non-Party experts on the economic situation and H2 economic work. |
| Zhang Dejiang <i>Chair of the National People's Congress</i> | Jul 26 | Zhang attended a meeting of the Politburo. |
| | Jul 25 | Zhang held talks with Cambodian National Assembly President Hang Samrin. |
| Yu Zhengsheng <i>Chair of the Chinese People's Political Consultative Conference</i> | Jul 27 | Yu presided over a CPPCC chairpersons' meeting. The meeting announced that the CPPCC is "ready to cooperate with discipline inspectors and correct any wrongdoings" and decided to convene the next CPPCC Standing Committee meeting in late August. |
| | Jul 26 | Yu attended a meeting of the Politburo. |
| | Jul 25 | Attended forum with non-Party experts on the economic situation and H2 economic work. Yu met with Cambodian National Assembly President Heng Samrin. |
| Liu Yunshan <i>Head of Party Secretariat; Head of Propaganda</i> | Jul 30 | Liu attended and spoke at a symposium on the Two Studies One Action study campaign. <i>Called for Party official's to study the speech President Xi gave on the the 95th anniversary of the founding of the CCP on July 1.</i> |
| | Jul 27 | Liu met with delegates from the media attending the 2016 Media Cooperation Forum on the "One Belt One Road" initiative. |

Jul 26 Liu attended a meeting of the Politburo.

Jul 25 Attended forum with non-Party experts on the economic situation and H2 economic work.

Wang Qishan Jul 26 Wang attended a meeting of the Politburo.
*Secretary of the
Central
Commission for
Discipline
Inspection*

Zhang Gaoli Jul 28 [Zhang met with Sudanese Presidential Assistant for Chinese Affairs Awad al-Jaz.](#)
*Executive Vice
Premier*

Jul 26 Zhang attended a meeting of the Politburo.

Jul 25 Attended forum with non-Party experts on the economic situation and H2 economic work.

[Zhang met with a delegation from the Pakistan Muslim League.](#)

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](#).

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. We look forward to hearing from you.

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