

# China Politics Weekly

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## More reforms...

There has been increased momentum around economic policy recently, as [Bloomberg noted in an article this week](#). As evidence, the article cited the NDRC's encouragement of private companies to take part in 165 investment projects; statements by MOFCOM that there would be further opening of certain sectors to foreign investors; reports that central steel and coal SOEs will reduce capacity by 10%; new trial measures to let SOE employees own shares; and new State Council opinions on further clarifying fiscal responsibilities between central and local governments.

In fact, the list doesn't do justice to the activity that we have seen in recent months. In addition to the above, last week the State Council also issued a major plan for reducing costs for the real economy. Since June, other important policies include Central Document No. 18 about reforming the investment and financing system; State Council Document No. 48 on setting up a fair competition review mechanism; and State Council General Office Document No. 56 on reorganizing central SOEs.

Perhaps more importantly, top leaders are emphasizing the need for implementation in addition to policy formulation. July's Politburo meeting was very clear on this point, saying that the time for studying was over and now is time to get things done. The State Council's recent decision to send inspection teams to the provinces to oversee overcapacity reductions is further proof that there is increasing emphasis on implementation.

## ...and more confusion?

The problem is that, not all of these policies are necessarily well-formulated or consistent. SOE reforms are perhaps the most obvious example. The recently mooted employee stock ownership pilots are a step in the right direction (though small- they will only be trialed in around 200-300 of China's 150,000 SOEs, and results will not be evaluated until 2018). They will help to align firm and employee incentives in a way that should improve efficiency and maximize profits. However, a new "accountability system" for SOEs also recently

released is bound to have the opposite effect. It focuses on punishing SOE managers who make unwise investments; this is bound to sap initiative and make SOEs overly risk-averse.

One of the consistent themes of the past year (and one often echoed on this most recent trip to Beijing) has been a lack of clarity about economic policy. Are officials supposed to give more play to the market? Or pick winners in emerging industries? Are they supposed to stabilize growth? Or clean up the environment? China does not need more policies; it needs more clarity on what the overall plan is and what needs to be prioritized.

## PBSC Week in Review

### Xi Jinping

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

- Aug 28** [Xi sent a written instruction to the establishment of the Aero Engine Corporation of China.](#)
- Aug 26** [Xi chaired a meeting of the Politburo.](#)  
The meeting passed a blueprint for “Healthy China 2030”. Strangely, official media makes no mention of the fact that Chinese government just concluded a [massive study on healthcare reforms with World Bank and WHO](#) titled “Healthy China”.
- Aug 25** [Xi met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.](#)
- Aug 24** [Xi returned to Beijing.](#)
- Aug 22** [Xi arrived in Qinghai Province for an inspection tour.](#)

### Li Keqiang

*Premier*

- Aug 28** [Li sent a written instruction to the establishment of the Aero Engine Corporation of China.](#)
- Aug 26** [Li met with Peter Thomson, president of the 71<sup>st</sup> session of the UN General Assembly.](#)
- Aug 25** [Li met with Shotoaro Yachi, key advisor to Japanese Prime Minister Shinzo Abe.](#)  
  
[Li met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.](#)
- Aug 24** [Li chaired an executive meeting of the State Council.](#)  
The meeting decided to take measures to elevate standards and quality of consumer goods and increase the effective supply of “Made in China” products, in an effort to meet consumer demand for higher-quality goods.
- Aug 23** [Li inspected Nanchang, Ganzhou in Jiangxi Province.](#)  
  
[Li sent a written instruction to a national meeting on poverty alleviation.](#)

	Aug 22	<a href="#">Li went on an inspection tour in Jiangxi Province.</a>
<b>Zhang Dejiang</b> <i>Chair of the National People's Congress</i>	Aug 25	Zhang met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.
<b>Yu Zhengsheng</b> <i>Chair of the Chinese People's Political Consultative Conference</i>	Aug 25	Yu met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.
	Aug 22	<a href="#">Yu sent a congratulatory letter to the opening of a Chinese cultural festival in Tehran, Iran.</a>
<b>Liu Yunshan</b> <i>Head of Party Secretariat; Head of Propaganda</i>	Aug 25	Liu met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.
	Aug 24	<a href="#">Liu visited the Beijing International Book Fair.</a>
<b>Wang Qishan</b> <i>Secretary of the Central Commission for Discipline Inspection</i>	Aug 25	Wang met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.
<b>Zhang Gaoli</b> <i>Executive Vice Premier</i>	Aug 25	Zhang met with a delegation of Chinese athletes who participated in the 2016 Rio Olympics.
	Aug 24	<a href="#">Zhang met with Brian Deese, senior advisor to United States President Barack Obama.</a>
		<a href="#">Zhang met with Tigran Sargsyan, chairman of the board of the Eurasian Economic Commission.</a>
	Aug 23	<a href="#">Zhang and Turkmenistan Deputy Prime Minister Yagshigeldy Kakayev co-hosted a meeting of the China-Turkmenistan cooperation committee in Tianjin.</a>

### **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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