

# China Politics Weekly

Issue No. 119 – December 19, 2016



Dear friends and colleagues,

I will be on holiday for the next two weeks, so next newsletter will not be until early 2017. 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).

## Still waiting for a vision

The big news (underwater drones aside) is that the Central Economic Work Conference was held last week and set economic priorities for the new year.

Unfortunately, there's not much in the 2017 agenda to get excited about. Official statements and comments by leading officials at times sound clear-headed, like when vice head of the Office of the Central Economic Leading Group Yang Weimin says that "sources [of the problems in the economy] are large structural imbalances...the fundamental reason [for these imbalances]... is that the market has yet to play the decisive role in resource allocation." Nothing to disagree with there.

But plenty to disagree with when it comes to the government's policy. The conference emphasized that "stability" will be the guiding principle of 2017, so don't expect any changes to the *status quo*. Markets didn't play the decisive role in 2016, and they won't play the decisive role in 2017.

Supply-side reforms remain the priority, but they will continue to be carried out in a haphazard and uncoordinated manner. Under the banner of "stability" they will serve as measures to preserve the current state of affairs instead of forcing changes to upgrade economic efficiency. This is apparent when you look at the "deleveraging" portion of the agenda. Yang admits that actually reducing the overall rate of leverage in the near term is impossible. Furthermore, to the extent that it will be reduced, this will happen through debt-equity swaps and increased equity financing. Basically, under the banner of "preserving stability", struggling companies will be given bailouts and officials will call it reform.

It's clear that there is increasing anxiety about the economy. This year's conference mentioned "problems" more than twice as many times as last year. Statements about controlling asset bubbles and guarding against systemic financial risks were prominent.

There is no question that many top policymakers (like Yang) are aware of these problems. But for now, with all energies focused on the 19th Party Congress, the decision appears to have been made to kick the can down the road for another year. Unfortunately, China's long-term planners seem increasingly focused on the short-term.

Happy holidays!

## PBSC Week in Review

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

Dec  
14-16

[Xi chaired and spoke at the annual Central Economic Work Conference.](#)

*From Xinhua: "A statement issued after the Central Economic Work Conference, during which Chinese leaders and senior officials gathered to map out priorities for 2017, said "seeking progress while maintaining stability" will be the main theme... At macro level, China will stick to proactive fiscal and prudent monetary policies in 2017, the statement said, describing monetary policy as "prudent and neutral" and promising better adjustments to ensure stable liquidity.*

*Monetary policymaking should adapt to changes in the use of money supply tools, and further efforts are needed for smoother transmission of policy, the statement said.*

*China will keep the yuan basically stable, while improving the flexibility of exchange rates... The statement did not give a specific growth target for 2017, which is usually made public in March when China's top legislature convenes."*

Dec 13

**Xi sent a message of congratulations to Ghanaian President-elect Nana Akufo-Add.**

[Xi sent a message of condolence to Turkish President Recep Tayyip Erdogan over the Dec 10 blasts in Istanbul.](#)

[Xi sent a message of condolence to Egyptian President Abdel Fattah el-Sisi over a Dec 11 terrorist attack on a church in Egypt.](#)

Dec 12

[Xi met with attendees at a conference to honor model families across the nation.](#)

[Full text of his remarks \(in Chinese\).](#)

**Li Keqiang**  
Premier

Dec  
14-16

[Li attended and spoke at the annual Central Economic Work Conference.](#)

Dec 15

[Li sent a congratulatory message to Paolo Gentiloni on his new role as Italian prime minister.](#)

[Li sent a message to congratulate Uzbekistan's new Prime Minister Abdulla Aripov.](#)

Dec 13

[Li sent a message of congratulations to Bill English on his new role as New Zealand Prime Minister.](#)

[Li sent a message of condolence to Turkish Prime Minister Binali Yildirim over the Dec 10 blasts in Istanbul.](#)

[Li sent a message of condolences to Egyptian Prime Minister Sherif Ismail](#)

		<a href="#">over a Dec 11 terrorist attack at a church in Egypt.</a>
	Dec 12	<a href="#">Li met with Thailand First Deputy Prime Minister and Defense Minister Prawit Wongsuwan.</a>
<b>Zhang Dejiang</b> <i>Chair of the National People's Congress</i>	Dec 14-16	Zhang attended the annual Central Economic Work Conference.
	Dec 12	<a href="#">Zhang chaired a meeting of NPC chairpersons.</a> <i>The meeting decided the next bimonthly session will be held December 19-25. The session will consider bills to review an e-commerce law, a revision to a water pollution law, the quota and election of national deputies for the 13<sup>th</sup> NPC, and a draft decision on temporary law adjustments during the reform of the military officers' system. Lawmakers will also decide whether to ratify a criminal judicial assistance treaty between China and Malaysia and review a draft decision on convening the 12<sup>th</sup> NPC's Fifth Session, as well as a report on the qualifications of certain NPC delegates.</i>
<b>Yu Zhengsheng</b> <i>Chair of the Chinese People's Political Consultative Conference</i>	Dec 14-16	Yu attended the annual Central Economic Work Conference.
	Dec 13	<a href="#">Yu met with a delegation from the Hong Kong Chiu Chow Chamber of Commerce.</a>
	Dec 12	<a href="#">Yu spoke at a seminar commemorating the 80<sup>th</sup> anniversary of the Xi'an incident.</a> <a href="#">Full text of his speech (in Chinese).</a>
<b>Liu Yunshan</b> <i>Head of Party Secretariat; Head of Propaganda</i>	Dec 14-16	Liu attended the annual Central Economic Work Conference.
	Dec 12	<a href="#">Liu met with Vietnamese Secretary of the CPV Central Committee and head of the CPV Central Committee's Organization Commission Pham Minh Chinh.</a>  Liu met with attendees at a conference to honor model families across the nation. <i>Liu spoke at the conference.</i>
<b>Wang Qishan</b> <i>Secretary of the Central Commission for Discipline Inspection</i>	Dec 14-16	Wang attended the annual Central Economic Work Conference.

**Zhang Gaoli**

*Executive Vice  
Premier*

**Dec  
14-16**

**Zhang attended the annual Central Economic Work Conference.**

**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](mailto:info@chinapoliticsweekly.com). We look forward to hearing from you.

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