

China Politics Weekly

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Dear friends and colleagues,

Happy New Year! As always, December and January are busy months on the Chinese political calendar. The annual Central Economic Work Conference, Central Rural Work Conference and CCDI plenums have all been held in recent weeks, along with important meetings of the Politburo, Leading Small Group for Deepening Overall Reform, the NPC Standing Committee and State Council. Ministries have begun to set priorities for 2017 and provincial People's Congresses will be held soon, before everybody takes off for Chinese New Year at the end of January.

Looking at recent weeks' meetings, continuity looks to be the name of the game. On the economic front "making progress amidst stability" and supply-side reforms remain the watchwords, much as they were in 2016. Xi's focus remains on Party-building and discipline, as evidenced by the recent democratic life meetings and the continued focus on the anti-corruption campaign. Meanwhile, at recent State Council executive meetings Li Keqiang stressed the need for better governance and abolished another clutch of administrative approvals.

(As an aside, I have only watched the first of the three episodes on corruption within the CCDI, but I'm wondering if other readers also found the first episode a bit ridiculous? The series centers around the question of "who will watch the watchers?", with answer being: a new department! Which clearly begs the question, who will watch the watcher watchers? It seems to me emblematic of the Xi's administration's penchant for trying to solve all problems through creating new bureaucracies. But has the profusion of new leading groups really helped to coordinate policymaking, implementation and governance? Or has it just created more bureaucracies and muddled the waters further?)

Yet for all this seeming continuity, 2017 looks likely to be a very disruptive year for China. The economic model looks increasingly fragile, the norms of succession politics may change and there is potential for serious disruption in the geopolitical realm. Here are some of the key questions for what will likely prove to be a pivotal year for China:

Will a successor to Xi be identified?

The success of post-Mao China has been enabled by the steady institutionalization of politics. A key aspect of this has been the establishment of norms for leadership transitions. During both the Jiang and Hu years, a successor was identified at the Party congress held five years before the transition would take place. At the 1997 15th Party Congress and the 2007 17th Party Congress, these chosen successors (Hu in the first instance, Xi Jinping in the second) were appointed to the PBSC (or re-appointed in the case of Hu) and given the important roles of first secretary of the Secretariat, President of the Central Party School and Vice President of the PRC.

(Hu was also appointed Vice Chairman of the CMC at the time; Xi was also made CMC Vice Chairman, but not until three years later in 2010).

These positions allowed Hu and Xi to take on important administrative, ideological and diplomatic roles that prepared them to take over the helm of the Party-state five years later. The key question at the 19th Party Congress is thus whether or not a potential successor will be identified and given these roles. Failure to do so would give further credence to rumors that Xi is contemplating staying on past 2022, a move that would be a blow to political institutionalization in China, and to overall regime stability.

There is also the possibility that Xi will step down in 2022, but will not appoint a successor this year, instead paving the way for an ongoing succession contest over the next five years. This scenario would increase uncertainty over the next five years, and mean that the next general secretary will be less prepared to take over the reins than were Hu and Xi. This could make for a messy transition in 2022.

Will Xi pack the Politburo?

Xi's acolytes and allies continue to take on positions of influence in Beijing and throughout the provinces. Cai Qi, Ying Yong and Li Shulei are just a few of the many Xi associates who have been promoted of late and may, given their new positions, have legitimate shots at a seat on the Politburo.

Traditionally, it would have been relatively easy to predict most of the Politburo seats for next year. For the most part, elite politics follow discernible patterns relating to age, seniority and position. As recently as a year ago, I would have told you that the possibility of Xi having a majority of his allies on either the PBSC or the wider Politburo was close to zero. But given the promotions over the past year, combined with persistent rumors regarding more "flexible" appointment rules, and it is now possible to envision scenarios in which Xi allies occupy a majority of seats on both the PBSC and the Politburo. It's still, frankly a bit of a stretch (and involves counting people like Li Hongzhong as a Xi ally), but no longer wildly implausible.

Will the GDP growth target be abandoned?

Xi (in)famously doubled down on the growth target with the 13th Five-Year Plan, committing to keep the economy growing at 6.5% through 2020. But this level of growth is above the economy's potential, meaning that the only way to achieve it is to continue to add leverage, a strategy that is inherently unsustainable and risky.

Sensible voices within the government have advocated abandoning the growth target for years. Xi's consolidation of power provides the opportunity for a radical change in policy, and Trump's potentially aggressive trade policy provides the perfect excuse for Chinese leaders to change course while blaming it on external factors.

We would likely have to wait until 2018 at the NPC – or maybe even the Third Plenum – for such a change in direction to be announced, but it's certainly possible that such a change could be announced, or signaled, this year.

Will there be World War III?

A bit of a dramatic question, I confess. Unfortunately, a much more pertinent one than ever before. At the very least, tensions between the US and China look set to increase further. A looming trade war could start to unravel some of the economic interdependency that has been the ballast of the relationship for years. Throw into this mix a provocative move by the Taiwanese for independence (encouraged by Trump) or another missile test (or attack) by North Korea, and it's terrifyingly easy to imagine scenarios in which tensions escalate to the point of armed conflict...

On that cheering note, Happy New Year again! Get ready for an exciting year!

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PBSC Week in Review

Xi Jinping

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

- | | |
|--------|--|
| Jan 7 | <u>Xi appointed and dismissed ambassadors.</u>
<i>Equatorial Guinea, Guyana.</i> |
| Jan 6 | <u>Xi spoke at the CCDI Plenum.</u> |
| Jan 4 | <u>Xi met with President of Kyrgyzstan Almazbek Atambayev.</u> |
| Jan 3 | <u>Xi sent a written instruction to a meeting of the State Council Food Safety Committee.</u> |
| Jan 2 | <u>Xi sent a message of condolences to Turkish President Recep Tayyip Erdogan after a terrorist attack on New Years Eve in Istanbul.</u> |
| Jan 1 | <u>Xi sent letters to BRICS countries leaders on China's official assumption of the BRICS presidency.</u>
<i>Russian President Vladimir Putin, South African President Jacob Zuma, Brazilian President Michel Temer and Indian Prime Minister Narendra Modi.</i>
<i>China will host the BRICS summit in September 2017 in Xiamen, China.</i> |
| | <u>Xi sent a congratulatory message to new Swiss President Doris Leuthard on her taking office.</u> |
| Dec 31 | <u>Xi delivered a New Year speech.</u>

<u>Xi sent a message of congratulations to the newly-launched China Global Television Network.</u>

<u>Xi and Russian President Vladimir Putin exchanged New Years greetings.</u>

<u>Xi sent a written instruction to the Shanghai Pilot Free Trade Zone.</u> |
| Dec 30 | <u>Xi chaired a meeting of the Leading Small Group for Deepening Overall Reform.</u>
<i>The meeting reviewed reform progress this year and mapped out work priorities in 2017, approving guidelines and plans including: developing China's own philosophy and social sciences with Chinese characteristics under the guidance of Marxism and improving CCP leadership; strengthening official regulation on medicine and medical equipment with stricter approval systems for new drugs, improved supervision over production safety and quality and better medical service price management; improving administrative law enforcement; initiating SOE pilot schemes on powers and checks of the board</i> |

of directors to improve corporate governance; reforming government budget management reforms; improving mining rights transfers; reforming the role of grassroots CCP organizations in community governance in rural and urban areas.

Xi attended and spoke at the CPPCC National Committee New Years Tea Party.

Full text of his speech (in Chinese).

Xi watched a New Year Chinese opera gala.

Dec 29 Xi sent a letter of congratulations on the publication of the Dacihai to a symposium marking the publication.

Dec 28 Xi chaired a meeting of the Politburo.

The meeting heard a CCDI report on their work this year and ordered more efforts to build clean politics and tackle corruption. The meeting stressed keeping a “high-voltage” crackdown to stem undesirable work styles and corruption on 2017, calling for improved intra-Party political life, increased intra-Party supervision and deeper reform of the national supervisory system to cleanse the Party’s political ecosystem.

The meeting scheduled the next plenary session of the CCDI for Jan 6-8.

Xi sent a congratulatory message to the Shenhua Ningxia Coal Industry Group on the start of the world’s biggest single coal-to-liquid project.

Dec 26-27 Xi chaired and spoke at a Politburo democratic life session.

Dec 26 Xi held phone talks with outgoing UN Secretary-General Ban Ki-moon.

Xi sent a message of condolences to Russian President Vladimir Putin after a Russian military plane crashed.

Dec 25 Xi sent a written instruction to a national meeting on Party rules.

Dec 24 Xi sent a letter praising a group of middle school students for their efforts in satellite design.

Full text of the letter (in Chinese).

Dec 23 Xi met with Macau SAR Chief Executive Chui Sai On.

Xi met with Hong Kong SAR Chief Executive Leung Chun-ying.

Xi sent a directive to a meeting honoring organizations and individuals for outstanding services for retired officials.

- Dec 21** **Xi chaired a meeting of the Central Leading Group on Finance and Economic Affairs.**
The meeting reviewed major projects outlined in the 13th Five Year Plan and discussed outstanding issues of public concern. According to a statement, "China will take a varied approach to regulating the property market, adopting financial, fiscal, tax, land and regulation measures to build a long-term housing mechanism that provides housing for all people."
- Dec 20** **Xi met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.**

Xi sent a message of condolences to German President Joachim Gauck after the Berlin Christmas Market truck crash.
- Dec 19** **Xi sent a written instruction to the XX.**

Xi accepted the appointment of foreign ambassadors to China.
Egypt, Namibia, Benin, Tunisia, Yemen, Kuwait, Nepal, Cuba, Bulgaria.

Li Keqiang
Premier

- Jan 6** **Li attended the CCDI Plenum.**
- Jan 4** **Li chaired an executive meeting of the State Council.**
The meeting decided to abolish another batch of administrative approval items, approved a plan for market supervision to be carried out during the 13th Five-Year-Plan period and urged innovating government administration and optimizing government services.
- Jan 3** **Li sent a written instruction to a meeting of the State Council Food Safety Committee.**
- Jan 2** **Li sent a message of condolences to Turkish Prime Minister Bianli Yildirim after a terrorist attack on New Years Eve in Istanbul.**
- Dec 31** **Li and Russian Foreign Minister Dmitry Medvedev exchanged New Years greetings.**

Li sent a written instruction to the Shanghai Pilot Free Trade Zone.
- Dec 30** **Li attended a meeting of the Leading Small Group on Deepening Overall Reform.**

Li attended the CPPCC National Committee New Years Tea Party.

Li watched a New Year Chinese opera gala.
- Dec 28** **Li chaired an executive meeting of the State Council.**
The meeting approved a five-year plan on education and decided to further

open up China's economy and encourage foreign investment.

Dec 26 **Li sent a message of condolences to Russian Foreign Minister Dmitry Medvedev after a Russian military plane crashed.**

Dec 23 **Li met with Macao SAR Chief Executive Chui Sai On.**

Li chaired a conference on developing China's western regions.

Li sent a written instruction to a meeting on China's manufacturing development.

Dec 22 **Li sent a written instruction to the plenary meeting of the State Flood Control and Drought Relief Headquarters.**

Dec 21 **Li chaired an executive meeting of the State Council.**

The meeting passed a sanitation and health plan for the 13th Five-Year Plan period and major tasks for furthering medical reforms; decided to accelerate the construction of post-disaster water conservancy projects and improve urban drainage waterlogging systems, and approved the assessment results of the State Science and Technology Awards.

Li attended a meeting of the Central Leading Group on Finance and Economic Affairs.

Dec 20 **Li met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.**

Dec 19 **Li met with Norwegian Foreign Minister Borge Brende.**

Zhang Dejiang

*Chair of the
National People's
Congress*

Jan 6 **Zhang attended the CCDI Plenum.**

Dec 30 **Zhang attended the CPPCC National Committee New Years Tea Party.**

Zhang watched a New Year Chinese opera gala.

Dec 25 **Zhang chaired and spoke at the closing ceremony of the bimonthly NPC Standing Committee session.**

The session decided to adopt a law on traditional Chinese medicine. The annual session of the NPC will begin March 5, 2017.

Zhang chaired a meeting of NPC Committee Chairpersons.

Dec 23 **Zhang chaired an NPC chairpersons meeting.**

The meeting heard draft legislation on civil law and reports on deliberations on the law electing deputies to the Hong Kong NPC, among others.

Zhang attended a full committee meeting of the NPC Standing Committee.

The meeting deliberated a State Council report on agricultural technology innovation, a report on transfer payment reform, and a report on auditing and responding to problems.

Dec 22 **Zhang met with Hong Kong SAR Chief Executive Leung Chun-ying.**

Dec 20 **Zhang met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.**

Dec 21 **Zhang attended the bimonthly session of the NPC Standing Committee.**

The session reviewed the General Rules of Civil Law, an amendment to the Water Pollution Prevention law, a first reading of a draft law on e-commerce, a third reading of a draft law on traditional Chinese medicine, a draft decision to authorize the State Council to adjust the implementation of the Civil Servant Law, and draft measures for electing deputies to the 13th NPC in Hong Kong and Macao. The session also reviewed a draft law to improve the country's cultural service and consider a pilot program combining maternity insurance and basic medical insurance in 12 cities and a draft decision on temporary law adjustments as part of reforms to the military officers' system. The session will also decide whether to ratify a criminal judicial assistance treaty between China and Malaysia.

Zhang attended an NPC deliberation session.

Dec 19 **Zhang chaired the opening meeting of the bimonthly session of the NPC.**

Yu Zhengsheng

*Chair of the
Chinese People's
Political
Consultative
Conference*

Jan 6 **Yu attended the CCDI Plenum.**

Dec 30 **Yu chaired the CPPCC National Committee New Years Tea Party.**

Yu watched a New Year Chinese opera gala.

Dec 29 **Yu met with the new leaders of the Chinese Patriotic Catholic Association and Bishops Conference of the Catholic Church of China.**

Dec 22 **Yu met with Vice President and General Secretary of the Vietnam Fatherland Front Central Committee Tran Thanh Man.**

Dec 21 **Yu chaired a CPPCC Chairpersons' meeting.**

*The meeting decided on the schedule and agenda of the Standing Committee meeting which will be held Feb 27-28, 2017.
The meeting also heard a report about the CPPCC National Committee's work this year, studied the spirit and requirements of the recent Central Economic Work Conference, and approved a decision to revoke the CPPCC National Committee membership of Huang Hongyun.*

	Dec 20	Yu met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.
Liu Yunshan <i>Head of Party Secretariat; Head of Propaganda</i>	Jan 6	Liu attended the CCDI Plenum.
	Jan 3	Liu attended and spoke at a conference on publicity.
	Dec 31	Liu attended and spoke at the launch of the China Global Television Network.
	Dec 30	Liu attended a meeting of the Leading Small Group on Deepening Overall Reform.
		Liu attended the CPPCC National Committee New Years Tea Party.
		Liu watched a New Year Chinese opera gala.
	Dec 24-25	Liu attended and spoke at a national meeting on Party rules.
	Dec 23	Liu attended a meeting and met with representatives attending a meeting honoring organizations and individuals for outstanding service for retired officials.
	Dec 20	Liu met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.
Wang Qishan <i>Secretary of the Central Commission for Discipline Inspection</i>	Jan 6-9	Wang chaired the CCDI Plenum.
	Dec 30	Wang attended the CPPCC National Committee New Years Tea Party.
		Wang watched a New Year Chinese opera gala.
	Dec 20	Wang met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.
Zhang Gaoli <i>Executive Vice Premier</i>	Jan 6	Zhang attended the CCDI Plenum.
	Jan 5	Zhang addressed a meeting honoring role models from the central and state organs for their outstanding service.
	Jan 3	Zhang chaired a meeting of the State Council Food Safety Committee.
	Dec 30	Zhang attended a meeting of the Leading Small Group on Deepening Overall Reform.

Zhang attended the CPPCC National Committee New Years Tea Party.

Zhang watched a New Year Chinese opera gala.

Dec 23 Zhang attended a conference on developing China's western regions.

Dec 21 Zhang attended a meeting of the Central Leading Group on Finance and Economic Affairs.

Dec 20 Zhang met with astronauts and representatives involved in research and testing for Tiangong-2 and Shenzhou-11 space mission.

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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