The New Xi Jinping-Li Keqiang Government: Is the Hype Deserved?

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Research Center for Chinese Politics & Business
Indiana University
My Original Question:

The New Xi Jinping-Li Keqiang Government: Why all the Hype?
Why all the Hype?

• They look good on paper
• The status-quo hasn’t been static
• They had a good transition period
• They have the confidence of business
Why all the hype?

• They look good on paper
• The status quo hasn’t been static
• They had a good transition period
• They have the confidence of business
Our survey of 60 companies and taxi drivers (January 2013)

<table>
<thead>
<tr>
<th>Location</th>
<th>Overall</th>
<th>Private firms</th>
<th>Foreign firms</th>
<th>SOEs</th>
<th>Taxi drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>53</td>
<td>52</td>
<td>53</td>
<td>65</td>
<td>56</td>
</tr>
<tr>
<td>Hangzhou</td>
<td>56</td>
<td>54</td>
<td>60</td>
<td>n/a</td>
<td>74</td>
</tr>
<tr>
<td>Wuhan</td>
<td>76</td>
<td>76</td>
<td>78</td>
<td>70</td>
<td>61</td>
</tr>
</tbody>
</table>

Question: “On a scale of 1 to 100, what grade do you give the outgoing Hu-Wen government?”

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## High hopes for the Xi-Li government

Average survey response, by location and type of respondent

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<td>80</td>
<td>72</td>
</tr>
<tr>
<td>Hangzhou</td>
<td>67</td>
<td>62</td>
<td>74</td>
<td>n/a</td>
<td>77</td>
</tr>
<tr>
<td>Wuhan</td>
<td>87</td>
<td>86</td>
<td>90</td>
<td>90</td>
<td>65</td>
</tr>
</tbody>
</table>

Question: “On a scale of 1 to 100, how much hope do you place in the new Xi-Li...”

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The Right Question Now:

The New Xi Jinping-Li Keqiang Government: Is the Hype Deserved?
The 12th National People’s Congress (NPC)
March 5-March 17, 2013
If China were a boat, what kind of boat would China be?
## Pick a boat

### Top Leadership Judgment:
“Does China face a systemic crisis requiring fundamental reform?”

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Ship" /></td>
<td><img src="image2.png" alt="Ship" /></td>
</tr>
<tr>
<td><img src="image3.png" alt="Ship" /></td>
<td><img src="image4.png" alt="Ship" /></td>
</tr>
</tbody>
</table>

**Can the leadership push through policies without opposition?**

- **Yes**
  - ![Ship](image1.png)
  - ![Ship](image2.png)
- **No**
  - ![Ship](image3.png)
  - ![Ship](image4.png)
My view: China is a tacking sailboat
Government Reform Challenges

• Right-size government
• Shift from being a planner to a regulator
• Separating government and industry
• Separating government and the Party
<table>
<thead>
<tr>
<th>Year</th>
<th>Ministries</th>
<th>Total Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>52</td>
<td>100</td>
</tr>
<tr>
<td>1982</td>
<td>44</td>
<td>72</td>
</tr>
<tr>
<td>1988</td>
<td>42</td>
<td>83</td>
</tr>
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<td>1993</td>
<td>41</td>
<td>74</td>
</tr>
<tr>
<td>1998</td>
<td>30</td>
<td>71</td>
</tr>
<tr>
<td>2003</td>
<td>29</td>
<td>62</td>
</tr>
<tr>
<td>2008</td>
<td>27</td>
<td>62</td>
</tr>
<tr>
<td>2013</td>
<td>25</td>
<td>62</td>
</tr>
</tbody>
</table>
Key Bureaucratic Reforms

- Eliminated the Ministry of Railways, regulatory components subsumed under Ministry of Transportation.
  - > reduce corruption, continue full rollout of high-speed rail
- Created National Health and Family Planning Commission
  - > beginning of the end of the one-child policy
- Created State Food and Drug Supervision Administration
  - > improved health and food safety, drug price reforms
- Merged media, print, and broadcasting regulators
  - > Streamline regulation of the media, broadcasting
- Created new National Bureau of Energy
  - > Preparation for energy price reform
Reforming the Role of Government

• Announce they will rely more on market mechanisms, give power to society, reduce micro-intervention, improve macro-regulation.

• Reduce scope of government’s project approval process, led by the National Development and Reform Commission (NDRC)
State Council’s Reform Plan


Key targets:
• Reducing red tape for companies and decentralizing the approval process for business activities.
• Reducing inter-regional barriers to trade and investment.
• Creating real-name systems for individuals and for financial accounts, developing a comprehensive personal credit rating system.
• Making Chinese industry associations fully autonomous
Reformist Personnel Appointments

Zhou Xiaochuan

Guo Shuqing

Xiao Gang

Lou Jiwei

Gao Hucheng

Liu He
Signs of Continuity

- Bureaucratic cut from 27 to 18 ministries did not occur.
- 16 of 25 ministries kept their ministers.
- Securities, banking, and insurance regulators were not merged.
- NDRC still has project approval powers.
- Jiang Jiemin (CNPC) appointed to head SASAC.
- NPC still played “rubber stamp” role.
'No' Votes by NPC Deputies, 2008-2013 (%)
Looking Forward: Policies to Watch

- Price liberalization policies for energy and electricity, drugs and health care, bank deposit rates.
- Comprehensive plan linking urbanization, industry upgrading, and expanding consumption.
- Expanded competition in sectors dominated by SOEs.
- Fall 2013 Party Plenum.
Looking Forward: Unofficial Measures

• Chinese leaders’ children returning from overseas: how many and what happens to the parents of those who do not return.

• IPO’s: Are they allowed regardless of the macro environment?

• Ease with which foreign companies can meet senior officials.