

# Political Development in China

2008

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# Chinese Political Development

- Four events to watch for in 2008
  - The upcoming meeting of the National People's Congress (NPC)
    - Ascendance of the 5<sup>th</sup> generation of CCP leaders
    - The new round of institutional reforms
  - The upcoming presidential election in Taiwan
    - Possibility for a showdown over referendum on Taiwan's UN membership
    - Or opportunity for resumption of cross-strait dialog and closer economic cooperation if the Nationalist Party win the election
  - The 2008 Beijing Olympic Games in August
    - Political and social stability will be maintained at all cost
    - The event may delay some reform initiatives
    - Challenges of media freedom
  - 2008 is the 30<sup>th</sup> anniversary of China's reform. There will be an official commemoration of the event later this year

# Leadership Changes

- The 17<sup>th</sup> Party Congress elected a new group political leaders
  - They are younger, college educated, ascended during the reform era. At the national level, there are many 50s (people who were born in the 1950s, and at the provincial level, there are many 60s.
  - There are more leaders educated in humanities, social science, and economic fields, this helps break the cycle of the rule by engineers in China.
  - Under the guidance of the 4<sup>th</sup> generations leaders, the 5<sup>th</sup> generations, will play a pivotal role in policy making process
  - The challenges they are facing include the quick recovery from the recent winter storm, inflation, and worldwide economic slowdown.

# New Players to Watch For

- Xi Jinping (1953), the next Hu Jintao?
  - Xi's promotion was a surprise to many people
  - He belongs to the "Princely Party," but distinguished himself largely through his own effort. He has a undergraduate degree from Tsinghua University, also a Ph.D. in laws
- Li Keqiang (1955), the next Wen Jiabao?
  - Li is a typical scholar-official, and has a PhD. in laws and economics
  - He belongs to the so-called "CYL Group," but has a similar experience as Xi.

# Political Reform?

- Trends to watch for:
  - More emphasis will be given to political reform, but don't expect shock treatment. Political stability remains the top concern.
  - Internal party democracy will be experimented for a number of years
  - Priority will be on strengthening so-called deliberative democracy
  - A recent report on political reform from the Central Party School recommend more steps to be taken in implementing substantive and systematic political reforms.

# The Consolidation of Ministries

- To streamline the central government, the proposal for “large ministries” will be discussed.
  - Number of ministries will be merged together
  - Internal of separation of powers will be part of the reform

# Be Aware of the Equity-Efficiency Trade-off

- The 17<sup>th</sup> CCP Party Congress codified the “Scientific View of Development”
  - The new priority is placed on maximizing equity while retaining economic efficiency
  - The emphasis on fair pay has resulted in the increase in labor cost. Many labor-intensive industry may find the coastal area of China no longer a paradise for inexpensive labor.
  - The new labor contract law may also has impact on business practices
  - The emphasis on environment protection will make Chinese authority very selective in foreign investment.

# The Impact of the New Official ideology

- The 17<sup>th</sup> Party Congress codified the official ideology of “ Building a harmonious socialist society.”
- President Hu Jintao described the outcome broadly as achieving "democracy, the rule of law, equity, justice, sincerity, amity and vitality." This policy is understood to mean a renewed focus on extra-economic challenges such as in tackling rural poverty, income inequality, and environmental degradation.
- According to some, a stronger focus on the impact of on extra-economic concerns can be seen as a parallel objective in corporate citizenship. Corporate responsibility and involvement in contributing to local community will be a new challenge for doing business in China.