

China's New Government: Priorities, Programs, Reform Signals

Sebastian Heilmann*

May 2013 **Asia Policy Brief** 2013 | 02



Never before has any change of leadership in China drawn this much international attention. The composition of the new party and state leadership in China is the result of many years of probing and negotiating within the top levels of the Communist Party. New priorities and leadership styles may cause fundamental shifts in the mechanisms of governance during the decade that China's new leadership will be in control. Thus, the installation of a new government in China has potentially stronger long-term effects than most government turnovers in Western Democracies.

Government turnover and long-term priorities

Chinese governmental policies are marked by a special element of continuity and pursuit of long-term priorities. The current five-year plan will remain in force beyond the government turnover, as the new government will remain bound to the priorities and targets of the old plan for another two and a half years. However, the mid-term

evaluation of the current five-year plan in fall 2013 will give the new government the opportunity to adjust objectives and instruments to changed needs and preferences. Moreover, the new government can boost its own agendas outside of the plan through initiating additional promotional programs and funding schemes.

Many announcements of the new government are based on programs of the previous administration, from long-term environmental and energy plans to integrated

* Sebastian Heilmann is professor for the political economy of China at the University of Trier.



rural-urban development to social redistribution schemes. However, this is only the surface of national policy-making. Of utmost importance for the near future will be the priority shifts that are signaled by new government leaders through top-level personnel decisions and ministerial reorganizations.

Personnel reshuffles and substantive policy shifts are more closely linked in China than they would be in democratic states. In the Chinese governmental system, leading positions come with more decision-making authority. And new policy initiatives are regularly launched through executive action programs, such as medium-term plans, rather than parliamentary legislation.

New division of responsibilities in the central government

The Premier of the State Council leads the central government and oversees its activities. The Executive Meeting of the State Council serves as an inner cabinet and comprises of only ten top-ranking officials. Beyond the Premier, these are the four Vice Premiers and five State Councilors, each of which is responsible for cross-sectional policy areas that encompass several government departments (table 1).

The *outer cabinet* is formed of the other (currently 25) bodies of the State Council at the ministerial level. They include commissions, ministries, the central bank and

Table 1: Decision-makers and responsibilities in China's central government (2013)*

Policy area	CCP Politburo-level	inner cabinet	departments
Foreign and security policies	Xi Jinping (GS; PSC; P) Li Yuanchao (PB; VP)	Yang Jiechi (SCC) Chang Wanquan (SCC; minister of defense)	Foreign affairs; defense; military; state safety
Macroecon. stability; urbanization; environment; innovation	Li Keqiang (PSC; PM) Zhang Gaoli (PSC; VPM)	Zhang Gaoli (VPM)	Planning; public finance; central bank; land & resources; urban-rural construction; environment; technology
Social affairs	Liu Yandong (PB; VPM)	Liu Yandong (VPM)	Social affairs; health; education; science
Foreign trade; agriculture	Wang Yang (PB; VPM)	Wang Yang (VPM)	Trade; agriculture; forestry; water management
Industry; financial market	Ma Kai (PB; VPM)	Ma Kai (VPM) Wang Yong (SC)	Industry; IT; transport; state assets; financial market supervision
Public security; justice	Meng Jianzhu (PB)	Guo Shengkun (SC; police minister)	State security; police; justice
Combating corruption	Wang Qishan (PSC; CCDI)	[CCP-prerogative: CCDI in charge]	Disciplinary supervision; public prosecutor

* Preliminary information; responsibilities may still be modified by summer. The fifth State Councilor (SC) who is not included in the table is the Secretary-General of the State Council General Office, Yang Jing. He is in charge of coordinating the government's day-to-day work but has no specific policy responsibilities.
CCDI: CCP Central Commission for Discipline Inspection. CCP: Chinese Communist Party. GS: General Secretary of CCP. P: President of the PRC.
PB: Politburo member. PM: Premier. PSC: Member in the Politburo Standing Committee. SC: State Councilor. VP: Vice President of the PRC. VPM: Vice Premier.



the National Audit Office (table 2). Added to this are dozens of specialized working bodies, offices and steering committees of different rank and status. There was less far-reaching reorganization on the ministerial level than expected when the new Premier took up his office. Only two bodies (the Family Planning Commission and the Railway Ministry) lost their independence due to mergers with existing State Council bodies.

Work reports and reform announcements

The work reports of the Premier, the National Development and Reform Commission (NDRC) and the Ministry of Finance that were presented before the National People’s Congress (NPC) in March 2013 provided important information on the priorities of governmental work. The outgoing Premier Wen Jiabao reported on the achievements of the old government in a self-critical manner

Table 2: The central government of the PRC (2013)

Inner Cabinet (Executive Conference of the State Council)	
Premier; 4 Vice Premiers, 5 State Councilors	
Outer Cabinet (25 ministerial-level bodies of the State Council)	
<p>Macro-economic coordination:</p> <ul style="list-style-type: none"> · National Development and Reform Commission · Ministry of Finance · People’s Bank of China (central bank) <hr/> <p>Comprehensive tasks in economic regulation:</p> <ul style="list-style-type: none"> · Ministry of Commerce · Ministry of Industry and Information Technology · Ministry of Land and Resources <hr/> <p>Special regulatory tasks:</p> <ul style="list-style-type: none"> · Ministry of Environmental Protection · Ministry of Water Resources · Ministry of Transport · Ministry of Agriculture · Ministry of Housing and Urban-Rural Development <hr/> <p>Internal-administrative affairs:</p> <ul style="list-style-type: none"> · Ministry of Supervision · National Audit Office 	<p>Education, science and culture:</p> <ul style="list-style-type: none"> · Ministry of Science and Technology · Ministry of Education · Ministry of Culture <hr/> <p>Social affairs:</p> <ul style="list-style-type: none"> · National Health and Family Planning Commission · Ministry of Human Resources and Social Security · Ministry of Civil Affairs · State Ethnic Affairs Commission <hr/> <p>Security and justice:</p> <ul style="list-style-type: none"> · Ministry of Public Security (police) · Ministry of State Security · Ministry of Justice <hr/> <p>Foreign affairs:</p> <ul style="list-style-type: none"> · Ministry of Foreign Affairs · Ministry of National Defense



with regard to the social and ecological situation, while he emphasized progress especially in the innovation system and infrastructure. The forward-looking sections of the government work report, that are always written in close coordination with the incoming Premier, contained substantive information on the priorities of the new government. Beyond the top-level work reports, numerous specific reform announcements could be found in low-key, technocratic explanations on the reorganization of governmental work that were issued as a side note at the NPC by the State Council General Office and the Commission for Public Sector Reform.

Continuities in the governmental agenda

Every newly installed Chinese leadership aims to mark its ascent to power by catchy slogans. Xi Jinping chose the slogan of the “Chinese dream”. At the center of the still-vague statements lies a “renaissance” of the Chinese Nation, which is supposed to pursue an independent development path, based on a strong state, high-performance economy and an educated population. The term obviously is not intended to indicate a nationalist-aggressive vision, but rather an evolutionary unfolding, inwards as well as outwards, of a renewed, confident and prosperous Chinese civilization.

Foreign and security policies

According to statements by Xi Jinping before and after his appointment as President of the PRC, China’s international exchanges, engagements and contributions are to be pursued in a controlled and steady fashion. The effort at deepening China’s internationalization is also reflected in the composition of the new government. A considerable number of decision-makers with a reformist profile and

international experience have reached top positions. They include the Vice President Li Yuanchao (mid-career training in the U.S.), Vice Premier Wang Yang (broad experience in the promotion of foreign trade and investment), Minister of Commerce Gao Hucheng (trained in France) and Minister of Foreign Affairs Wang Yi (long-term experience in the precarious relationship with Japan).

This broad-based international expertise is a positive result of the 2013 government turnover with a view to China’s quickly growing global presence. However, this does not entail political generosity, for instance, towards foreign companies. The protagonists of industrial and innovation policies that aim at generating globally active, Chinese “national champions” are still represented strongly in the State Council. Therefore, China’s investment catalogues and industrial policies that are seen as discriminatory by many foreign companies will live on under the new government.

As to foreign affairs, the new government does not yet pursue any objectives that deviate from the previous governmental period. A “new military doctrine”, that was claimed to be imminent in a number of Western media reports, cannot be inferred from isolated individual phrases (“development of a strong army”) or vague vision statements (“Chinese Dream”). As a side note during the NPC meeting, and addressing the context of present tensions with Japan, a People’s Liberation Army (PLA) general, Liu Yuan, who is said to be close to Xi Jinping, rejected any suggestions to play down the severe consequences of military disputes. He made it clear that China’s military leadership would not strive for war adventures.

Administrative restructuring to prevent petty and accidental conflicts along China’s coasts and to help improve international cooperation will be pursued through the integration of five maritime authorities (including fishery, anti-smuggling and coast guard units) into the overarching National Maritime Administration.



The increase in defense spending according to the 2013 planned budget (+ 10.7%) remains within the scope of state revenue growth from 2012 (plus inflation). Much more significant budget increases were granted to civilian affairs. Economic, social and ecological investments are clear priorities in the state budget (see table 3 below).

Innovation and technology

Industrial and technology policies show continuity as well. Innovation policy was a matter of the Premier under Wen Jiabao. Li Keqiang will likely follow this example. The top positions at the Ministry of Industry and Information Technology (MIIT), as well as the Ministry of Science and Technology (MOST), remained unchanged. This includes Minister Wan Gang, who trained as an engineer in Germany. MOST is responsible for the innovation strategy of the Chinese government and has considerable promotional budgets from which foreign companies or their technology partners in China may benefit as well.

The government passed a number of important new programs for promotion of innovation in the shadow of the NPC. Among them is a national long-term plan (2012–2030) for the development of a high-performance science and technology infrastructure, as well as a pilot program for the creation of 15 to 20 comprehensive national “innovation bases”.

Environment and energy

Government statements consistently stress the promotion of a new development model that is supposed to save resources and protect the environment. Since the last decade, the environmental debate in China has been transformed entirely by the rapid spread of interactive digital communication (microblogging, smartphone apps providing air pollution data, etc.). Environmental scandals and health hazards belong to the most intensely discussed issues on the Chinese-language web. China’s environmental authorities are subject to harsh criticism, as was

noticeable in the case of the Minister of Environmental Protection and the NPC Environmental Committee. Both received a particularly high number of countervotes from the nearly 3000 NPC delegates (171 countervotes and 47 abstentions for the Minister of Environmental Protection; 850 countervotes and 125 abstentions for the NPC’s Environmental Committee).

China’s national oil and energy companies have a reputation of delaying the implementation of less polluting production methods and fuels. However, the government passed stricter provisions on the reduction of environmentally hazardous ingredients in fuels in early 2013. This regulation had been prevented by state-owned groups for years. Right after taking over, the new government also passed a three-year program for the reduction of pollutant emissions in sewage cleaning and waste incineration.

Social security and income distribution

The expansion of social security systems and a more balanced income distribution have been at the center of the government’s agenda under the Hu-Wen-Administration (2002–2012). The new Premier, the budget plans for 2013 and several recently issued policies leave no doubt that the new government will continue to pursue this agenda.

In his first press conference as a Premier, Li Keqiang made it clear that he would work towards an equitable society with a more balanced distribution of incomes and assets. In particular the living conditions of low-income rural households and migrant workers in the conurbations had to be improved. On the eve of the NPC meeting, the government had issued a comprehensive national program to spell out its commitment to social equity and redistribution. NDRC officials involved in drafting the document conceded that redistributive policies have so far belonged to the least effective areas of government activity.



Public security and justice

The statements of the new government on legal, justice and police reforms showed little substance to date. After remarkable announcements on criminal law reforms, including a commitment to curtailing administrative penalties and “re-education through labor”, China’s new decision-makers have been careful about making any specific reform promises recently.

The appointment of a top cadre with legal training who openly calls for the “rule of law” as the new president of the Supreme People’s Court (Zhou Qiang, former Party Secretary of Hunan Province) can be interpreted as a reform signal. Yet, it is doubtful whether the new court president will be able to advance a politically more independent role of the courts, as many Chinese lawyers hope.

The police has so far remained dominant over courts and public prosecutors. The security apparatus is represented by the former Minister of Public Security in the Politburo and at the top of the CCP Commission for Politics and Law. And the newly installed Minister of Public Security doubles as State Councilor in the inner cabinet. Remarkably, his previous career was in industrial administration and as provincial party leader, but not in the security system. The appointment of such a generalist as head of police suggests that the new government strives for improved control of a particularly obscure part of the governmental system. It is also noticeable that the police are no longer represented in the Politburo Standing Committee as was common until 2012.

New directions in economic policy

Development planning and investment control

Chinese weblogs and foreign media had speculated about a splitting of the NDRC, the most important cross-sectoral planning and coordination body. The new government decided to take a different path. It confirmed the competences of the NDRC in strategic planning, coordination and crisis prevention. The NDRC’s control over approval of specific investments, however, will be delegated to provincial governments. This takes away operative influence in economic policy from the NDRC, which is to focus on planning, evaluating and optimizing governmental programs with the objective of economic “macro-control”: It is to ensure balanced sustainable growth, industrial and regional structural policies, and fair conditions for market competition, income distribution and price formation. Added to this are new tasks in spatial and urbanization planning.

At the same time, the planning responsibilities of the former Family Planning Commission, which was merged with the Ministry of Health, were transferred to the NDRC. The option of creating a Ministry of Energy to provide a consistent supervision of China’s powerful energy groups and to integrate the fragmented energy grids had been discussed for years. Instead of putting this ministerial plan into practice, the National Energy Agency was provided with additional powers but remains under the purview of the NDRC.

Reorganizing the state sector

The new Premier used sharp words to make clear that he intends to go against vested interest in China’s state industries and bureaucracies. Moreover, he emphasized that he will work to improve the investment and competitive conditions for the private sector. The Premier promised improved access for private investors in transport, energy and finance. His agenda centers on the “limitation of the



government's power", specifically regarding administrative approval procedures and interventions in markets.

In line with these statements, the Railway Ministry, which had grown into a huge bureaucratic-commercial conglomerate, was dismantled. It had in recent years offered lots of opportunities for attack due to spectacular corruption scandals and an overwhelming debt load. The regulatory functions are to be taken over by the Ministry of Transport. The logistics, engineering and other operating units are being transformed into separate corporate units that will be opened to private investors after a transitional period.

There were considerable shifts in the policy team for state industries within the State Council. The former head of the State-owned Assets Supervision and Administration Commission (SASAC) was promoted to the powerful position of State Councillor. The SASAC itself was entrusted to the former president of Petrochina, one of the largest Chinese state corporations. These reshuffles will work to maintain state industries' influence in the central government. Impartial regulatory oversight or even large-scale privatizations are hardly to be expected in the light of these personnel decisions.

Promotion of domestic markets and the private sector

Regarding the "rebalancing" of the Chinese economy (i.e., moving away from export- and investment-driven growth), the latest data suggest that the transformation of the growth model is making progress. The Premier's work report emphasized that the contribution of domestic consumption to growth had increased significantly. He also referred to the drastic reduction of the Chinese current account surplus (from 10.1% of the GDP in 2007 to only 2.6% in 2012).

Foreign research reports confirm this trend for the years of 2011 and 2012. Several consumer market studies suggest that the growth of private consumption was

not reflected in official data. Government statistics imply that only 35 to 40% of the GDP were contributed by private consumption in recent years. Yet, China's statistical system records only a portion of private spending on health, housing, tourism, E-Commerce (online shopping and gaming) and financial services. The actual share of consumption in the GDP may be as high as 46% according to a study by Morgan Stanley. The Chinese economy has entered a period of consumer-driven realignment. Yet, a durable move away from export- and investment-driven growth would require domestic consumption to be growing more strongly than the GDP over the course of at least a decade.

Reforms of the tax system that were announced or confirmed by the Ministry of Finance are targeted at incentive changes for the private services sector. Local pilot schemes to replace the traditional corporate tax by a value-added tax have been underway for years. These schemes will now be expanded after the pilots demonstrated that the new tax arrangement serves to boost private businesses. According to the Ministry of Finance, additional adjustments in the tax system are to relieve private companies and encourage them to expand. The reduction of administrative approvals and interferences that was promised by the Premier is to benefit private companies as well.

Financial liberalization and currency policy

The composition of the policy team responsible for the financial system (from the president of the central bank, who remains in office, to the new top securities regulator to the first Vice Premier) is aimed at reinforcing the cautious liberalization of financial markets and internationalization of the Chinese currency that have been undertaken during the past three years.

The commitment to gradually open the capital account further is confirmed by a number of specific measures



to make China's securities market more attractive to foreign investors. These measures are targeted, among others, at increasing dividend payouts, broadening the use of shortselling and boosting market access for foreign institutional investors. Liberalization steps in capital transactions with Taiwan confirm this basic trend, as does the increased use of the Chinese currency in trade transactions with several important partner countries. The progressing, yet carefully controlled, opening of the Chinese financial market will provide foreign investors with many new fields of business.

The new government, however, had few specific news on the most virulent sources of crisis in the financial system. Local public debt continues to be a threatening "black hole" for both the financial and fiscal system. Credit expansion through the "shadow banking system" (loans and bonds provided outside of the official banking or fiscal system) progressed in an uncontrolled way in 2012. Local governments use loans and bonds that are raised through weakly regulated investment firms and special vehicles (outside of the formal budget) to fund public investments and public services. The rapidly increasing debt hidden in this shadow system is a very difficult challenge for financial regulators. It may soon require the central government to provide immense amounts of money to stabilize local budgets.

The newly appointed Minister of Finance, Lou Jiwei, is a dedicated financial reformer who will likely cause the Ministry of Finance to turn more energetically towards the restructuring of local public budgets than in the recent past. The financial strength of the center would permit a fiscal restructuring program. In contrast to the local governments, the accumulated budgetary deficit of the central government is moderate at around 20% of the GDP. For 2013, the annual deficit is not expected to rise above 2% of the GDP.

If we take the foreign capital investments flowing into China as a scale for the trust of international investors

in the political stability, economic dynamics and market yields, China has clearly regained credibility since Xi Jinping was appointed General Secretary of the CCP. In the year of 2012, China had an unexpectedly high deficit in the balance of capital transactions. Since December of 2012, however, capital flows towards China and the demand for investments in Chinese currency have suddenly picked up again. The trust in China's political stability and hope for a substantial appreciation of China's currency has returned for the time being.

Foreign trade and import promotion

Foreign companies operating in China were startled when criticism campaigns targeted, among others, against Apple and Volkswagen were launched in Chinese state media in spring 2013. Since the last decade, the Chinese government has been passing a series of industrial policies with a considerable potential for discrimination against foreign market participants. Complaints about curtailment of market access, exclusion from public tenders and lack of protection of intellectual property rights have been regularly raised by the foreign business community in China.

The new government has sent many relief signals. The Premier's work report concisely stated that exports are to be kept stable while imports will be increased. Quality and profitability of exports should be promoted instead of mere quantity and market share. Foreign investments in China will continue to be supported in a targeted way. At the same time, the government will further promote investments of Chinese companies in important foreign markets.

In the wake of the NPC session, Xi Jinping promised more specific liberalization steps in China's foreign economic relations. Competition between Chinese and foreign companies in public procurement and technology programs is to be opened up. In return, China hoped that other states would open their own markets more widely



to Chinese investors and companies. China was decisively opposed to any kind of protectionism.

This official rhetoric did not substantially differ from that of the previous government. Yet, the current promotion of domestic demand, which includes a gradual appreciation of the Chinese currency and an increase of high-quality imports, and the national innovation strategy that depends on foreign know-how will likely help improve the conditions for foreign companies. The new Chinese government strives to forestall trade conflicts with the U.S. and the EU by promising regulatory concessions and with a view to gaining reciprocal market access for Chinese overseas investments.

New Priorities and Initiatives

Urbanization and spatial planning

The new Premier and his government have great hopes in a planned urbanization as a source for growth into the next decade. The infrastructural, technological and educational modernization of rural regions is to contribute to reducing the gap between urban and rural living conditions and to create new income opportunities for currently disadvantaged parts of the population. In 2012, the expenditure increases for urbanization and integrated rural-urban development were already much higher than those for other major policy areas (table 3). The new Premier turned this program into a central element of his agenda, even though this is reflected less conspicuously in the 2013 budget than in the personnel reshuffles and policy statements of the new government.

The promotion of a novel approach to national spatial planning, with a diversity of functional, priority and protected zones, has become a fixed point in the government's agenda. The approach was emphasized in every government work report presented to the NPC but has

been missed by the Western media. Within the NDRC, Yang Weimin, one of the leading Chinese development planners of the last two decades, had worked towards a shift to functional spatial planning with strong ecological components under the influence of German, Dutch and Japanese spatial policies. A series of cross-provincial development plans was passed since the middle of the last decade. Since 2011, these plans have been part of a national spatial strategy and the object of a series of new regulations that are to ensure cross-regionally coordinated development. Both NDRC and the Ministry of Finance made it clear in their work reports that the implementation of the novel strategy will be among the core tasks of the planners and budgeters. Ambitious experimental programs and pilot projects for the next years have been announced.

An entirely new policy team was assembled for the goals of urbanization and spatial planning. A former Minister of Land Administration and Resources (geologist Xu Shaoshi) became the new high-profile head of the NDRC. The Premier and his first deputy (Zhang Gaoli) will personally supervise this policy area. Apart from this, spatial planning pioneer Yang Weimin was appointed deputy head of the Central Financial and Economic Leading Group's staff office which serves as a strategy center for the top party leadership. According to Yang Weimin's conceptions, functional spatial planning will offer new instruments for transiting to a gentle growth model that preserves the environment and resources while also opening up new opportunities for guiding cross-regional development and internal migration.

Health and family planning

Western media interpreted the integration of the long-standing Family Planning Commission into an overarching National Health and Family Planning Commission (ministerial rank) as the first sign for abolition of birth control. A high-level official responsible for the reorgani-



Table 3: Government priorities in the light of budget expenditures

Budget expenditures of the central government	Increases 2012	implemented	Increases 2013	planned
Total expenditures	+ 13.7 %		+ 8.4 %	
Social affairs (incl. rural living conditions)				
Health	+ 17.2 %		+ 27.1 %	
Social security and employment	+ 22.0 %		+ 13.9 %	
Education	+ 15.7 %		+ 9.3 %	
Culture, sports, media	+ 18.9 %		+ 9.3 %	
Urbanization and integrated rural-urban development				
Apartment construction	+ 44.9 %		+ 5.3 %	
Agriculture, forestry, water management	+ 25.3 %		+ 3.3 %	
Transport and traffic	+ 20.3 %		+ 0.1 %	
Other major areas of spending				
Energy efficiency and environmental protection	+ 23.1 %		+ 5.1 %	
Science and technology	+ 12.7 %		+ 10.4 %	
Defense	+ 11.6 %		+ 10.7 %	
Public security	+ 10.9 %		+ 7.9 %	

Source: Budget report of the Ministry of Finance to the NPC, 5 March 2013

zation denied this: the merger of the two governmental bodies was designed to improve administrative capacities; planning competences in family policy were transferred to the NDRC for the purpose of reducing ministerial overlap.

Many demography researchers in China have been recommending a loosening or abolition of birth quotas and controls for many years, in order to stem the imminent decline of the working population and achieve a more balanced age structure. Fundamental revisions of this policy are, however, coming along only slowly. Since the NDRC will focus on the destabilizing economic and

social consequences of a rapidly ageing society, it is likely that birth control policies will be gradually relaxed.

Combating corruption

The Supreme Procuratorate's work report states that investigations against more than 210,000 officials were initiated due to abuse of office and corruption between 2008 and 2013. Among them, there were about 13,000 leadership cadres (i.e., county heads and above) and even 30 top-level cadres of the rank of minister or governor. The investigations had led to 19,000 court proceedings against officials.



The new party and government leadership took action with a number of simple down-to-earth and therefore potentially credible anti-corruption measures. This year, there is to be, e.g., a moratorium against the construction of new government buildings. The costs for official cars, banquets and travels of state employees are to be capped. Luxury watches must no longer be worn in official functions. These measures against the conspicuous consumption habits of party and government cadres showed quick effects, even though it remains highly doubtful whether the current forceful campaign will be conducive to establishing credible rules permanently. Since the new measures are targeted at wasteful and corrupt acts that can be observed in public, China's netizens and micro-bloggers act as willing helpers to document and denounce violations of the rules.

At the same time, the anti-corruption measures of the new government show a considerable willingness to experiment. On the real-estate market, for example, a person- or organization-based national registration number is to be introduced as transaction ID to limit straw men transactions as well as speculation and corruption. If implemented consistently, this kind of national system may simplify regulation of China's shadowy, and oftentimes mafia-like, real estate sector.

Political reforms in the small print

Beyond the new approaches to combating corruption, important political initiatives are hidden in the small-print explanations on working methods of the new government that were issued by the State Council General Office and the Commission for Public Sector Reform. These explanations contain, for example, instructions for developing procedures of periodic "evaluation and correction" of government programs. Binding provisions on public accountability and reporting by state agencies are to be issued as well.

Particularly noticeable is the announcement that registration procedures for business associations in the private economy will be simplified. In the future, business associations will no longer need to find a state guarantor organization but can register directly with the Ministry of Civil Affairs. The government strives to reduce the "overly high thresholds" for the founding of social organizations and supports a "separation of government and society" with the aim of promoting social self-organization. Competing business associations are to be permitted in one and the same industry (whereas an industry-related representation monopoly used to apply in the past). A much less restrictive approval process was announced specifically for associations in the fields of business, science, technology and charity. This may be indicative of a promising "small political reform" that will permit more pluralism of interests for the benefit of the private sector. However, restrictive provisions continue to apply to associations in the fields of politics, law and religion, as well as for transnational non-governmental associations.

Western hopes for a Gorbachev-like sudden leap in political reform by the Chinese government are not appropriate, however. Xi Jinping soberly stated early this year that reform was not a single large event, but a series of step-by-step adjustments. Under the new Chinese government, political change therefore can primarily be expected as an indirect consequence of liberalization and innovation steps that are pursued in economic and technology policy. The resulting shifts in popular communication, values and expectations as well as acute crises and scandals will continue to drive political change in China.



References:

The Economist (2013), "Rebalancing the economy: Consumption in China may be much higher than official statistics suggest", March 30, 2013.
Fravel, M. Taylor and Dennis Blasko (2013), "Xi Jinping and the PLA", The Diplomat, March 19, 2013.
Heilmann, Sebastian (2013), "China's fragile central nervous system", Internationale Politik/Foreign Policy (German Council on Foreign Relations), Jan-Feb 2013.
Shue, Vivienne (2012), "Governing by design: A strategic plan to re-engineer the Chinese nation-space", Oxford University, March 2012.
Yang, Weimin (2010) (ed.), *Fazhan guihua de lilun he shijian* (Theory and practice of development planning), Qinghua University.

Latest editions:

Asia Policy Brief 2013 | 01

Der Aufstieg Asiens aus Sicht der Deutschen.
Ergebnisse einer Bevölkerungsumfrage im Auftrag der Bertelsmann Stiftung, Oktober 2012 (German only)
Helmut Hauschild und Ye-One Rhie

Asia Policy Brief 2012 | 03

New Leaders, Old Challenges – China in Power Transition
Minxin Pei

Asia Policy Brief 2012 | 02

The Importance of Being Earnest: Green economy and sustainable development in China
Doris Fischer

If you have any questions or if you wish to subscribe to the "Asia Policy Brief" please write to asien@bertelsmann-stiftung.de.

All "Asia Policy Brief" editions can be downloaded from www.bertelsmann-stiftung.de/asien.

ISSN 2195-0485

Responsible according to German press law

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
D-33311 Gütersloh

Helmut Hauschild
helmut.hauschild@bertelsmann-stiftung.de

Dr. Peter Walkenhorst
peter.walkenhorst@bertelsmann-stiftung.de