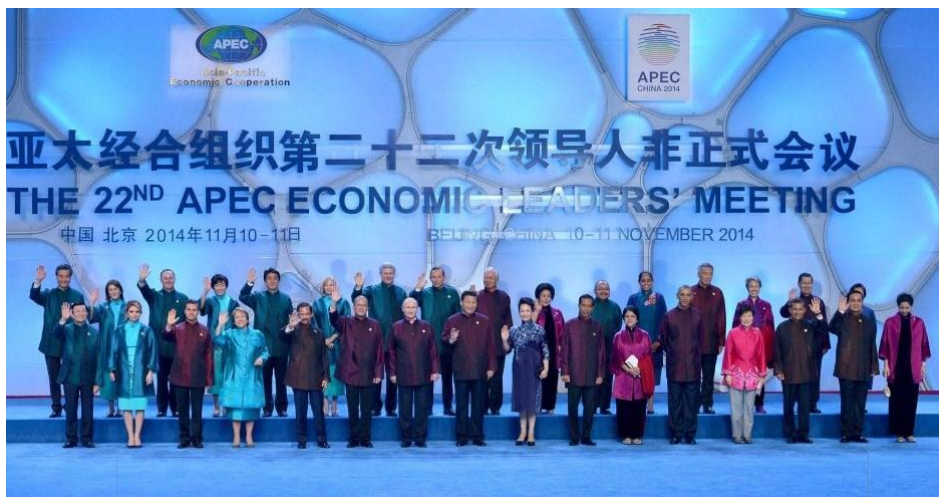




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China Politics Update – End of 2014 Special Edition

November saw a flurry of top-level Chinese diplomatic activity. On 10-11 November leaders and senior officials from the 21 Asia-Pacific Economic Cooperation (APEC) member economies gathered in Beijing for the annual Summit under the theme *Shaping the Future Through Asia-Pacific Partnership*. President Xi Jinping chaired series of meetings focusing on deepening regional economic integration, promoting economic reform and innovative development. APEC announced a strategic study on a future **Free Trade Agreement of the Asia Pacific (FTAAP)**, though analysts observed that this falls slightly short of a ‘feasibility study’, usually a precursor to a new FTA. Reports saw the elephant in the room as ongoing US-led discussions for a Trans-Pacific Partnership which exclude China. Details on China’s announcement of a new USD 40 billion **Central Asia Infrastructure bank** are sketchy, but it looks like China is starting to put some meat on the bones of Xi’s Silk Road Economic Belt concept, announced in 2013.



Upon the completion of the APEC meetings, **US President Barack Obama made a State Visit to China**. Obama and Xi pledged to push forward a “new type of major-country relations”. The two sides announced a key joint statement on climate change in which China intends to achieve the peaking of CO2 emissions around 2030 and to make best efforts to peak early and intends to increase the share of non-fossil fuels in primary energy consumption to around 20% by 2030. Obama also vowed to speed up the U.S-China Bilateral Investment Treaty (BIT) negotiation while meeting with Premier Li Keqiang.

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Xi also met Japanese Prime Minister Shinzo Abe during the APEC meeting, three days after the two countries agreed to pursue a diplomatic resolution to tensions regarding territorial claims over the Diaoyu/Senkaku islands. This was the first time leaders from the two countries had formally met since 2012. Media extrapolated that Xi's expression during a photocall revealed his personal mistrust of Abe. According to a Japanese news agency, the island issue was not mentioned during Xi and Abe's meeting, although Abe said he asked Xi to establish a hotline aimed at preventing armed clashes over the string of uninhabited islands. **A South Korea-China FTA** was also "effectively settled" according to President Park after meeting Xi in Beijing.



Xi then travelled to Brisbane for the **G20 Summit** where he met leaders from the member economies. Xi's address to the Australian Parliament was heavily covered by Chinese media, embellishing Xi's image as a world figure. During his State Visit in Canberra, Xi agreed to **conclude an FTA with Australia**, which should expand tariff-free access for Australian agricultural products to the China market, and facilitate Chinese investment in Australia. China's hosting of the G20 Summit in 2016 will be

another important mechanism by which Xi will try to underline China's emergence as a global diplomatic leader. Xi and his wife Peng Liyuan also visited Tasmania which received positive publicity in China when Madam Peng held a local species, a tasmanian devil, showing their care for the wild life. Xi also paid state visits to New Zealand and Fiji.

Premier Li Keqiang visited Kazakhstan, Serbia and Thailand from 14 to 20 December. While in Astana, Li attended the 13th Shanghai Cooperation Organization (SCO) meeting, urging member states to preserve regional security and facilitate trade. Li also signed a new USD 14 billion deal with Kazakhstan to would push cooperation in energy, gas pipeline construction between the two countries. In Serbia, Li attended the third China-Central and Eastern European (CEE) Summit with 16 other nation leaders. Serbia is China's first strategic partner in the CEE region, Li's visit is seen as a step for forming better working relations with the as China's interest in investing the region's energy, agriculture, industry and infrastructure, but is currently blocked by the EU commission from bidding on its member countries' public tenders. Li is the first Chinese Premier in 28 years to visit the country.

Speaking at the opening ceremony of the fifth summit of the Greater Mekong Sub region (GMS) Economic Cooperation in Bangkok, Li pledged to offer five neighbouring countries financial aid to help better infrastructure connectivity, poverty reduction and production capacity. The offer includes USD 1 billion for infrastructure inter-connectivity, USD 490 million in grants for poverty alleviation and USD 1.6 billion in special loans for China's production capacity export. This initiative

probably links into Xi's stated intention to develop a 'Maritime Silk Road' in South Asia to complement regional connectivity efforts in Central Asia.

Over 1000 participants from domestic and international internet firms gathered in historical Wuzhen in Zhejiang Province (19-21 November) for **China's first World Internet Conference**. Organised by the State Internet Information Office, the conference focused on cybersecurity, online anti-terrorism efforts and e-commerce. Foreign diplomatic presence on this occasion was lower key than China had hoped, but China intends for the conference to become a yearly event.

Across the Straits, Taipei elected Ko Wen-je as the new mayor of the city. Ko was supported by the Democratic Progressive Party but ran as an independent on a platform advocating transparency and a bridging of the partisan divide. **Analysts believe that the election results signals that Taiwan's governing Kuomintang (K.M.T) will be hard-pressed to retain the presidency in the 2016 presidential election**. At the same time, Kuomintang's losses also suggest that Taiwan voters may be turning against party efforts to forge closer ties with mainland China.

China marked the **first annual Constitution Day on 4 December**, as determined by the recent Fourth Plenum in which the leadership vowed to strengthen the country's rule of law. A commentary in *People's Daily* said that the constitution should become a "common belief" among



China's people, guiding their thoughts and actions. Implementation of the constitution remains weak in part because of a lack of awareness, the piece argued.

China's former Security Tsar and Politburo member **Zhou Yongkang** has been stripped of his Communist Party membership and will face prosecution. Zhou is accused of serious violations of party and organisational discipline and secrecy, ranging from taking bribes to power abuse. The Party anti-corruption body had investigated Zhou earlier this year [See August CPU]. In addition, Party anti-corruption authorities have placed **Ling Jihua**, a onetime top aide to former President Hu Jintao under investigation for 'disciplinary violations' – a byword for corruption. Suddenly, much information has come to light in Chinese media about Ling's corrupt network. **Analysts see Zhou and Ling's cases as two important markers of the strength of Xi's leadership**: he has now broken with precedent by defenestrating both a retired top leader and a member of his direct predecessor's inner circle.

The Organization Department made two important personnel changes just before the New Year. **Sun Chunlan**, former Party Chief of Tianjin was appointed concurrently as director of the United Front Department to replace Ling Jihua. Former governor of Xinjiang, **Nur Bekri** was moved to director of the National Energy Administration, and deputy head of China's key macroeconomic planning body, the National Development and Reform Commission. Nur Bekri will be one of the few

ethnic minority officials to assume a senior position in central government, underscoring his loyalty to the Party where top posts are almost all held by majority Han Chinese.

Water from the **South-to-North Diversion Project** finally arrived in Beijing on 27 December. With investment of over USD 33 billion, the project will supply 1 billion cubic meters of water annually to the capital and 8.5 billion cubic to the northern regions.

Finally, Chinese online retailer Alibaba reached a record of over \$9.3 bn (£5.85bn) in sales on **11 November Singles Day**, the country's biggest online retail event, dwarfs other sales bonanzas around the world such as Black Friday in the US or Christmas in the UK. Figures from its Hangzhou headquarters showed that it took just 20 minutes to reach \$1bn in sales – compared to an hour last year.

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