

China Policy

New cabinet seeks to restore business confidence

China's new cabinet leaders held a press conference after the close of the NPC session yesterday. Premier Li Qiang outlined three major tasks for the new cabinet as people's well-being, high-quality development and reforms & opening of China economy. The premier sought to boost business confidence with the promise of unwavering support for the private business. The new cabinet seems pragmatic as most leaders have rich work experience in the southeastern provinces or strong industrial & technology background. The public institutional reorganization indicates Chinese policymakers' focus on technology innovation, financial risk relief and digital economy development in future.

■ The new cabinet has three major tasks in next five years

-The first is to improve people's well-being by meeting people's aspirations. Li said most people do not keep their eyes on GDP growth every day as they are more concerned about their daily life like housing, employment, income, education, healthcare and environmental condition. This does not mean that China no longer needs GDP growth, but the growth needs to be more inclusive so that it can improve people's well-being and benefit everyone. Therefore, the cabinet will pay more attention to inclusive growth and social development to improve people's livelihood.

-The second is to boost high-quality development with science & tech innovation, modern industrial system and green transformation. China has to accelerate innovation, upgrade industry and boost green development to assure sustainable growth due to aging population, climbing labor costs, high debt burden and rising demand for better environmental condition.

-The last is to firmly push forward reforms and opening of China's economy to boost business confidence and strengthen the growth momentum.

■ New premier seeks to boost business confidence

- Firstly, Premier Li Qiang made the commitment to achieving the 5% GDP growth target this year. He acknowledged China will not find it easy to achieve the growth target due to uncertainty in global economy and China's huge GDP amount as a high base. However, the premier vowed to use macro policies, demand boost measures, reform & innovation and risk relief policies to meet the growth target.

-Second, Premier Li pledged to provide unwavering support for the private business with measures to ensure fair competition and protect property rights. He said the Party's commitment in this regard is unequivocal and steadfast.

-Thirdly, the premier showed the willingness of Mainland China to restart cross-strait visits, economic cooperation and cultural communication with Chinese Taipei.

-Last, Premier Li also extended conciliatory remarks towards Washington and appealed for more goodwill between China and the US while blaming some American voices for attempting to decouple the two countries.

■ New cabinet seems pragmatic as most leaders have rich work experience in Southeast China or strong industrial & technology background

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- At the premier level, Li Qiang, Ding Xuexiang and He Lifeng worked in the southeast provinces for a long time with a pro-business reputation, while Zhang Guoqing and Liu Guozhong had the military or aerospace industrial background. At the minister level, most leaders also used to work in East and South China or had a strong background in industrials or technology. This arrangement shows the cabinet will focus on boosting economic growth, tech innovation & industrial upgrades, while the CCCPC will deal with Sino-US strategic competition and systematic risk prevention. We note the NPC voted to retain Yi Gang and Liu Kun as the PBOC governor and Minister of Finance, respectively. Their respective leadership in the central bank and MoF may be extended for a few months to seek a smooth transition during the period with financial regulatory reforms and cabinet reorganization.

■ **The public institutional reorganization indicates China's focus on tech innovation, financial risk relief and digital economy in future**

-The first important reorganization is related to science & technology management system. The Central Committee of the Communist Party of China (CCCPC) will set up the Central Science & Technology Commission to guide strategies and leverage resources to boost science & technology innovation. The Ministry of Science & Technology (MST) in the cabinet will be restructured with less role in distribution of government R&D funds and more focus on strategy plans, policies and incentive mechanisms to boost original innovation in key areas. Corporates will play a more important role in deciding the flow of R&D resources in future.

-The second reform is on the financial regulatory system. The CCCPC will set up the Central Financial Work Commission to oversee policies, functions and key personnel issues in the financial system. The Party tries to assert more control over the state-owned part of the system to make sure it is in line with the country's strategic goals (systematic risk prevention, tech innovation & self-reliance, industrial upgrading and inclusive development with common prosperity). In the ministry level, the National Financial Regulatory Administration (NFRA) will replace China Banking and Insurance Regulatory Commission (CBIRC) and take over certain functions of the PBOC (regulation over financial group companies and financial consumer protection) and China Securities Regulatory Commission (investor protection). China's new regulatory system may be a bit similar to that in UK or Australia. The central bank is responsible for monetary policy and macro prudential regulation; the NFRA is in charge of institutional, function and behavior regulations over banks & insurers and financial consumer protection; and the CSRC will deal with capital market regulation. What is special for China is the securities regulator has a prominent responsibility in supporting the capital fundraising of hard-tech and high-end manufacturing sectors, which are important for China's strategic competition against the US. The NFRA will enhance vertical regulation over small regional banks by boosting the capacity of its branches. The NFRA will monitor regional financial risk more closely in future. In addition, the policymakers require local banks to focus on regional or community development to facilitate inclusive development as it may become more difficult for regional banks to expand their businesses across provinces or regions in future. The NFRA will not take part in the personnel management over the four national AMCs as some central state-owned financial groups may take over those AMCs with asset and business restructuring.

-China will set up the National Data Bureau (NDB) to ratchet up digital economy development. The NDB will promote data infrastructure construction and integration, sharing, development & utilization of data resources across the country. By taking over several regulators' data-related regulation responsibilities,

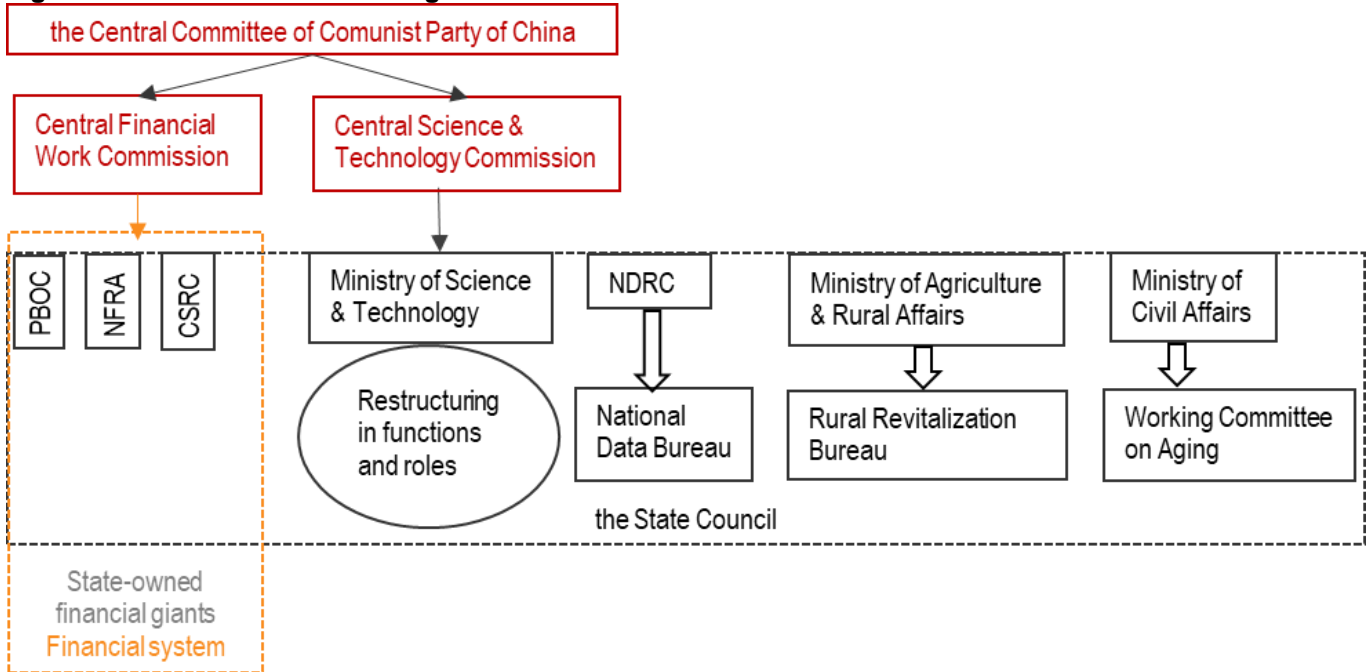
the NDB could make the regulation policy more consistent and clearer for private and international businesses in China. The reform indicates China's firm determination to boost the development of digital economy and smart society in future. The Chinese policymakers consider data as a new factor for the production function, which can boost tech innovation and total factor productivity.

Figure 1: New Premiers & State Councilors

Name	Age	Position & Possible Duty	Keywords
Li Qiang	64	Premier, in charge of the cabinet	Zhejiang
Ding Xuexiang	61	Executive vice premier, in charge of NDRC, MoF, environmental protection, etc	Engineering, Secretary of the president
He Lifeng	68	Vice premier, in charge of financial system, industrials, transportation, technology	Fujian, NDRC
Zhang Guoqing	59	Vice premier, in charge of agriculture, commerce trade, etc	Changchun Institute of Optical Mechanics, Nanjing University of Science and Technology
Liu Guozhong	61	Vice premier, in charge of education, healthcare, culture, sports, etc	Nanjing Institute of Technology, Artillery System Fuse Design and Manufacturing
Wang Xiaohong	66	State councilor, Minister of Public Security	Fujian, public security, Beijing
Li Shangfu	65	State councilor, Minister of National Defence	National University of Defense Technology, Xichang Satellite Launch Center
Qin Gang	57	State councilor, Minister of Foreign Affairs	UK, US
Wu Zhenglong	59	Secretary General of the State Council	Machinery and Equipment Manufacturing, State Council, NDRC, Jiangsu
Shen Yiqin	64	State councilor	Female, Bai Ethnic Heritage

Source: Xinhua News Agency

Figure 2: Public institutional reorganization



Source: Xinhua News Agency, CMBIGM

Figure 3: New Ministers

Ministry	Minister	Age	Keywords
Ministry of Foreign Affairs	Qin Gang	57	UK, US
National Development and Reform Commission	Zheng Shanjie	61	Fujian, Zhejiang, Anhui
Ministry of Science & Technology	Wang Zhigang	65	Ministry of Electronics Industry, China National Software, China Electronics Technology Group, Tsinghua University
National Ethnic Affairs Commission	Pan Yue	63	Overseas Chinese Affairs Office, United Front Work Dept, Jiangsu
Ministry of State Security	Chen Yixin	64	Zhejiang, Central Political & Law Commission
Ministry of Justice	He Rong	60	China University of Political Science and Law, Supreme People's Court, Shaanxi
Ministry of Human Resources & Social Security	Wang Xiaoping	59	Overseas Chinese Affairs Office of the State Council, Central Organization Department, Law
Ministry of Ecology and Environment	Huang Runqiu	60	Geology and environment, the Central Committee of the Jiusan Society
Ministry of Transport	Li Xiaopeng	64	Shanxi, China Huaneng Group, power engineering
Ministry of Agriculture and Rural Affairs	Tang Renjian	61	Gansu, Guangxi, agriculture,
Ministry of Culture and Tourism	Hu Heping	60	Tsinghua, Shaanxi
Ministry of Veterans Affairs	Pei Jinjia	60	Fujian, Taiwan affairs
People's Bank of China	Yi gang	65	US, IMF, Peking University
Ministry of National Defence	Li Shangfu	65	National University of Defense Technology, Xichang Satellite Launch Center
Ministry of Education	Huai Jinpeng	60	Academia Sinica, computer science, electrical engineering & intelligent control, Beijing University of Aeronautics and Astronautics
Ministry of Industry and Information Technology	Jin Zhuanglong	59	COMAC, China Aerospace Science and Technology Group, Shanghai Space Agency, Winged Missile Design, Beijing University of Aeronautics and Astronautics
The Ministry of Public Security	Wang Xiaohong	66	Fujian, public security, Beijing
Ministry of Civil Affairs	Tang Dengjie	59	Shanghai, Mechanical engineering, China Armament Group, Ministry of Industry and Information Technology, Fujian
Ministry of Finance	Liu Kun	66	Guangdong, Budgetary Affairs Commission, Xiamen University
Ministry of Natural Resources	Wang Guanghua	60	State Land Administration, natural resources management, geography, Peking University
Ministry of Housing and Urban-Rural Development	Ni Hong	60	Anhui, senior engineer, Harbin Institute of Technology
Ministry of Commerce	Wangwentao	59	Shanghai, Shandong
National Health Commission	Ma Xiaowei	63	Healthcare
Ministry of Emergency Management	Wang Xiangxi	61	Coal mining, China Energy Investment, senior engineer
National Audit Office	Hou Kai	61	Shanghai Municipal Commission for Discipline Inspection, National Supervisory Commission
Ministry of Water Resources	Li guoying	60	Senior engineer, Yellow River, water conservancy

Source: Xinhua News Agency, CMBIGM

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