

THE US-CHINA BUSINESS COUNCIL

美中贸易全国委员会

New Officials Assume Top Posts

Before the curtains closed on the first session of the 11th National People's Congress on March 18, new leaders for top government posts were announced. Further changes in ministry and commission personnel under the State Council, including vice minister appointments, are likely to be announced in the coming weeks or months.

Xi Jinping, who was promoted to the Politburo Standing Committee of the Chinese Communist Party (CCP) in October 2007, was appointed vice president, taking him a step closer to replacing Hu Jintao in 2012. Xi was not appointed to the Central Military Commission (CMC), however, indicating that he may not have a lock on the presidency just yet. In the past, appointment to the CMC has typically preceded movement to the top party and government roles, but Hu Jintao was not appointed to the CMC until shortly before he became president.

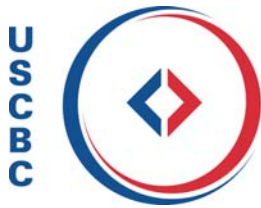
Another leading contender for the presidency, Li Keqiang, was named vice premier of the State Council, China's cabinet, and is likely positioned to succeed Wen Jiabao as premier in five years. Li was listed first among the four vice premiers--the others being Hui Liangyu, Zhang Dejiang, and Wang Qishan--suggesting he is "executive" vice premier, although official PRC announcements did not carry this designation.

As *CMI* went to press on March 19, the new vice premiers' portfolios had not been officially confirmed. Li is widely expected to be given the macroeconomic portfolio--overseeing the National Development and Reform Commission (NDRC) and perhaps the new Ministry of Industry and Information, for example. Zhang is expected to hold the foreign trade and investment portfolio formerly held by Vice Premier Wu Yi; Wang is expected to control the financial portfolio; and Hui--the only continuing vice premier--is expected to retain the agriculture portfolio.

Among other appointments of interest to US-China Business Council (USCBC) members, new State Councilor Dai Bingguo will hold the foreign affairs portfolio. Zhang Ping, former deputy CCP secretary of the NDRC, was promoted to NDRC chair, a position vacated by Ma Kai, who was made a state councilor and secretary general of the State Council.

Of the five new ministries to be created under the reorganization plan, three will be led by newly promoted officials. Heading the newly created Ministry of Industry and Information is Li Yizhong, who served previously as head of the State Administration of Work Safety and as chair of the China Petroleum and Chemical Corp. (Sinopec). Jiang Weixin, former vice minister of the construction ministry, will serve as minister of the new Ministry of Urban and Rural Construction; and Yin Weimin, former minister of Personnel, will lead the Ministry of Human Resources and Social Security. Incumbents Zhou Shengxian, Chen Zhu, and Li Shenglin will serve as ministers of the elevated Ministry of Environmental Protection, reorganized Ministry of Health, and the renamed Ministry of Transportation, respectively.

This article is adapted from a report that first appeared in the March 19, 2008 China Market Intelligence, USCBC's weekly members-only newsletter.



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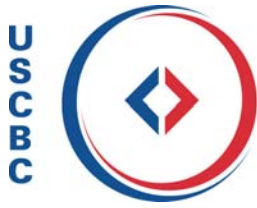
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PRC Government Leadership (as of March 19, 2008)

The Presidency	
President	Hu Jintao
Vice president	Xi Jinping*
State Council	
Premier	Wen Jiabao
Vice premiers	Li Keqiang*
	Hui Liangyu
	Zhang Dejiang*
	Wang Qishan*
State councilors	Ma Kai*
	Liu Yandong*
	Liang Guanglie*
	Meng Jianzhu*
	Dai Bingguo*
Secretary general	Ma Kai*
Ministries, Commissions, & Other Government Bodies	
Minister, Finance	Xie Xuren
Minister, Commerce	Chen Deming
Minister, Foreign Affairs	Yang Jiechi
Chair, National Development and Reform Commission	Zhang Ping*
Governor, People's Bank of China	Zhou Xiaochuan
Minister, Human Resources and Social Security	Yin Weimin*
Minister, Public Security	Meng Jianzhu
Minister, National Defense	Liang Guanglie*
Minister, Science and Technology	Wan Gang
Minister, Industry and Information	Li Yizhong*
Minister, Housing and Urban-Rural Construction	Jiang Weixin*
Minister, Railways	Liu Zhijun
Minister, Supervision	Ma Wen
Minister, Transportation	Li Shenglin
Minister, Land and Natural Resources	Xu Shaoshi
Minister, Agriculture	Sun Zhengcai
Minister, State Security	Geng Huichang
Minister, Education	Zhou Ji
Minister, Culture	Cai Wu*
Minister, Civil Affairs	Li Xueju
Minister, Justice	Wu Aiyang
Minister, Environmental Protection	Zhou Shengxian
Minister, Health	Chen Zhu
Minister, Water Resources	Chen Lei

*newly promoted/appointed

Sources: National People's Congress; US-China Business Council; Xinhua News Agency



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Government Restructuring Plan Approved

The National People's Congress, China's top legislature, on March 15 approved a much-anticipated government reorganization plan, officially adopting changes to the lineup of ministries and commissions. Involving 15 central government departments and agencies, the restructuring cut the total number of ministries by only one, and its impact on government efficiency will become clear only after the reorganization is complete. One of the biggest changes for foreign investors is the creation of the Ministry of Industry and Information, which incorporates the project approval role of the National Development and Reform Commission (NDRC). The impact of the reorganization could also be felt by companies in the energy, transportation, healthcare, and other sectors. The most significant developments include the following, with the new ministries and commissions' names in bold:

- The **Ministry of Industry and Information** will incorporate the Ministry of Information Industry, the industry project approval functions of the NDRC, the State Council Informatization Office, and the State Tobacco Monopoly Bureau. The Commission of Science, Technology, and Industry for National Defense will lose its ministry status, become subordinate to the new Ministry of Industry and Information, and be renamed Science and Technology Industries for National Defense Bureau. The bureau will keep its management of defense, shipbuilding, and aerospace industries while handing over nuclear energy regulation to the National Energy Commission (see below). Though many details have yet to emerge, the new ministry will likely play a significant role in regulating major industries and in examining and approving new industrial investments and projects. NDRC, which previously served this function, will retain its macroeconomic planning function and focus on issues such as price controls and management of energy policy.
- The **National Energy Commission**, under NDRC, will incorporate the functions of the NDRC Energy Bureau, the State Council Leading Group on Energy, and the China Atomic Energy Administration--the nuclear power regulator that was formerly under the Commission of Science, Technology, and Industry for National Defense--and coordinate national energy policy.
- The **Ministry of Environmental Protection** will become the more powerful, ministerial-level version of the State Environmental Protection Administration. The enhanced status will likely improve the ministry's standing in discussions or disputes with other central government ministries, particularly during examinations of the environmental impact of new projects or policies. But press reports have noted that whether this higher political status will be paired with more financial resources remains unclear.
- The **Ministry of Health** will assume control of the State Food and Drug Administration, a regulator that has come under significant criticism in the past two years for corruption and inaction. This change may improve the efficiency of implementing health care policies and reforms, including approval processes for new drugs, but the ministry will likely focus on proposed major reforms of China's healthcare system for the next few years.
- The **Ministry of Transportation** will combine the functions of the Ministry of Communications with those of the General Administration of Civil Aviation of China (renamed the State Bureau of Civil Aviation) and will likely play a significant role in regulating the logistics industry, particularly road and air transport. The new ministry will also assume control of the State Postal Bureau and absorb the Ministry of Construction's function of overseeing urban passenger transport systems. The new ministry did not, however, incorporate the Ministry of Railways, which will remain a separate ministry to manage rail transport and construction.
- The **Ministry of Human Resources and Social Security** will be the new Ministry of Labor and Social Security and absorb the Ministry of Personnel, which oversees government employees, and the Administration of Foreign Expert Affairs. A new State Civil Servants Bureau will be created under the new ministry, which will likely focus on improving the social safety net and promoting employment.
- The **Ministry of Housing and Urban-Rural Construction** will be the new Ministry of Construction, a change that reflects the current leadership's emphasis on crafting policies to promote affordable housing for lower-income families.
- Also notable are the expected structural changes that did not happen. Bureaucrats were unable to agree on consolidating oversight of China's financial services regulators into one ministry. Though the new National Energy Commission combines some of the existing policy and regulatory functions for managing the energy sector, its positioning underneath the NDRC, and the exclusion of other relevant agencies, suggests that policy formulation in the energy sector will continue to be slow and fraught with bureaucratic infighting.

This article is adapted from a report that first appeared in the March 12, 2008 China Market Intelligence, USCBC's weekly members-only newsletter.

PRC Government Proposed Reorganization, March 2008

