

**CHINA'S NEW ECONOMIC LEADERSHIP
TEAM: IMPLICATIONS FOR REFORMS**

YANG Mu & YAO Jielu

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Executive Summary

1. China unveiled its new economic leadership team at the 12th National People's Congress. The composition of the team signaled the intention of the new Xi-Li leadership to push ahead with economic reform.
2. Premier Li Keqiang, the first top leader to have a PhD in economics, pledges to curb government power and push ahead with China's long-stagnant reform. He also urges the focus on the role of urbanization in economic development.
3. In the financial sector, Zhou Xiaochuan, China's central bank governor, has his job extended beyond the mandatory retirement age of 65. Xiao Gang replaces Guo Shuqing as head of the China Securities Regulatory Commission after Guo's 17 months in office.
4. Lou Jiwei, former chairman of China's sovereign wealth fund, succeeds Xie Xuren as finance minister, back to the ministry where he first started out in the world of finance. Xu Shaoshi is appointed head of the National Development and Reform Commission, while Gao Hucheng is head of the Ministry of Commerce.
5. The team shares three striking attributes. First, all members hold a post-graduate degree in relevant majors. Second, the new team members have relevant work experience and are expected to utilize their expertise in the push for reform. Third, most team members are pro-economic reform.
6. Although the new economic team is reform-minded, the pursuit of reform will definitely encounter severe challenges especially from entrenched interest groups.
7. Zhou is likely to focus on continuing reforms in two areas – the internationalization of the renminbi and the liberalization of interest rates. He

will also face challenges to maintaining price stability and dealing with China's shadow banking.

8. Lou needs to improve the transparency of China's fiscal system, control rising local government debt, and redefine the revenue-sharing between central and local governments.
9. Xiao has gained reform credibility through cracking down on insider trading and paying special emphasis on information disclosure by listed companies. He is expected to reform China's IPO regime and attract long-term investors.