

Dear Policy+ Members,

Did you delay your lunch break yesterday so that you could watch President Xi's two-hour speech on the 40th anniversary of China's reform and opening up? If so, we've got you covered either way, catch up on the highlights below.

What were the key points of Xi's speech?

Xi acknowledged the contributions of every post-Mao Chinese leader. **Deng Xiaoping**, father of reform and opening up, was quoted twice.

Xi re-stated the importance of **state intervention** in the economy while calling for more support and guidance for developing the private sector.

He also reaffirmed the **central role** of the Chinese Communist Party (CCP) in further reforms and opening up; more importantly, he stressed that reforms should be **aligned** with the overarching goal of improving the socialist system with Chinese characteristics.

While most of his speech focused on commemorating all of China's achievements over the past 40 years, he also touched on "One Country, Two Systems" and re-stated the country's (or his) determination to **reunify** the whole country. This came after a section about building a world-class military in order to protect national sovereignty.

There was no mention of "Made in China 2025" or the Greater Bay Area Initiative even though they have both formed part of Xi's plan to shape China into a tech

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superpower. We recently released a [report](#) that details why both ambitious plans are being kept out of the spotlight.

What signals did he send to the world?

The speech was not just about celebrating past achievements. It was also about reaffirming the Party's **legitimacy**, especially at such a critical time in US-China trade relations, stressing that the reforms and opening up would not have happened without China adhering to the Party's leadership. However, critics argue that it was the Party's *ability to adapt and learn* that allowed China to accomplish these economic miracles.

He stressed that China will continue to reform and open up, but only at its own pace and following its own rules, suggesting that China is unlikely to make a major concession to the US during the 90-day negotiation period. However, his statement that China will never become a dominant power at the end of his speech helped soften the tone and served as a public response to Pence's speech at the Hudson Institute.

While both **top-level design** (顶层设计) and “crossing the river by feeling the stones (摸着石头过河)” were cited as the CCP's approaches to future reforms, the former is likely to prevail and guide the reforms because “China is a big nation and cannot afford to make fatal mistakes (我国是一个大国，决不能在根本性问题上出现颠覆性错误).”

Details that matter

The background music played during the award ceremony for people who made great contributions to China's reform and opening up was *Story of Spring* (春天的故事), a patriotic song in honor of Deng Xiaoping's leadership.

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It was an extreme rarity that Xi chose to cast the Cultural Revolution in a negative tone and describe it as a mistake that resulted in the near collapse of the Chinese economy. Clearly, this was a conscious choice.

While Xi paid tribute to all his predecessors, none of them appeared at the event, which is unusual. When Hu Jintao held the 30th anniversary ceremony in 2008, he was backed by numerous retired senior officials.

Since Xi did not announce any detailed plans for reforms and opening up, the world is now putting its bet on the Central Economic Work Conference this week. Besides setting the economic agenda for 2019, officials will also discuss ways to mitigate the negative impact of the US-China trade tensions.

Our Annual Business Climate Survey has just concluded its surveying period. Thank you for all your valuable input. The results will be announced later in Q1 next year. Meanwhile, we will be releasing a year-end summary of our Policy+ membership soon, so please stay tuned! As always, please let us know if you have any questions or comments.

Best,

AmCham China Policy Team

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