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With operations in 25 countries and over 400 experienced consultants, we provide independent and strategic advice on high-stakes financial, corporate and public affairs communications.

We base our advice on a solid history of serving both private and public clients in financial and professional services, energy, mining, manufacturing, healthcare, technology and many other industries.

For more information on China's regulatory landscape and how it may impact your business, contact us today.

How Policies are “Made in China”

To many foreign enterprises, China’s policymaking environment seems impervious to influence. In fact, while foreign firms have little ability to set the national leadership’s priorities or control the policymaking process, with the proper assistance, they may still find ways to apply influence and facilitate positive policy outcomes.

Systemic Overview

In many ways, policymaking in China is similar to that in other large countries. New policies are proposed, drafted, distributed for consultation and vetted before implementation.

Additionally, central-government policy initiatives frequently take on different characteristics at sub-national levels, where local conditions and interest groups result in the creation of unique policy environments. Nevertheless, policymaking in China has several special characteristics:

- Full control of the Communist Party bureaucracy, which overlaps with the government bureaucracy;
- The leadership’s tendency to take a back seat in policymaking and focus on decision making;
- A policy deliberation and consultation process that frequently lacks in transparency;
- A strong focus on achieving consensus before making policy announcements; and
- Continued reliance on official planning documents, such as five-year plans for policy guidance and benchmarking.



China is a unitary state that frequently tolerates variations in local policy environments

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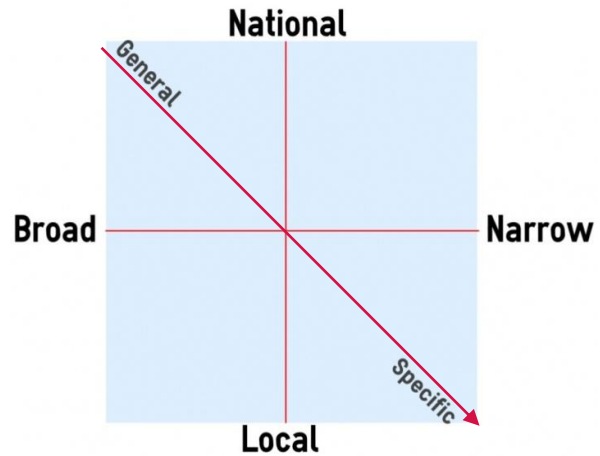
Plans and Benchmarking

Despite decades of reform, China retains many features of a command economy. One of the most prominent is the government's reliance on five-year plans to guide policymaking and measure the effectiveness of implementation.

Plans may cover economy-wide, sector-wide, industry-wide or sub-industry topics. They may also be issued at the national level or at local levels, with the details of local plans being tailored to match conditions in the jurisdiction. They are frequently general and contain few if any measures to penalize non-compliance. In general, specificity increases as:

- The seniority of the issuing office decreases; and
- The scope of the plan is narrowed.

Nevertheless, the process of creating plans is similar to that undergone by other major policy documents.



A local plan with a tight scope, such as a sub-sectoral one, will be more specific than a national plan with a broad scope

Principal Policymaking Actors and their Roles in the Process

CPC Politburo Standing Committee

Xi Jinping – CPC General Secretary and President

Li Keqiang – Premier

Zhang Dejiang – Chairman of the NPC

Yu Zhengsheng – Chairman of the CPPCC, a political advisory body

Liu Yunshan – First Secretary of the CPC Secretariat

Wang Qishan – Secretary of the Central Commission on Discipline Inspection

Zhang Gaoli – First Vice-Premier

Politburo Standing Committee (PSC)

- The ultimate decision-making body within the Communist Party of China (CPC)
- Includes the President, the Premier, the Chairman of the National People's Congress (NPC), the head of Party discipline and other senior CPC officials
- Technically not part of the government, although, through the Premier, it holds sway over the government bureaucracy, which is made up almost entirely of CPC members subject to Party discipline
- May set policy directions as well as debate and decide on key policy initiatives proposed by the government
- Makes consensus-based, non-transparent decisions



State Council

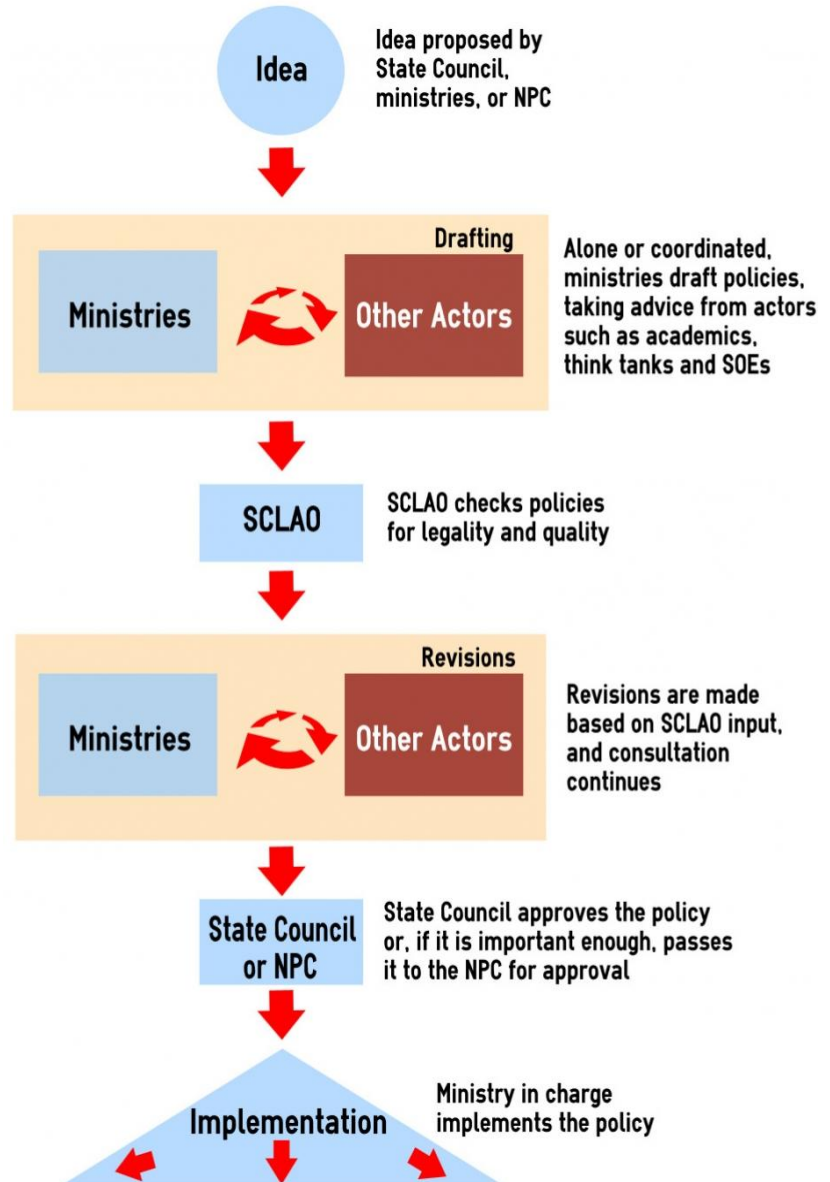
- The highest body in the government bureaucracy
- Includes the Premier, Vice-Premiers, State Councilors, and the heads of China's ministries and commissions
- Initiates important policies and decides on key policy objectives, a power it shares with the NPC
- May create **Leading Small Groups (LSG)** to coordinate drafting among ministries
- Assesses the consistency of policies with national priorities and their adherence to the Chinese constitution through its **Legislative Affairs Office (SCLAO)**

National People's Congress (NPC)

- China's highest legislative body
- Votes on important policy initiatives, such as government restructurings and national five-year plans
- Frequently overshadowed by the State Council in the policy-approval process

Ministries

- Draft and implement policies
- Initiate policies of a more limited scope
- Submit policies to the State Council for approval
- May coordinate work through a State Council-formed LSG
- Frequently disagree with each other, lengthening the drafting process





Other Policy Contributors

- May play consultative roles during drafting, draw officials' attention to policy flaws, or suggest policies
- May include:
 - **Academics** or **specialists** working alone, through **universities** or through government **think tanks**
 - Representatives of **state-owned enterprises** and **private firms**
 - **Business associations** and **chambers of commerce**
- May provide conflicting advice, complicating and lengthening the drafting process

The Public

- Not a policy actor but may have a strong indirect influence over policymaking
- Sentiment is frequently taken into consideration by leaders, who wish to maintain social and political stability
- May be highly critical of policies that are perceived to worsen social problems such as inequality and abuses of power
- Opinions may be channeled and magnified by social media

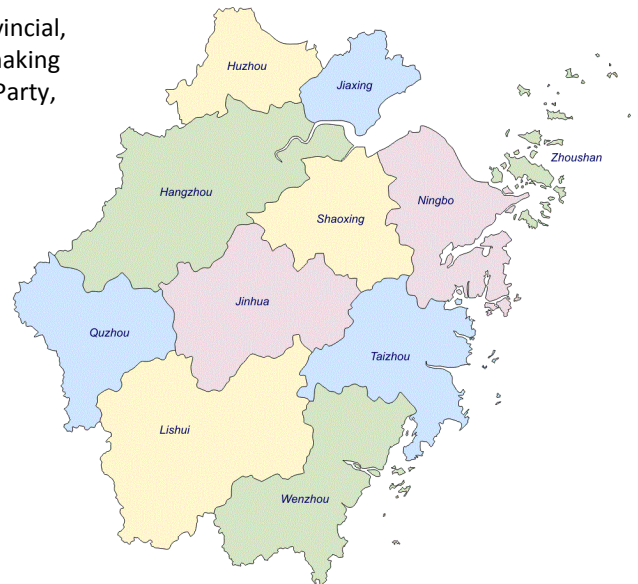
Local Policymaking and Policy Variations

Below the national government are local governments at the provincial, prefectural, county, township and village levels. Here, the policymaking infrastructure resembles that of the national level, with the local Party, governments, and people's congresses playing analogous roles.

In the process of implementing national policies, local governments may craft policies that are tailored to conditions in their jurisdictions, provided that the policies do not contravene national laws or regulations. Extensive leeway often exists in the following areas:

- Industrial development;
- Urban planning;
- Land use and planning;
- Public safety; and
- Social policies, such as education and housing.

This flexibility, when combined with the influence of local stakeholders, often produces significant differences between local regulatory environments.



Map of Zhejiang and its prefectural divisions;
Source: d.maps.com



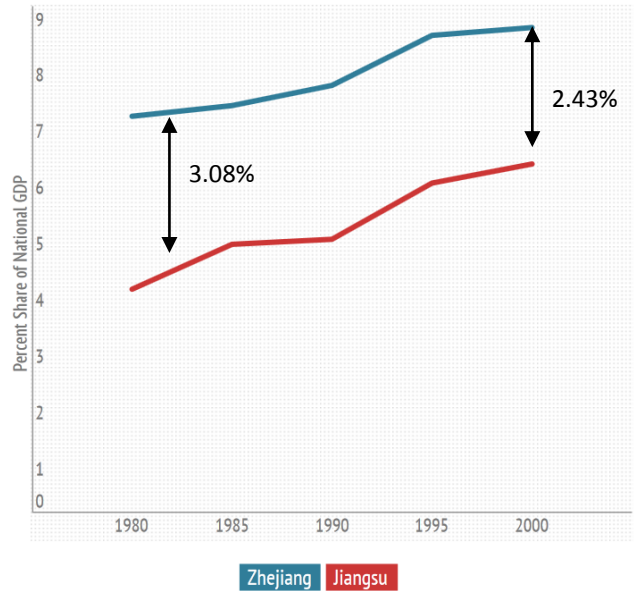
A famous example of local policy discrepancies was the adoption of contrasting economic reform models in Jiangsu and Zhejiang provinces during the early years of China's economic reforms:

Sunan Model (Jiangsu)

- Government-sponsored and operated enterprise management, including limits on management pay and strict official supervision
- More support for collective "township and village enterprises" (TVEs), including penalties for workers who left TVEs
- Stricter legal and financial constraints on private firms

Wenzhou Model (Zhejiang)

- Less government intervention in enterprise management
- More support for private enterprises
- Greater access to credit for private firms



By 2000, the gap between the economies of the neighboring provinces as a percentage of national GDP had narrowed, prompting some economists to call the Wenzhou model a success; Source: NBS

The text of China's 2003 *Administrative Licensing Law* presents a more common, although less-far-reaching example of the national government's allowance for local policymaking differences.

Article 12 of the law lists matters for which administrative licenses may be issued. However, Article 15 states that local governments may create licensing regulations "in the absence of any law or administrative regulation on the matter listed in Article 12" provided that local licensing regulations do not limit the production, operation or provision of services performed by individuals or firms from another area, or limit market access for goods made elsewhere.

There are advantages and disadvantages to policy variations between jurisdictions:

Advantages:

- More opportunities for the central government to learn from experimentation
- Policies may be better tailored to match local realities

Disadvantages:

- National authorities must be vigilant to prevent the adoption of local policies that weaken national policies
- Steeper market learning curve for firms that wish to expand nationally



Influencing the Process

Foreign enterprises who wish to reach out to and influence Chinese government stakeholders must develop an understanding of a complicated and unfamiliar policymaking context. These firms may confront a steep learning curve. However, with the assistance of a communications consultancy that knows the ropes, they can significantly speed up the process.

- At the national level, a communications consultancy can apply influence during the consultation process by securing the support of academics or policy experts who can advocate a position to policy drafters.
- At the local level, a consultancy can help firms build relationships with officials and other local stakeholders whose support will be required for short-, medium-, and long-term success in the target jurisdiction. These relationships may help provide access to decision makers during the local policy implementation process. Frequently, it is this implementation process that has the biggest commercial impact for businesses.
- Finally, at any level of government, a consultancy can provide ongoing research into and advice on the policy environment so as to provide firms with the context they need to interpret regulatory developments as they happen.