

By continuing to use this site you consent to the use of cookies on your device as described in our [cookie policy](#) unless you have disabled them. You can change your [cookie settings](#) at any time but parts of our site will not function correctly without them.

**Lou Jiwei**

# China replaces finance minister Lou Jiwei

Removal of outspoken reformist comes amid global concerns about country's economy



*Lou Jiwei, one of China's most outspoken economic reformists © AFP*

NOVEMBER 7, 2016 by: **Tom Mitchell** and **Yuan Yang** in Beijing

China has replaced its finance minister, removing one of the country's most [outspoken reformists \(http://next.ft.com/content/343dcoac-2d5c-11e6-bf8d-26294ad519fc\)](http://next.ft.com/content/343dcoac-2d5c-11e6-bf8d-26294ad519fc) at a time of global concern over its economic slowdown.

Lou Jiwei will be replaced by Xiao Jie, state news agency Xinhua reported, citing an announcement from the Standing Committee of the National People's Congress, China's parliament.

Alongside People's Bank of China governor Zhou Xiaochuan, Mr Lou was regarded as one of the government's most competent economic officials. He tackled a number of difficult reforms, including local government financing, and had earlier served as head of China Investment Corp, Beijing's sovereign wealth fund.

With a key [Communist party congress \(http://next.ft.com/content/2fa0a3be-9fe1-11e6-891e-abe238dee8e2\)](http://next.ft.com/content/2fa0a3be-9fe1-11e6-891e-abe238dee8e2) a year away, Beijing has recently made several ministerial appointments. New state security and civil affairs ministers were also announced on Monday.

Mr Lou, who turns 66 next month, was unlikely to be reappointed when China's next government formally takes office in March 2018.

“It's normal for cadres at ministerial level to step down at his age,” said Qiao Mu, a Beijing-based academic. “The party is making personnel adjustments ahead of [next year's] congress.”

But the sudden departure of such a prominent figure still surprised many analysts.

Eswar Prasad, a professor at New York's Cornell University and former head of the International Monetary Fund's China division, noted that Mr Lou had played a key role in President Xi Jinping's larger effort to rebalance China's economy away from its traditional reliance on investment-led growth.

“Fiscal reforms are a key component of China’s rebalancing strategy and Lou had both the prowess and technical knowledge to push forward some of those reforms in the face of tough political opposition,” Prof Prasad said.

Mr Lou is also one of the Chinese government’s most pugnacious and articulate voices on the international stage. He has publicly challenged Donald Trump’s trade policies and rejected criticism of China’s industrial policies by his US counterpart, Jack Lew.

In an exchange with Mr Lew in June over alleged market distortions blamed on cheap Chinese steel exports, Mr Lou argued that privately owned mills accounted for half of domestic output and did “not take direction” from the central government.

He has been equally blunt in domestic policy debates. In July he told a meeting of G20 finance ministers in Chengdu that the introduction of a property tax was the Chinese government’s “next task”.

This would be hugely unpopular with one of the Chinese Communist party’s most important constituencies — urban property owners — and has been experimented with in only a few cities, including [Chongqing \(http://next.ft.com/content/2d117204-9758-11e6-a1dc-bdf38d484582\)](http://next.ft.com/content/2d117204-9758-11e6-a1dc-bdf38d484582) and Shanghai.

As recently as last week, Mr Lou said the government was

“actively pursuing” property, income and environmental tax reforms.

Mr Lou’s focus on property tax reform was consistent with his larger concerns about the government’s future financial challenges, especially with a demographic crisis looming. The Chinese government has only recently moved to relax its decades-old “one-child” policy. One unintended consequence of the policy is a smaller workforce that will struggle to support a much larger retiree population.

As finance minister, Mr Lou banned local governments from borrowing through shadowy special-purpose vehicles, while encouraging them to issue bonds instead. “Flushing such borrowing into the open was an important element of reining in the expansion of local government debt,” Prof Prasad said.

The new finance minister, Mr Xiao, worked under Premier Li Keqiang as vice-secretary at the State Council. Before that he headed the state tax bureau for six years.

“Xiao is definitely one of Xi's people but he could be seen as a co-ordinator between Xi and Li, having worked so closely with Li,” said a Beijing-based policy analyst who did not want to be named.

Mr Xiao, 59, started his career in the ministry of finance and later spent two years as the Communist party’s most senior official in southern Hunan province.