



English Version No 6/2016 (30 September 2016 – 27 October)

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## POLITICS

### Sixth Plenum of the Central Committee tightens party discipline rules

The sixth plenary session of the 18th Central Committee took place from 24–27 October. The plenum focused on the Communist Party’s internal supervision mechanisms and the ongoing fight against corruption. Revised rules on discipline are intended to strengthen party leadership and unite the party’s rank and file, according to *Xinhua*, the party-state news agency.

Two documents were at the centre of this year’s plenary session: One concerning the norms of political life within the Party and a revision to an intra-Party supervision regulation. *Rules of cadre accountability* released earlier this year already called on party members to show more loyalty and included open warnings not ‘soiling the party’s reputation’. Many *observers* see this development as a clear indication that the top leadership is not willing to tolerate any form of criticism in public.

It is most likely, that the sixth plenum has approved establishing a new committee to prepare for the 19<sup>th</sup> Party Congress to be held next autumn. This preparatory committee usually proposes candidates for leadership positions and drafts the Central Committee’s political report. In addition, it monitors the election process of 2,300-odd delegates to the Party Congress and suggests amendments to the Party Constitution.



EN: <http://www.scmp.com/news/china/policies-politics/article/2039427/what-chinese-communist-partys-sixth-ple-num-and-why-does>

CN: [http://news.ifeng.com/a/20161024/50143670\\_0.shtml](http://news.ifeng.com/a/20161024/50143670_0.shtml)

### Is this the very last petition? Hundreds protest against Ministry of Justice

On 10 October, *44 solicitors* and 375 other Chinese citizens submitted a petition calling for the Minister of Justice, Wu Aiyang, to be dismissed. The signatories claim her ministry is acting in violation of the Chinese Constitution and encroaching on the rights of law firms and their staff.

Two days earlier, on 8 October, 168 solicitors had complained in an open letter to the Chinese State Council that the revised regulations on the management of law firms ('Administrative Measures for Law Firms', [律师事务所管理办法](#)) violated their right to freedom of expression, among other things. The new version of the legislation is to come into force on 1 November. According to the regulations, law firms will face legal consequences if any of their solicitors write open letters, sign petitions or attempt to exert pressure on the judiciary. Besides, these firms will be liable for statements by their employees, which 'provoke dissatisfaction with the Communist Party or the Government' (挑动对党和政府的不满).

Government pressure on legal specialists has increased rapidly since 2015: last July, more than 200 **human rights lawyers** were taken in for questioning or arrested by the police. This January, the authorities went a step further and shut down legal-advice centres for labourers and arrested four prominent lawyers specialising in **industrial law**.

EN: <https://www.ft.com/content/92c9e24e-8f96-11e6-a72e-b428cb934b78>

CN: <http://www.rfa.org/mandarin/yataibaodao/renquanfazhi/ql1-10042016105517.html>

## THE ECONOMY

### Changes for foreign investors: negative list to be rolled out nationwide – with exceptions

A number of **changes to national laws** regulating foreign investment in China came into effect on 1 October. These are the first steps towards the countrywide roll-out of the so-called negative list approach (负面清单模式) for foreign investments. The aim is to reduce bureaucratic hurdles for foreign businesses. The idea of a negative list is to specify areas that are off limits to foreign capital. Areas not on the list would only be subjected to a record-filing process, a shift from the previous case-by-case approval regime.

Contrary to some expectations, legislators did not, however, immediately issue a new negative list based on the existing free trade zone precedents. Negative lists have been piloted over the last three years in several free-trade zones (FTZs) in Shanghai, Guangdong, Fujian and in the northeastern city of Tianjin. Seven new free-trade zones will also adopt a similar approach.

The revised central laws have now established the principle of a national "negative list" but also clarified continuing exceptions. The revised laws were put into practice with an accompanying **notice** by the State Administration for Industry and Commerce (September 30), and other measures. Among these, "**Decision. No. 22**" defines that foreign investment falling into the restricted or prohibited categories of the current "Foreign Investment Industry Guidance Catalogue" still cannot enjoy the new simplified filing procedure. The actual roll-out of a uniform country-wide list is planned for 2018.

A spokesperson for the Ministry of Commerce said the planned national list was likely to be shortened in future, further reducing restrictions on foreign companies in China. Trade bodies such as the **European Chamber of Commerce** have repeatedly criticised the slow progress in this area, arguing that changes to such lists are only cosmetic while important sectors of the economy remain off limits to

foreign investors. The negative list approach is also at the heart of the negotiations between the United States and China on a bilateral investment treaty.

EN: <http://www.shanghaidaily.com/business/finance/FTZ-negative-list-to-be-introduced-across-China/shdaily.shtml>

CN: <http://news.takungpao.com/mainland/focus/2016-09/3375215.html>

### **No sign of stability yet: China's currency is still under pressure**

The guardians of China's national currency continue to worry about the stability of the yuan. The CNY's exchange rate in relation to the US dollar keeps falling due to the prolonged outflow of capital. China's currency reserves shrank by **19 billion USD** in September, exceeding expectations. The exchange rate against the dollar plummeted to a six-year low at the beginning of last week. Even so, China's central bank (the People's Bank of China) chose not to intervene on the forex markets to stabilize the currency, but, it tolerated a drop in the value of the yuan to the psychologically significant threshold of 6.7 CNY per USD.

Chinese exporters, who took some buffeting recently, will no doubt find this devaluation beneficial, but prolonged capital outflows nevertheless pose a threat to the Chinese economy. Concerned about the ongoing devaluation Chinese investors are hoping for better returns on their capital outside the PRC.

In expectation of an imminent rise in the base interest rate in the US and of slower economic growth in China, the Chinese central bank is attempting to stem further outflows of capital. Even though there has not been an announcement on a tightening of existing capital account controls, there are some **signs** that it has become harder for businesses and individuals to transfer their money abroad. Chinese businesses were, in fact, warned about **attempting to transfer funds to foreign bank accounts**.

EN: <http://asia.nikkei.com/Markets/Currencies/China-s-central-bank-stands-by-as-yuan-plumbs-six-year-low>

CN: <http://news.cnstock.com/paper,2016-10-18,732155.htm>

## **SOCIETY AND THE MEDIA**

### **Online news platform is sanctioned for 'violating propaganda discipline'**

On 11 October, the Cyberspace Administration of China ordered website operators not to re-post any reports by Caixin Online (财新), a liberal online news platform, for the next two months. Caixin had repeatedly 'violated news and propaganda discipline', according to **an official notice**.

Unlike other commercial news platforms such as Sina or Sohu, Caixin Online has a licence to publish original reporting on a certain subjects rather than reproducing content by party-led media channels. All commercial media outlets need such a license if they want to report on current affairs and/ or potentially sensitive issues.

In the past, Caixin Online, which was founded in 2009 by investigative journalist Hu Shuli, became famous for its investigative reporting and for exposing political and economic scandals (among others, Caixin provided rich detail to the arrest of Zhou Yongkang and Ling Jihua, two top-level former cadres in the Chinese Communist Party). Other news channels were happy to reprint these articles, regarding them as an alternative to the one-sided accounts provided by China's official press agency Xinhua. This is why the ban also comes as a financial blow to Caixin: revenue from royalties paid by other media channels for republishing its content will now dry up for at least two months.

Observers assume that the temporary ban was triggered by the platform's reporting on lawyers' protests against recent restrictions imposed on law firms (see the report above). Moreover, **overseas media speculate** about a power struggle within China's leading institutions. These accounts view the fact that Caixin was not shut down altogether as an indication of the weakening influence of Liu Yunshan, who is head of the Propaganda Department and likely to challenge Xi Jinping for leadership of the Party and the Chinese state.

EN: <https://medium.com/china-media-project/speak-not-of-lawyers-speaking-out-94eb69edec3f#.nnjih8f55>

CN: <http://www.rfa.org/mandarin/yataibaodao/meiti/ql1-10122016100659.html>

### Exemplary Chinese tourists create a good impression of the country abroad



Image by Imagine China

China's National Tourism Administration (CNTA) has launched an initiative called 'Good Chinese Tourists' (中国好游客) together with Xinhua, the state's official news agency, and Ctrip, one of the biggest travel agencies in the country. The aim is to improve China's image abroad by reporting about tourists whose behaviour has been exemplary.

The programme is partly a response to a slew of media reports in Chinese and English about mainland holidaymakers misbehaving abroad and, unwittingly, helping to create a poor impression of China in general. Some of the worst behaviour involved 'air rage' incidents on flights to popular tourist destinations, damage to historical sites and disrespectful behaviour towards local customs and traditions. In fact, the CNTA published a 64-page guide on good behaviour as early as 2013 and created a blacklist of known 'miscreants' two years later. Since last August, anyone whose name appears on that list has to reckon with problems when booking flights. The initiative is now also focusing on good behaviour. Readers of *The People's Daily*, a Party-state newspaper, got a first taste last month when the paper printed pictures of Chinese football fans picking up litter after a match in South Korea.

The Chinese tourism sector is growing rapidly: more than 59 million Chinese are reported to have travelled to overseas destinations in the first six months of 2016. Official forecasts say 600 million travellers are expected to follow over the next five years.

EN: <http://www.thejakartapost.com/travel/2016/09/27/good-tourists-to-improve-chinas-image-abroad.html>  
CN: <http://tech.huanqiu.com/internet/2016-09/9489801.html>

## THE EUROPEAN DEBATE ON CHINA

### Can EU–ASEAN cooperation be a counterweight to China's influence in South East Asia?

On 14 October, the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) adopted the Bangkok declaration on promoting an ASEAN–EU global partnership for shared strategic goals at their 21st ministerial meeting in Thailand. In addition to continuing existing dialogues on trade and commerce, the two parties plan to increase their security cooperation in fields like maritime security and crisis mediation.

In 2014, the EU had already increased its financial support for 'the ASEAN integration process' and ASEAN's secretariat to 196 million EUR until 2020, thereby doubling its previous commitment. The announcement to intensify security co-operation is a testament to Europe's commitment to strengthening political cohesion among the ASEAN, especially in light of growing tensions with China over the South China Sea.

ASEAN's member states have rarely agreed on a common policy in the past, however. Part of the reason for this has been the dramatic increase in China's economic and diplomatic influence in the region in general and on individual countries in particular. Beijing is interested in maintaining intensive trade relations with all ASEAN members, as was demonstrated in the conclusion of a free-trade agreement between the PRC and ASEAN in 2010. Yet at the same time, the Chinese government is building up a

network of privileged bilateral relations with individual ASEAN member states – and is playing them off against each other with ever more success.

Chinese President Xi Jinping's official visit to Cambodia, which took place while the ASEAN-EU ministerial meeting was being held, showed just how difficult it is to strengthen ASEAN politically in the way the EU would like to do it. When Beijing chose to ignore the ruling of an international tribunal in The Hague **on the territorial conflict in the South China Sea**, Cambodia vetoed an ASEAN declaration on China's obvious breach of international law. As a gesture of gratitude, Xi then announced additional **aid and investment** for Cambodia and emphasized the 'loyal friendship' between Phnom Penh and Beijing.

While Cambodia has been positioning itself as **China's closest ally in South East Asia** since 2000, other South East Asian countries have recently sought a warmer relationship with the PRC as well. In the Philippines, President Duterte feels encouraged to wage his ferocious war on drug-traffickers after it **won Beijing's support** and he even publicly questioned the continued existence of close ties with the US on his recent state visit to China. Thailand's military government has willingly repatriated alleged Chinese separatists and dissidents **to China** throughout the past two years.

In view of these individual national agendas, strengthening the organisation's joint foreign policy seems to be an unrealistic goal for Europe. At the same time, the EU has hardly any other means to influence the spiralling conflict in the region, an area of strategic and economic importance to Europe.

EN: [https://eeas.europa.eu/node/12024\\_en](https://eeas.europa.eu/node/12024_en)

EN: <http://www.reuters.com/article/us-china-cambodia-idUSKCN12D0NV>

## THE LATEST FROM MERICS

### Latest publications

- MERICS China Monitor No. 35: **China's overrated service sector: Missing dynamics threaten growth target**, by Max J. Zenglein

### Latest blog posts

- **China's social security system: increasing equality, looming risks**, by Matthias Stepan
- **How China's rise contributes to polarization in the West**, by Mikko Huotari and Sebastian Heilmann
- **China's service sector frailties may thwart key reforms**, by Max J. Zenglein

### Latest podcasts

- Episode 27: **Kevin Rudd on China's nascent strategy for a new global order**
- Episode 26 with Zhang Jieping: **There's a huge appetite for independent journalism**

### **MERICS in the media**

- **Is the Belt and Road Initiative Globalizing China's National Security Policy?**, Sabine Mokry, "The Diplomat", 17 October 2016
- **Beijing's Brittle Strength: Under Xi Jinping, China is becoming too rigid to address its economic and political problems**, Sebastian Heilmann, The Wall Street Journal, 10 October 2016

### **Job vacancies**

- MERICS is looking for two full-time **interns** contributing to MERICS research programs starting in January 2016.

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