

Press Highlights  
09 August 2017

**Keywords:** Multi-level marketing, rental housing, bike-sharing service, Sun Zhengcai, People's Liberation Army, joint checkpoint in Hong Kong's West Kowloon.



Source: [Sina Finance](#)

## Mainland China

### Society

#### **1. Mass protests in Beijing against the closure of self-proclaimed charitable organization Shanxinhui**

Since 21 July, an unusual protest broke out in Beijing with over thousands of people who were dissatisfied about the arrest of and investigation into the head of a Shenzhen-based company called Shanxinhui (善心汇), calling the central authority to intervene into the case. The company is said to guarantee quick profits for members who contribute a certain amount of investments in the name of charity. Some media reports claimed that as many as 60,000 people had participated (related video [here](#)), and regarded the incident as the largest protest in Beijing since the Falun Gong in 1999. The Beijing police soon dispersed the protest with the arrest of some instigators. Official media labelled Shanxinhui as a fraudulent pyramid scheme involving illegal multi-level marketing, while some Shanxinhui members disagreed. The arrest of related parties continued in [Hubei](#), [Henan](#), and [Guangdong](#) provinces after the protest in Beijing. According to the police, illegal multi-level marketing is on a rapid rise in the name of e-commerce, and an [article](#) on The Paper also suggests the company might be implicated with illegal fundraising as well. According to a report recently published by the Beijing Academy of Social Sciences, illegal fundraising has exponentially grown in number in recent years, especially in the area of e-commerce. As an evidence of the popularity for e-commerce in China, [another report](#) recently shows that Chinese citizens in big cities such as Shenzhen, Guangzhou, Shanghai and Beijing are now accustomed to e-payment as over 80% of

respondents feel at ease when carrying no cash for their daily life but only their mobile phone with e-payment function.

- //Hundreds of investors gathered in Beijing on Monday to protest the government’s investigation into Shanxinhui—a self-proclaimed charity that has been shut down by authorities for operating a pyramid investment scheme in guise of helping the poor—and the arrest of its founder Zhang Tianming. Police have begun a clearance operation at the protest site and declared the rallies “illegal,” [...] China Public Security Minister has vowed to crack down on financial crime and fraud due to the risk of social unrest that can result from fundraising schemes targeting large numbers of small-time investors.// Source: [China Digital Times](#), 25 July 2017.
- //“A preliminary investigation indicates that Zhang and others are suspected of using ‘alleviating poverty and distributing wealth’ as a front to plan, manipulate and lead members to join pyramid scheme activities, defrauding [them] of a large amount of wealth,” read the Xinhua statement. A Shanxinhui member interviewed by Hong Kong’s RTHK claimed that people who made donations to the company would, in turn, receive larger sums of donations from other members, thereby reaping a profit. However, the member said that he donated his money voluntarily, and denied he was participating in a pyramid scheme. [...] Hong Kong’s Apple Daily reported on Monday that demonstrators had gathered to protest against the government’s investigation into Shanxinhui, which had resulted in the freezing of funds that a petitioner claimed “were being used to support the poor and disabled across the country.” The newspaper also reported that rumours spread earlier in the year claiming that officials in the city of Yongzhou, Hunan province had blackmailed Shanxinhui, threatening to label the company a pyramid scheme if it did not pay them RMB 20 million (HK\$23 million). However, Yongzhou’s Communist Party committee denied the rumours in a Weibo post last month.// Source: [HKFP](#), 25 July 2017.
- // 公安部有关负责人表示，近年来，传销犯罪案件持续高发，不法分子不断变换犯罪手法，利用“金融互助”“爱心慈善”“虚拟货币”“电子商务”“微信营销”等各种名目，策划、组织传销活动，严重侵害人民群众财产安全，严重扰乱经济社会秩序。公安机关将继续保持高压严打态势，坚决予以严厉打击，切实维护广大人民群众合法权益。[...] 中央民族大学法学院教授邓建鹏表示，如果善心汇系统经营公司的工商注册范围，主要是文化传播等，但其实际的经营行为却是面向公众募集资金，则可能涉嫌非法经营。// Source: [The Paper](#), 27 July 2017.
- //近年来，北京的非法集资犯罪案件发案量呈现井喷式增长，司法机关在办案过程中面临法律适用方面的较多争议。北京市社会科学院、社会科学文献出版社日前共同发布《北京社会治理发展报告（2016~2017）》蓝皮书（下称报告），披露了上述内容。研究显示，北京市非法集资类

犯罪发案数量、投资人数、涉案金额均呈上升态势，尤其是在“互联网+”的语境下，如“e租宝”等打着互联网金融旗号的非法集资等案件频发，并引发如群体性事件等次生问题。// Source: [Caixin](#), 29 July 2017.

## 2. Death of a university graduate with suspected illegal multi-level marketing caused social controversy

A 23-year-old university graduate Li Wenxing (李文星) was recently found dead in Tianjin after joining an illegal multi-level marketing company named *Diebeilei* (蝶蓓蕾). The phenomenon of illegal multi-level marketing (非法传销) has been evident in China for a period of time and the death of Li Wenxing unleashes a new round of social discussions about what are the causes leading to his death. For example, they discussed how the pressure for new university graduate to have a job may make them vulnerable to the illusion of well-paid positions in illegal multi-level marketing ([here](#) by the News Lens), how the collusion between the local police and the triad society which controls those illegal multi-level marketing companies may support the latter's resilience to constant state repression ([here](#) on the Beijing News), how ineffective of the existing laws to uproot the illegal multi-level marketing groups ([here](#) on The Paper), or what responsibility should the job marketing platform bear in the incident ([here](#) on CRNTT). On The Paper, there is an [article](#) which outlines the development of illegal multi-level marketing in China with its distinctive characteristics. Also, his death as well as the recent mass protest in Beijing related to illegal multi-level marketing trigger off a new campaign by the local government to fight against illegal multi-level marketing activities in Tianjin.

- //短短的兩個月，成了李文星家人一輩子都揮之不去的夢魘。一份本以為是上市公司敲門磚的Offer，最終卻引李文星走向了生命的盡頭。而當初在「BOSS直聘」上與李文星聯繫的「北京科藍公司」，只不過是一家冒名招聘的「李鬼」公司，是不法分子的傳銷組織。[...]「這個傳銷組織叫『蝶蓓蕾』，是做一款所謂的化妝產品。我們這個所謂的『家』就相當於一個組織，內部有一定的等級，我們所有被騙進來的人必須交2900元買一套蝶蓓蕾的化妝品，買了之後，我們這些普通人就被稱為『老闆』。[...]所謂的賣產品，就是騙親戚和朋友交錢，但實際上這個化妝品只是個概念，我從頭到尾都沒見過產品。」// Source: [The News Lens](#), 05 August 2017.
- //根据多家媒体的报道，天津静海的传销问题持续多年，当地民众已习以为常。虽然当地警方也进行了多次打击，但传销组织一直与警方打游击。显然，面对一个区域内长期发生的大规模传销现象，单靠个别零星的打击恐怕无能为力，展开有组织、大规模的清查行动很有必要。从这意义上说，静海区此次打击传销“凌晨行动”值得肯定，也值得其他一些传销重灾区学习。根据此前许多报道可以发现，为了搭救传销组织的亲人，许多人只能采取自力救济的办法，花钱疏通传销组织所在地的“关系”，才能救出亲人。有时，执法部门在接到求助后也会给予帮助，但往往是以个案处理了事。甚至，一些执法部门及人员可能与传销组织存在勾结。如之前广西来宾的传销乱象中，一些传销

者被抓之后只要给钱就能出来，“每个级别都明码标价”。// Source: [The Beijing News](#), 07 August 2017.

- //一些业内人士认为，除了职能部门加大打击、民间反传销组织规范运行，整治传销还需要全社会的重视——一些人的暴富心理、对传销缺乏认知，以及中国式的人情关系网，都为传销的蔓延提供了土壤。凌云[中国反传销志愿者联盟和反传销网的创始人]介绍，近年来大学生已成为我国传销的生力军。这一方面来自求职的压力，另一方面，许多大学生对传销本质认识不深，还需要加大宣传，形成全社会反传销的合力。// Source: [The Paper](#), 07 August 2017.

### 3. New guidelines for medical reform to re-define the role of public hospitals

As a follow-up to the medical reform [announced](#) in April 2017, there are reform measures to improve the medical sector in a comprehensive manner (for details see [the article](#) on the Sixth Tone). In a recent effort, the State Council announced [guidelines](#) (关于建立现代医院管理制度的指导意见) which aim to develop a modernized hospital system by re-defining the relationship between the government bureau and public hospitals. In a bit detail, it allows hospitals more autonomy in operations while emphasizing the public nature of hospitals with governmental supervision. It also disallows the link between doctors' salaries and sales of drugs or medical services. Meanwhile, the State Council also pursued a reform in medical education, aiming to encourage more qualified doctors to serve patients at community levels. The state objective is to establish a modernized system of hospital management by 2020.

- //近日，国务院办公厅印发《关于建立现代医院管理制度的指导意见》(以下简称《指导意见》)，对建立现代医院作出系列部署。[...] **指导意见**指出，现代医院首先坚持公立医院的公益性，坚持以人民健康为中心，把人民健康放在优先发展的战略地位。现代医院坚持政事分开、管办分开，合理界定政府监督职责，并给予了公立医院自主运营**管理权**。[...] 北京大学医学部公共卫生学院教授吴明认为，《指导意见》在给予公立医院自主运营**管理权**的同时，同步推进医保支付方式、取消药品加成、调整医疗服务价格、降低药品耗材价格、“两票制”等改革，并建立有效的医疗服务市场竞争机制，形成对公立医院的有效约束，以保证院长“有权不任性”。[...] 按照有关规定，医院可以探索实行目标年薪制和协议薪酬。医务人员薪酬不得与药品、卫生材料、检查、化验等业务收入挂钩。严禁给医务人员设定创收指标。// Source: [Xinhua](#), 27 July 2017.
- //China's cabinet announced Tuesday details of medical education reforms aimed at improving the quality and quantity of professionals entering the country's health care system. **A lack of qualified medical professionals is at the heart of a bottleneck limiting wide-reaching health care reforms, according to the Ministry of Education's director of higher education, Wu Yan, speaking Wednesday at a press conference held by the Ministry of**

Education, the National Health and Family Planning Commission (NHFPC), and the State Administration of Traditional Chinese Medicine.[...] **“China has never had a comprehensive strategy for medical education, and that is why there are many problems in our current medical education system,” Hu Shanlian, a professor in the public health department at Fudan University in Shanghai, told Sixth Tone. “The severe lack of qualified doctors, and the uneven and unreasonable allocation of talent between regions — between cities and the countryside, and between different medical departments — have become major problems with the medical system.” [...] In line with China’s recent round of health care reform, which emphasizes strengthening primary care at the local level, the new guidelines address the need to bolster the country’s qualified doctors and general physicians at community-level medical institutes, particularly in rural and remote regions. [...] Hu, who sees the notice as a milestone, remains concerned about the lack of funding in medical education when compared to the financial investment that big public hospitals in cities enjoy.// Source: [Sixth Tone](#), 15 July 2017.**

## Economy

### **4. Guangzhou to partially equalize tenants’ legal rights with that of owners under overheating property market**

In recent years, the central authorities have asked local governments to develop rental markets by granting tenants’ right to urban social service in a way to curb property prices in big cities (for details see [here](#) by Caixin Global and [here](#) by Sina Finance). The Ministry of Housing and Urban-Rural Development recently announced a pilot scheme to strengthen the rental housing market with 12 cities, including Shenzhen, Guangzhou, etc. On 17 July, Guangzhou announced that tenants will be able to enjoy the same right to public education for their children as the owners of the house in a way to boost rental demand while suppressing property prices. Spencer Sheehan from The Diplomat analyzed that the rental housing reform in Guangzhou benefits landlords, tenants and developers alike. Yet, many observers pointed out that the new policy does not benefit migrant workers who are the largest population of the city but only a handful of talented migrants whom local governments want to attract. Some argued the property prices surrounding good schools will not go down as the boost in rental will also attract property investors ([here](#) on SCMP). Some contended that the idea that renting a house is equivalent to owning one may not be culturally appealing to the Chinese citizens ([here](#) on EJ Insight). Hu Shuli, the Editor-in-chief of the Caixin Media also commended the measure but insisted that it must accompany reforms in other aspects of the rights of urban dwellers such as medical benefits associated with the urban *hukou* as a way to make it a comprehensive reform.

- //Under the new regulation, tenants who hold a Guangzhou "hukou" (household registration) or a skilled worker certificate, will be able to enroll their children in elementary and middle schools. Sun Bushu, deputy director

of South China City Research Association, called the regulation "commendable" as it addresses issues in the property market and will help attract more people with skills to the city. However, the fact that education resources are lacking remains unchanged, and it is not possible to guarantee complete equal rights for everyone, Sun said. **"The main group of people who will benefit from the policy are skilled workers or people whom the city wants to attract, not migrant workers," said Sun.** [...] Last year, the State Council ordered local governments to develop the rental market. In Shanghai, new land has been allocated for real estate development on the condition that apartment will be for rent, not for sale.// Source: [Xinhua](#), 19 July 2017.

- //This is undoubtedly good news for landlords owning property close to sought-after schools. With annual rental yields falling below 2 percent recently, **landlords may be able to pass on higher rents and boost their yields, as the policy change is expected to spur rental demand. For developers, the policy change is just what they have been waiting for. Major players, including Vanke, are attempting to shift their business models away from sales-led development to which also include construction projects for long-term leasing. For tenants, the new policy is a welcome change, but will be limited in scope.** The new rules only apply to official Guangzhou residents, or highly qualified migrants with acceptable scores according to the government's new points-based urban residency system. This means that a large part of Guangzhou's population, which was estimated in 2014 to include 8.37 million "floating" or non-resident migrant citizens, will not be able to enjoy the rights extended under the newly announced policy.// Source: [The Diplomat](#), 01 August 2017.
- // On July 20, a notice was issued by the Ministry of Housing and Urban-Rural Development and other government departments saying that measures would be taken in cities with net population inflows, including increasing rental housing supplies and setting up a government-backed home rental service platform. **Pilot projects will first start in 12 cities, including Guangzhou, Shenzhen, Nanjing and Hangzhou. In the future, cities such as Wuhan, Shenyang and Wuxi will announce plans to grant more rights to tenants.** China's property market has shown signs of cooling as prices have faltered in major cities amid tough government curbs.// Source: [Xinhua](#), 04 August 2017.
- //Protecting renters' rights in China has huge implications. Many cities extend only to property owners important public services, such as having the right for their children to attend a nearby school. Officials with the housing authority said earlier this year that they will seek to draft laws so renters and owners have equal rights. Such a step would be positive. But equal access to public services cannot be guaranteed by just a piece of paper. **Equal rights for renters could be an empty promise if the change does not come with deeper reforms in policies applying to urban dwellers, such as medical**

**benefits connected to residence registration.**// Source: [Caixin Global](#), 01 August 2017.

- **//China's home ownership rate ranks among the top in the world, with over 90% of the population living in owner-occupied housing**, according to figures from database Trading Economics at the end of 2014. This compares with the U.S., at just over 60%, while in Germany and Switzerland, two of the nations best known for robust regulations that support tenant's rights and keep residential rents affordable, home ownership rates are as low as 50% and 43% respectively. **Housing authorities have been signaling their intention to better support the rental market since 2016, proposing a goal to "lend equal support to home ownership and rentals", amid an overheated residential property market.**// Source: [Caixin Global](#), 20 May 2017.

## **5. Bike-sharing service on a rapid rise in China**

The Internet Network Information Centre of the Chinese government recently published that around 14% of Chinese Internet users rent a bike with smartphones where bike-sharing service was introduced to China around a year ago. Some Chinese bike-sharing companies have already expanded their service to Europe, which had recently been praised by state-owned media as "the western world welcoming Chinese innovation". The media has previously reported some impacts of rapid bike-sharing service such as blocking sidewalks by a number of chaotic shared bikes ([here](#) by Reuters) and the disorderly expansion of bicycle fleets by various companies ([here](#) on China Dialogue). A number of bike-sharing companies such as Tencent-backed Mobike and Alibaba-supported Ofo argued that such service is environmental-friendly as it reduces the use of cars (details [here](#) on China Dialogue). The Chinese authorities recently published guidelines in July this year to regulate the fast-growing industry, requiring bike-sharing companies not to violate the legal right of customers to data privacy and the legal requirements for the national internet security among others.

- **//The number of people using mobile apps to rent bikes reached 106 million by the end of June, says China Internet Network Information Center, the Chinese government's online industry research facility.** The centre, which for the first time included bike-sharing in its biennial internet report, said around 14 per cent of China's 751 million internet users have now used smartphones to rent a bike, fueled by "technology development" and "capital injection". **Hu Weiwei, one of the co-founders of Mobike, said the most satisfying thing for her bike-sharing venture is that a tenth of China's urban dwellers now choose a bike as their main mode of transport, up from 5 per cent a year ago. The government is actively encouraging bike-sharing, too, offering a lot more designated parking areas,"** she told a forum in Beijing on Saturday. [...] Start-ups have bombarded users with introductory offers coupons to attract more cycling – some for less than one yuan per hour--- and built extensive bike-rental networks, which have even **started to expand**

**markets beyond China.** Earlier this month, Tencent-backed Mobike launched its service in London, its third city in the United Kingdom, and Alibaba-backed Ofo announced a foray into Thailand.// Source: [SCMP](#), 06 August 2017.

- //A young Chinese company, Mobike, has created a fresh bike-sharing scheme that could change the lives of the people and the look of European cities, starting with the northern English city of Manchester, the first outside Asia to launch what is described as the world's first cashless and station-free bike-sharing scheme. [...] **Mobike is a foretaste of what may be a theme in the coming decade - the arrival of Chinese technologies in the rest of the world, in this case, the urban Western world.** [...] Mobike's deployment of Chinese technology in a Western setting is public and new. Pyer [Steve Pyer, the UK general manager for Mobike] said: "There are not many companies that have been born and bred in China and exported themselves to the world. Mobike is one of the pioneers of that." **Mobike and its experience rolling out across Europe will be watched as an example of what could happen with the application of Chinese technology and business.**// Source: [China Daily](#), 07 August 2017.
- //Nie Riming, a researcher at the Shanghai Institute of Finance and Law, **thinks that the rise of shared bikes is in large part caused by failures of urban and transportation planning. "Government-led public transport can't meet [people's] needs, so shared bikes have become popular.** The market is filling a gap, and the government should look at how to improve, rather than just worry about badly parked bikes or excessive numbers." "There's also a lack of standards for where bikes can be left, or any barriers to entry to the market, meaning a disorderly market," said Liu Daizong. "Shared bikes have developed rapidly and the government is bound to need time to react and to research appropriate policies – but I'm sure the authorities have acquired experience through regulation of the ride-sharing sector, which will allow for more effective management of shared bikes."// Source: [China Dialogue](#), 07 June 2017.

## **6. China's continued VPN crackdown raised uncertainties for citizens and foreign companies alike**

The Ministry of Industry and Information Technology launched a new round of crackdown on illegal VPN service, echoing the ministry's earlier regulation for all VPN services to be licensed in January this year. The latest crackdown has negatively affected a large number of ordinary Chinese citizens who used the VPN service from unregistered VPN providers (details [here](#) by the Initium in Chinese). Also, over 60 VPN Apps are recently removed from Apple Store in China without prior notice ([here](#) by BBC Chinese Edition in Chinese). The uncertainty surrounding the extent of the crackdown concerns foreign companies in China which rely on VPN for their communication with offices outside China.



- //Companies offering virtual private network services, which bypass the country's "Great Firewall", have had their operations closed or obstructed in recent weeks — a blow to foreign groups that rely on VPN services to connect their staff to services such as Google-provided email and uncensored news. [...] Analysts say the clampdown on online freedom is partly the result of sensitivity ahead of this autumn's crucial Communist party congress, at which the country's next generation of leaders may emerge. But the foreign business community fears the new cyber security law heralds a longer-term trend of stricter restrictions. [...] **"The movement this year appears to be more an effort to try to stop companies from providing VPN services to individual users [as opposed to businesses] within China,"** said Xiang Wang, Asia managing partner at Orrick, Herrington & Sutcliffe, the law firm. However, multinationals rely on the same commercial VPN services, such as ExpressVPN and Astrill, that supply individual users.// Source: [Financial Times](#), 31 July 2017.

## Politics

### **7. Sun Zhengcai and succession politics in China**

A number of commentators on the New York Times argued that the downfall of Sun Zhengcai could indicate that Xi Jinping is not going to follow the unwritten rules laid down by his predecessors, especially Hu Jintao, for political succession. Wang Xiangwei from SCMP pointed out that Sun Zhengcai and the current party head of Guangdong Province Hu Chunha have been previously agreed by Jiang Zemin and Hu Jintao as potential candidates for leadership after Xi Jinping.

- //The sudden fall from grace was taken as a warning that Mr. Xi will play succession politics by his own ruthless rules. "Sun Zhengcai was a sacrificial object to send a message across the party," said **Wu Qiang, a current affairs writer and former political science lecturer at Tsinghua University in Beijing.** **"Xi Jinping has signaled that he doesn't feel bound by the order of promotion set by the previous generation of leaders."** [...] **"If Sun Zhengcai is not promoted and in fact being brought down, being purged,"** said Susan L. Shirk, the chair of the 21st Century China Center at the University of California, San Diego, **"that really is an indication that the unwritten rules, or norms, of leadership succession are not being followed."** She saw the move as part of an effort by Mr. Xi to "consolidate as much power as he can" without being challenged by other members of the party elite. **"There have been people purged before and corruption has been the excuse, too,"** she said. **"But it seems like there's been more of that under Xi Jinping."**// Source: [New York Times](#), 22 July 2017.
- //在中共「十八大」上，廣東省委書記胡春華與孫政才因前任總書記胡錦濤欽點，被視為當今領導人習近平和李克強的接班人選，也因其共青團出身的背景被稱為「團派」。孫政才2012年接替薄熙來，成為重慶

市委書記。孫政才的落馬，意味當年安排的「胡孫體制」徹底出局。  
// Source: [United Daily News](#), 25 July 2017.

- //But Sun's fall from grace signals important political implications on many levels, particularly as **Chinese politics enters into a crucial phase and as the top leaders will soon head for the summer resort of Beidaihe to finalise a new leadership line-up to be approved at the party's 19th congress scheduled in autumn.** Sun is the first incumbent Politburo member to be investigated in Xi's first five-year term. [...] When Deng installed Jiang as the party leader in 1989, he also chose Hu as the next generation leader to succeed him in 2002. **When Jiang retired to make way for Hu, both reached an agreement to promote Sun, and Hu Chunhua, currently the party secretary of Guangdong, to the Politburo with an eye to have them to take over from Xi in 2022.** There has been longstanding speculation that Sun, who was politically close to Jiang and his allies, and Hu, a protégé of Hu Jintao, were groomed to become either the party head or the premier. Now Sun's downfall has thrown Hu's future into great uncertainty. He is unlikely to remain a contender for top leadership.// Source: [SCMP](#), 29 July 2017.

Meanwhile, SCMP reporter Jun Mai found out some senior cadres are not invited to the 19<sup>th</sup> Party Congress, which David Shambaugh regarded as unusual because members of the Party's Central Committee previously serve until their retirement. It is argued that the Party's youth league was targeted as perceived as the power base of the former leader Hu Jintao.

- //As China's once-every-five-years reshuffle at the top looms, **some senior politicians have surprisingly not yet received their invitations to the gathering,** attendance at which is a prerequisite for staying in the political elite. The omissions, including several top cadres from the Communist Youth League, underscored the shift of power and the tightened party discipline under President Xi Jinping, analysts said. [...] Such exclusions were rare, said **David Shambaugh, a professor of political science at George Washington University.** **"This is highly unusual and can only mean that these individuals will not be included in the next Central Committee,"** he said. **"Once on the Central Committee, 99 per cent of the time cadres remain there until retirement age."** [...] **"As we know, Xi Jinping has really gone after the Communist Youth League over the past year, trying to decimate the patronage networks there,"** he said. **"This would be consistent with the past year's actions." The youth league, the power base of former president Hu Jintao, has been overhauled since the fall of Hu's former chief of staff, Ling Jihua.** [...] **Chen Daoyin, a political scientist with the Shanghai University of Political Science and Law, said the new delegates list also bore the marks of Xi's unprecedented anti-corruption campaign, which had included tightening the election process for party congress delegates. The party has said political loyalty was the top criteria for selecting delegates.**// Source: [SCMP](#), 31 July 2017.

## 8. Messages from the 90<sup>th</sup> Anniversary of the PLA

At the commemoration of the 90<sup>th</sup> anniversary of the founding of the People's Liberation Army, Xi Jinping urged the PLA to stay absolutely loyal to the CCP. [His profile](#) as the red leader was widely praised in many news outlets in China around the time.

- //Mao famously said political power comes from the barrel of a gun, and Mr. Xi signaled that he, too, was counting on the military to stay ramrod loyal while he chooses a new leading lineup to be unveiled at a Communist Party congress in the autumn. [...] "Xi Jinping has spent more time on the military than any other leader," Professor Ding [Prof. Ding Xueliang, a political scientist at the Hong Kong University of Science and Technology] said by telephone. **"He knows clearly that eventually, if he wants to keep in power, if he wants to concentrate power even more, he must make sure the army is with him."** Mr. Xi's recent predecessors as national leader, Jiang Zemin and Hu Jintao, also prepared for leadership turnovers with crescendos of propaganda. **But the adulation around Mr. Xi has been strikingly worshipful.** More than them, Mr. Xi has made a personal case for power. **On Friday, Study Times, a party newspaper widely read by officials, devoted its front page to an adulatory profile of Mr. Xi that said he was blessed by his "red" upbringing with special leadership mettle.** [...] The profile has been widely promoted by party newspapers and websites, and its anonymous author was described as "special commentator," a title usually used for articles with high-level endorsement. **"I never saw anything like this for Jiang Zemin or Hu Jintao,"** said Mr. Deng, the former editor, who used to work for Study Times. **"They didn't get this treatment."**// Source: [New York Times](#), 30 July 2017.

In a related development, the PLA Navy has recently opened the first naval base outside China in Djibouti, along with military installations of the US, the UK, France, and Japan in the same area. According to Xinhua, the naval base will help China fulfill international obligations, and serve as a "logistics centre".

- //The ceremony marked the first time that China has opened a military support base overseas. **It will fulfill China's international obligations regarding humanitarian aid and escort missions in the Gulf of Aden and waters off Somalia.**// Source: [Xinhua](#), 01 August 2017.
- //The Djibouti base has nothing to do with an arms race or military expansion, and China has no intention of turning the logistics center into a military foothold. As some political analysts have said, the significance of China's move to establish a base in Africa should not be underestimated, nor should it be exaggerated. [...] **The base has not been established for China's strategic deployment of military forces, but for implementing the country's escorting, peace-keeping and humanitarian aid missions in Africa and West Asia.**// Source: [Xinhua](#), 13 July 2017.

- //It's clear that China isn't just motivated by humanitarian efforts. Djibouti is located near the Suez Canal, through which as much as 10% of the world's sea-borne oil trade passes through every year. (Djibouti already houses several foreign security forces, including the United States military at Camp Lemonnier, Britain, Japan, and France.) **It's also part of China's One Belt One Road" project, a massive network of transport links that roughly follows the ancient Silk Road.**// Source: [Quartz](#), 01 August 2017.

## Diplomacy

### **9. China, North Korea and the United States**

North Korean government has repeatedly tested ICBM missiles despite the international calls for a stop. Donald Trump called for economic sanctions in the area of steel and intellectual property against China with his disappointment over China's infertile effort in pressuring the North Korean government. Meanwhile, a new UN Security Council Resolution which imposed further sanctions against North Korea was recently passed in unanimity, suggesting that the international community including China has a consensus to stop North Korea from missile testing. China's scholar as well as the head of foreign affairs Wang Yi urged the resumption of the Six-party talk. Some observers argued that the UN sanction signifies a win for China as it does not cover oil embargo which could significantly damage North Korea economically, and it does not affect much Chinese companies which have trades with North Korea either.

- **//But with little to show from those efforts, and no help from China in containing North Korea's nuclear weapons program, Trump has launched unilateral actions to address unfair trade in aluminum, steel and now IP. [...]** But he [trade expert Claude Barfield of the conservative American Enterprise Institute] warned that in going after China, "you've got to be willing to face up to the fact there will be retaliation." China likely will impose tariffs of its own, and file a WTO complaint against the United States, and public opinion might be in Beijing's favor defending itself from what would be seen as yet another Trump anti-free-trade move.// Source: [HKFP](#), 04 August 2017.
- **//The United Nations Security Council on Saturday unanimously adopted a resolution to impose the most punishing sanctions yet against North Korea over its repeated defiance of a ban on testing missiles and nuclear bombs.** The resolution, intended to press North Korea to renounce its nuclear militarization, **could reduce** the isolated country's already meager **annual export revenue by \$1 billion, or about a third of its current total.** Ambassador Nikki R. Haley of the United States, which introduced the resolution, said **its adoption by all 15 Council members signified what she called "a strong, united step toward holding North Korea accountable for its behavior."**// Source: [New York Times](#), 05 August 2017.

- //“It usually takes more time for the UN Security Council to adopt a resolution, but this time **the UN Security Council reached the agreement in just a week. And the sanctions are much stricter**, which proves that the international community shares a higher consensus than before in opposing nuclear proliferation in the peninsula,” said **Wang Junsheng, a research fellow on East Asian Studies at the Chinese Academy of Social Sciences**. Both sanctions against North Korean nuclear and missile programs and **resumption of six-party talks are important, and neither should be neglected**, Wang said on Sunday. [...] **The most difficult part in restarting six-party talks is building a supervisory mechanism under the UN Security Council, Lü Chao, a Korea expert at the Liaoning Academy of Social Sciences, told the Global Times on Sunday**. While the six-party talks failed to achieve a peaceful solution, both North Korea and the US have violated the agreement, Lü said.// Source: [Global Times](#), 06 August 2017.
- //Analysts said **China and Russia seemed to have got their way because the resolution made no mention of a much-anticipated oil embargo on North Korea, which could deal a devastating blow to Pyongyang**. [...] Bonnie Glaser, from the Centre for Strategic and International Studies, described the resolution as a win for China because “Beijing avoided additional sanctions on Chinese banks, entities that aid North Korea for the time being”. [...] **“China and Russia are playing a different game and accepted ‘tough’ sanctions to avoid US sanctions on their own companies**. The only way to change North Korea’s path is robust sanctions against China and others that aid North Korea,” Ruggiero, a senior fellow at the Washington-based Foundation for Defence of Democracies [...] **“I don’t think the resolution is going to work because despite its official rhetoric and stance, Beijing has never banned Chinese companies from doing business with North Korea. I don’t think things will be any different this time,”** he [Lee Ji-yong, a professor at the Korea National Diplomatic Academy’s Institute of Foreign Affairs and National Security in Seoul] said.// Source: [SCMP](#), 07 August 2017.

## Hong Kong

### Politics

#### **1. Proposal for co-location checkpoint in West Kowloon high-speed terminus**

The Hong Kong government recently announced a proposal for the co-location checkpoint between the Mainland authorities and the Hong Kong authorities in the high-speed rail terminus in West Kowloon. In the arrangement, the Hong Kong government will lease out certain portion of the terminus exclusively to mainland authorities for border clearance. The portion in the terminus as well as the compartment of the high-speed rail will be legally considered out of the Hong Kong's jurisdiction and mainland laws will be applied except for a few regulations related to the operations and maintenance of the high-speed rail. The co-location plan stirred up controversies since it was first proposed, as the Basic Law guarantees that Hong Kong does not practice the law of Mainland China except a few related to national issues. Some are also concerned about the possibilities of Mainland officers to enforce laws out of the confined area in the terminus. The Hong Kong government contended that the co-location arrangement is the best and only way to make the high-speed rail convenient for commuters (details [here](#) by HKFP). Local legal scholars discussed about the legality of the arrangement and its potential legal implications. A public polling survey by HKPOP released on 08 August indicates that over 50% of respondents support the co-location arrangement and near 50% of them do not see it as a factor to undermine their confidence in the implementation of "One Country Two Systems". While the opposition parties in Hong Kong initiated signature campaign with an aim to collect over 300,000 signature to reject the co-location proposal ([here](#) by SCMP), an article by Hong Kong 01 argued that the opposition, despite bearing some similarities to the anti-national-education campaign in 2012 (details see the [current analysis article](#) by Karita Kan on China Perspectives 2012/4), does not attract as much public support due to different nature of the issue, lack of political leaders, and the political fatigue in mass movement in a post-umbrella-movement period (details [here](#) on HK 01 in Chinese).

- //National laws will be enforced on Hong Kong's soil for the first time under a controversial plan approved by the city's government on Tuesday to lease to mainland authorities a quarter of the West Kowloon terminus of the high-speed rail link to Guangzhou. [...] The so-called co-location proposal endorsed by the Executive Council **will allow mainland officers to exercise nearly full jurisdiction – criminal and civil – in the 105,000 square metre designated port area.** [...] **"We do not think Article 18 would apply because ... the mainland port area would be regarded as outside the territorial boundary of Hong Kong," Secretary for Justice Rimsky Yuen Kwok-keung said.** A government source said the need for nearly full mainland jurisdiction in the leased area, **beyond the immigration and quarantine aspects originally discussed, was to avoid legal uncertainties and loopholes due to "overlapping jurisdictions"**.// Source: [SCMP](#), 26 July 2017.

- //Hong Kong has no power to lease out land to allow the mainland to exercise control. **The current plan is for the government to seek authorisation from the Standing Committee under Article 20 of the Basic Law, which stipulates that Beijing can grant Hong Kong power it does not already possess.**// Source: [SCMP](#), 26 July 2017.
- //The proposal will be implemented in three steps. Hong Kong and China will have to reach an agreement, then the Standing Committee of the National People’s Congress will approve and endorse the joint checkpoint arrangement by issuing a decision. **Local legislation in Hong Kong will follow.** The government said the Article 20 of the Basic Law has provided the legal basis for the local legislation. The article stipulates that Hong Kong “may enjoy other powers” granted to it by the Standing Committee or the central government. **The government also stated that the Basic Law itself does not define the boundaries of Hong Kong.**// Source: [Hong Kong Free Press](#), 26 July 2017.
- //For the past decade, Hong Kong travellers crossing the border at Shenzhen Bay Port in the west of the special economic zone have been able to complete the customs clearance of both sides under one roof thanks to an unprecedented joint checkpoint. [...] While this arrangement allows Hong Kong’s immigration officers to enforce Hong Kong laws on mainland Chinese soil, a similar joint checkpoint planned for the terminus of the Hong Kong-Guangzhou high-speed rail link in West Kowloon has stoked controversy. **The idea of mainland immigration officers enforcing their laws in a leased area of the busy commercial district has led to fears it could undermine the Basic Law, the city’s mini-constitution, which states that national laws should not apply in Hong Kong.**// Source: [SCMP](#), 24 July 2017.
- //Basic Law Committee member Albert Chen Hung-yee, a University of Hong Kong legal scholar, said the idea was “innovative” and would not violate the mini-constitution, as the authorisation would come from the NPC. Tian Feilong, of the semi-official think tank Chinese Association of Hong Kong and Macau Studies, described it as an exceptional arrangement even for mainland China, as only a special administrative region such as Hong Kong would require a land lease with a sovereign state for such a project.// Source: [SCMP](#), 26 July 2017.
- //But pan-democratic legal heavyweight Martin Lee Chu-ming, also a member of the Basic Law Drafting Committee, said the plan had violated the legislative intent of Article 20. **“Article 20 was intended to grant Hong Kong more powers in its autonomy, instead of giving it the power to castrate itself,”** said Lee, a senior counsel. Eric Cheung Tat-ming, a principal lecturer at University of Hong Kong’s law school, [...] [s]aid the plan had set a dangerous precedent and was a huge blow to the city’s rule of law. “According to this logic, could the central government’s liaison office ask [to

enforce] mainland laws if they do not want to see any more protests there?” he questioned, saying that the move could also be applied to the PLA garrisons in Hong Kong.// Source: [SCMP](#), 26 July 2017.

- //《明報》委託港大民意研究計劃在8月初做高鐵一地兩檢方案的民意調查，結果顯示52.7%受訪市民支持政府提出的一地兩檢方案，包括在西九龍高鐵站劃出部分地方做「內地口岸區」實施內地法律，在站內完成出入境手續；反對比率為33.9%。有48.2%受訪者認為在一地兩檢安排下，他們對一國兩制的信心不變，表示信心減少的則有34.8%，表示信心增加的有11.4%。// Source: [Ming Pao Daily](#), 08 August 2017.



## Taiwan

### Politics

#### **1. Rumours suggest solving the “Taiwan problem” on the agenda of Beijing leaders**

Recently, some experts or journalists close to the Chinese authorities sent out messages about the possibility of putting re-unification with Taiwan on the agenda of Beijing leaders. Former expert on Taiwan at the Chinese Academy of Social Sciences Zhou Zhihui (周志懷) proposed a timetable for the re-unification with Taiwan within 30 years during a media interview. Another journalist Ji Shiming (紀碩鳴) also mentioned in one article on the Super Media, a Hong Kong-based media managed by Ji himself, that Xi Jinping plans to solve the “Taiwan Problem” within his term of office. Ji’s article was widely reported in Taiwanese media (see [here](#) for example by the China times). Some media raised a question about whether the stance taken by Xi Jinping in the recent 90<sup>th</sup> anniversary of the PLA might suggest a higher possibility of reunification with Taiwan by force, but analysts do not see any escalation leading to armed conflict in near future.

- //中國大陸涉台學者、前中國社科院台灣研究所所長周志懷24日說，「中華民族偉大復興」和「實現祖國完全統一」有密切聯繫，應該開始研究「統一時間表」，例如拿出一個為期30年的進程表。// Source: [United Daily News](#), 25 July 2017.
- //接近北京涉台系統的知情人最近向《超訊》表示，到了加快解決台灣問題步伐的時刻，「可以肯定地說，在習近平任內北京要解決台灣問題！」中國國力不斷增加，國際話語權倍增，重要的是，中國有一位了解台灣且作風強硬勇於擔當的領導人，過了這一階段還不知道什麼時候會有這樣的條件。[...] 有消息指，北京更考慮計劃籌組「中華人民共和國台灣特別行政區籌備委員會」，將邀請台灣的知名人士參與，籌備委員會選址不在北京，很有可能在廈門。// Source: [Super Media](#), 28 July 2017.
- //廈門大學台灣研究院院長劉國深也認為，習近平在建軍節的講話沒有將情勢升級。劉國深對BBC中文說，習近平的「六個任何」中沒有直接點明針對台灣，所以他認為這還是一個「原則性的講話」。[...] 這幾十年來，中國政府越來越強調兩岸和平交流，但就算在馬英九執政、兩岸關係較和緩的時候，中國也沒有將武力解決台灣問題的選項放棄。劉國深表示，蔡英文不承認「九二共識」，「在兩岸同屬一個國家的立場上閃爍其詞，對兩岸氣氛造成負面影響，因此大陸民眾主張用武力解決台灣問題的聲音越來越大。」但習近平對國家領土主權的態度一直很堅定，不論台灣是馬英九執政還是蔡英文上台都一樣。// Source: [BBC Chinese Edition](#), 02 August 2017.