

China Politics Weekly

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Dear friends and colleagues,

A strange weekend here in London...

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Beijing and Brexit

Inherently conservative, China had voiced its opinion that Britain should stay in the European Union when Xi visited London last October. But now that Britain has decided to leave the EU the Chinese leadership will do everything they can to make the most of the new situation.

From an economic perspective, the first priority is making sure that the inevitable volatility in global markets does not spill over into China. Market reaction within China has so far been mild, with the Shanghai and Shenzhen stock exchanges losing little Friday, in stark comparison to the large sell off in American, European and Japanese markets. Finance Minister Lou Jiwei sounded unperturbed, and called the market reaction elsewhere “excessive”.

Of more concern will be the impact on the currency, but here I expect that, on balance, Brexit will be a welcome development. The reason is that it allows the authorities to let the currency weaken in the near term (the RMB hit a five-year low against the dollar Friday) without eliciting the attention (and panic) that we saw in August last year and again in January this year. But, even better for Beijing, in the medium term Brexit means that another Fed hike is now extremely unlikely this year, meaning depreciation pressure going forward will likely be mild.

A strategic gift

Strategically and diplomatically it is hard to see how Beijing would not view Brexit as a positive development. Some commentators have argued that Brexit hurts China’s Europe strategy, but this is doubtful. The Chinese were happy to leverage the UK’s desire in recent years to garner good relations with China, but they have always known that Germany is the key to Europe, and they have focused resources and strategy accordingly. It is true that the UK was more sympathetic than others in the EU to granting market economy status to China, but the UK’s absence will not be decisive in that decision.

It is more likely that Brexit helps to strengthen Beijing’s bargaining position with the UK and the EU as both focus on limiting the fall out at home; the last thing they want now is tension with Beijing.

Beijing also sees weakness in Europe as a gain for China in terms of relative power. As a top researcher at influential think tank CICIR said, "Brexit is a crack in the Western alliance... so it's not necessarily a bad thing for China." I expect many within Zhongnanhai feel the same.

Further proof that the CCP knows best

For the Party, the biggest gain from Brexit will be the way in which it helps to bolster the Chinese political system and the CCP's legitimacy. Brexit will likely mean more economic hardship in Britain and the EU, and further political and societal tension. Beijing has already been doing a good job of using Trump and the rise of right-wing parties in Europe as examples of the deficiencies of Western capitalist democracy. Brexit will be used to reinforce this message.

PBSC Week in Review

Xi Jinping

*Party General
Secretary; PRC
President;
Chairman of
Central Military
Commission*

June 24

Xi attended and spoke at the Shanghai Cooperation Organization Council of Heads of State meeting in Tashkent, Uzbekistan.

Xi met with Kazakhstan President Nursultan Nazarbayev in Tashkent, Uzbekistan.

Xi met with Afghanistan President Ashraf Ghani.

Xi met with Belarus President Alexander Lukashenko.

Xi met with Kyrgyzstan President Almazbek Atambayev.

Xi returned to Beijing.

June 23

Xi, Russian President Vladimir Putin and Mongolian President Tsakhiagiin Elbegdorj attended the China-Mongolia-Russia leaders' meeting in Tashkent, Uzbekistan.

Xi met with Pakistani President Mamnoon Hussain in Tashkent, Uzbekistan.

Xi met with Russian President Vladimir Putin.

Xi met with Indian Prime Minister Narendra Modi.

Xi met with Turkmenistan President Gurbanguly Berdimuhamedow.

Xi met with Mongolian President Tsakhiagiin Elbegdorj in Tashkent, Uzbekistan.

Xi met with Tajikistan President Emomali Rahmon.

Xi sent a written instruction after the deadly tornado in Jiangsu Province,

China.

June 22 **Xi held talks with Uzbek President Islam Karimov in Tashkent, Uzbekistan.**
They agreed to upgrade ties to a comprehensive strategic partnership.

Xi delivered a speech at the Legislative Chamber of the Uzbek Supreme Assembly in Tashkent, Uzbekistan.
Full text of his speech (in Chinese).

Xi and Uzbek President Islam Karimov attended the inauguration ceremony of the Qamchiq Tunnel in Uzbekistan.
The tunnel was built by the China Railway Tunnel Group.

June 21 **Xi visited Bukhara, Uzbekistan.**

Xi traveled from Poland to Uzbekistan.

Xi published a signed article in Uzbek newspaper *Narodnoye Slovo* entitled “A Glorious New Chapter in China-Uzbekistan Friendship”.

June 20 **Xi and Polish President Andrzej Duda held talks in Warsaw, Poland.**
The leaders agreed to lift bilateral ties to a comprehensive strategic partnership.

Xi met with Polish Prime Minister Beata Szydlo in Warsaw, Poland.

Xi gave a speech at the opening ceremony of the Silk Road Forum and Poland-China Regional Cooperation and Business Forum in Warsaw, Poland.

Xi met with Marshal of the Polish Senate Stanislaw Karczewski and Marshal of the Sejm Marek Kuchcinski.

Xi and Polish President Duda attended the arrival ceremony of a China Railway Express freight train.

Xi attended a welcome banquet in Warsaw, Poland.

June 19 **Xi traveled from Serbia to Poland.**

Li Keqiang
Premier

June 22 **Li chaired an executive meeting of the State Council.**
The meeting heard a report from the inspection team sent to investigate why private investment has fallen so much.

June 21 **Li inspected the China Construction Bank and People’s Bank of China.**

Zhang Dejiang

*Chair of the
National People's
Congress*

Yu Zhengsheng <i>Chair of the Chinese People's Political Consultative Conference</i>	June 24	Yu attended the closing of the CPPCC Standing Committee meeting. <i>The meeting called for greater efforts for poverty relief.</i>
	June 23	Yu attended the CPPCC Standing Committee meeting.
	June 22	Yu attended the opening ceremony of the CPPCC Standing Committee meeting.

Liu Yunshan <i>Head of Party Secretariat; Head of Propaganda</i>	June 22	Liu met with delegates attending the China-Africa Media Cooperation Forum.
	June 19-20	Liu went on an inspection tour in Shanghai.

Wang Qishan <i>Secretary of the Central Commission for Discipline Inspection</i>	June 22	Wang chaired a meeting of the CCDI. <i>He launched the 10th round of inspections, and this round will include the Hong Kong and Macau Affairs Office.</i>
	June 20	Wang met with President of the Cambodian Anti-Corruption Unit Om Yentieng.

Zhang Gaoli <i>Executive Vice Premier</i>	June 25	Zhang attended and spoke at the first annual meeting of the Asian Infrastructure Investment Bank.
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About CPW

China Politics Weekly aims to keep business leaders, investors, diplomats, scholars and other China hands up to date on important trends in China. It is produced by Trey McArver, a London-based consultant providing advice and intelligence to firms and investors engaged in China and the region. You can find out more about Trey and CPW in [this interview](#).

Want to help? Please tell us how we can make this newsletter more useful to you. Feedback on both form and content are always welcome, as are suggestions for topics to be covered. Please contact us at info@chinapoliticsweekly.com. We look forward to hearing from you.

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