



CHINA'S 19TH PARTY CONGRESS – WHAT DOES IT MEAN FOR BUSINESSES AND FINANCIAL MARKETS IN CHINA?

China's National Party Congress determines China's future direction. At the 19th Congress, held in October, President Xi Jinping spoke of a "new era" in which "the great rejuvenation of the Chinese nation will become a reality."

The 19th Congress had two important agenda items – the re-election of the Communist Party of China's central leadership and policy announcements for China's development over the next five years. At the Congress President Xi cemented his power and will lead the country for the next five years. A number of policy announcements were made which will have implications for business and financial markets in China.

- The Chinese government says it supports globalisation and will establish an economy with a higher level of openness through granting "pre-establishment national treatment" to foreign investors investing in China; promoting the negative list system to reduce governmental approval requirements; and substantially lifting barriers of access to the Chinese market (in particular, the services industry). Regarding foreign investments, it remains to be seen whether the Chinese government will remove key business sectors from the negative list in a bid to relax barriers to foreign ownership, although this does not appear to be likely in the near future.
- The advancement of the manufacturing industry, as well as the combining of internet, "big data" and artificial intelligence with the real economy are listed amongst the top priorities for reforming the economy. Undoubtedly, the Chinese government will grant more favourable policies for these industries, hence creating more opportunities.
- The Belt & Road initiative will be the focus of China's plan to enhance its connectivity with the rest of the world. The existing free trade zones will be given more discretion to explore new initiatives including the setting up of "free trade harbours". Chinese state-owned enterprises will spearhead outbound investments in the countries along the Belt & Road, alongside investments by private enterprises. The Belt & Road initiative marks the key national strategy of China for international collaboration.
- The financial sector will be further reformed "to better serve the real economy, increasing the proportion of direct financing and cultivating the healthy development of a multi-layered capital market". Although this policy has been announced by the government before, it remains to be seen as to how the policy will be implemented in practice. It is likely that the free trade zones may be used to pilot new programmes.
- The further reform of state-owned enterprises (SOEs), making them "stronger, better and bigger" and turning Chinese enterprises into "world-class, globally competitive firms".
- The concept of "overall national security" has been reaffirmed, under which both the traditional and non-traditional security threats (e.g. cultural security, information security, environmental security related threats) should be tackled. This inevitably triggers the need for market participants to re-consider carefully the Chinese government's recent initiatives on PRC Cyber-security Law. It is expected that PRC regulators will carry out more enforcement activities in this area.
- In practice, the Chinese government will need to overcome many obstacles in order to fulfil its policy objectives. For example, governmental officials during recent media interviews, acknowledged that the opening up of the Chinese financial sector will require more effective regulatory enhancements and financial risk management. Clearly, observers around the world will be watching how the relevant policy announcements will be implemented by the new leadership over the next five years and beyond.

The 19th Party Congress mapped out China's longer term policy objectives, including:

- Eliminating poverty in rural areas by 2020
- Becoming a "moderately prosperous society" in China by 2021, the 100th anniversary of the founding of the CPC
- Becoming a "great modern socialist country" by 2049, the 100th anniversary of the founding of the People's Republic of China

CLIFFORD CHANCE

CONTACTS



Terence Foo
CO-Managing Partner
Beijing
T: +86 10 6535 2299
E: terence.foo@cliffordchance.com



Tim Wang
CO-Managing Partner
Beijing
T: +86 10 6535 2266
E: tim.wang@cliffordchance.com



Mark Shipman
Partner
Hong Kong
T: +852 2825 8992
E: mark.shipman@cliffordchance.com



Glen Ma
Partner
Shanghai
T: +86 21 2320 7217
E: glen.ma@cliffordchance.com



Kimi Liu
Senior Associate
Beijing
T: +86 10 6535 2263
E: kimi.liu@cliffordchance.com

This publication does not necessarily deal with every important topic nor cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street, London, E14 5JJ

© Clifford Chance 2017

Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571
Registered office: 10 Upper Bank Street, London, E14 5JJ

We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications.

If you do not wish to receive further information from Clifford Chance about events or legal developments which we believe may be of interest to you, please either send an email to nomorecontact@cliffordchance.com or contact our database administrator by post at Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ.

Abu Dhabi • Amsterdam • Bangkok
Barcelona • Beijing • Brussels
Bucharest • Casablanca • Dubai
Düsseldorf • Frankfurt • Hong Kong
Istanbul • London • Luxembourg
Madrid • Milan • Moscow • Munich
New York • Paris • Perth • Prague
Rome • São Paulo • Seoul • Shanghai
Singapore • Sydney • Tokyo
Warsaw • Washington, D.C.

Clifford Chance has a co-operation agreement with Abuhimed Alsheikh Alhagbani Law Firm in Riyadh.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.