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METRIX

50.000

China plans to have 50,000 football academies by 2025 as part of an ambitious plan to turn the country into a soccer superpower. The announcement by Wang Dengfeng, Vice President of China’s football association, more than doubles an earlier target of 20,000 academies by 2020.

TOPIC OF THE WEEK

E-car quotas: China willing to make concessions to Germany

Beijing seems willing to adjust its ambitious quotas for electric car production announced last fall. The government considers relaxing the quotas and introducing them a year later than planned, reported *“Handelsblatt”* earlier this week.

Beijing had originally planned to require car makers in China to introduce mandatory quotas for the production of e-vehicles from 2018 onwards. A draft by the Ministry of Industry and Information Technology (MIIT) caused considerable unease among foreign car manufacturers in China. German automakers complained that the timeline for the introduction of the quotas was unrealistic. Both, German politicians and business leaders lobbied the Chinese government to give the industry more time. *Chinese car makers* also called for a more relaxed approach. The results of negotiations with the Chinese government have not yet been officially confirmed.

However, the compromise now being considered indicates that China appears willing to make concessions to strategically important partners like Germany. This comes at a time of increased international uncertainties and more complicated relations with the US under the Trump administration. Germany used a window of opportunity between the publication of the draft regulation and the final version of the new policy to lobby for changes. That approach seemed to have paid off. Yet it is unlikely that the Chinese government will now generally grant more market access to foreign companies.

MERICS expert Mirjam Meissner says: “China has made e-mobility a central part of its automobile policy and I do not expect a shift from that position. China will continue to implement its industrial policy priorities by massively interfering in to the market. The Chinese goal is to strengthen its car industry through e-mobility. In the long-term the government wants Chinese car makers to become market leaders in China.”

CHINA AND THE WORLD

Xi Jinping: China will actively shape international security policy

China’s president Xi Jinping has vowed that China should take a lead role in international security policy. Speaking at a seminar of the National Security Council (国家安全委员会), Xi stressed that China should actively shape international security policy, increase international cooperation and “guide” the international community in the effort.

According to *official Chinese media reports*, Xi, who is the head of the National Security Council, also called for a “global vision of national security policy” and said China should take strategic initiative (战略主动). It’s noteworthy that he explicitly talked about a leading role of China in the international community (引导国际社会). China should not only take part in shaping the “international order”, but also “international

security” – the latter not just in the Asia-Pacific region. A commentary on the website of the Communist Party’s central party school **dubbed Xi’s policy approach the “Two Guides”** (两个引导). The commentary was widely circulated in China’s state-controlled media while the Munich Security Conference and the G20 foreign ministers meeting were held in Germany.

Detailed reports about the inner workings of the National Security Council have been rare. This council pursues a very comprehensive approach to security that includes political, economic, territorial, domestic, social and cyber aspects. The Chinese leadership clearly stated its ambitions to create the necessary capacities for its comprehensive global vision, especially in areas such as technology, equipment, personnel and law.

News in brief

- **PBOC adjusts mechanism for calculating CNY’s reference point**
- **Critical RCEP round of negotiations in Japan**
- **China suspends coal imports from North Korea**
- **China’s HNA takes 3 percent stake in Deutsche Bank**
- **Yang Jiechi meets Trump and other senior US officials**

POLITICS, SOCIETY, MEDIA

Close associates of Xi Jinping appointed to key ministries

Just ten days before the annual meeting of the National People’s Congress, China has appointed a new head for its top economic planning agency and a new commerce minister. As part of the reshuffle, the justice minister was also replaced.

The Standing Committee of the NPC approved He Lifeng as new director of the National Development and Reform Commission (NDRC), Zhong Shan as new commerce minister and Zhang Jun as justice minister. In the past, He and Zhong have worked closely with Xi Jinping at the provincial level in Fujian or Zhejiang and are considered **close associates** of the CCP’s current leader.

The NPC’s Standing Committee also appointed three new vice directors to the NPC’s finance and economics committee. All three are former governors of reform-oriented provinces, Chongqing, Guangdong and Shanghai respectively. The annual gathering of the NPC, China’s parliament, starts on March 5th. The Standing Committee held its preparatory meeting from February 22nd to 24.

The reshuffle shortly before the start of the NPC can be seen as an attempt to reinvigorate the reform drive in key areas of Xi Jinping’s political agenda. It’s also part of the preparations for a crucial party conference to be held in the fall. At the 19th party congress, for which a date has yet to be set, key positions on the CCP’s Central Committee and the Politbureau are up for grabs. MERICS researcher George G. Chen says the cabinet reshuffle indicates that Xi Jinping seems to have a free hand in key personnel decisions.

Chinese troops stage show of force in Xinjiang

Some ten thousand troops took part in mass rallies last weekend in Urumqi, the capital of the Xinjiang Autonomous Region in China's West. It was the second such rally in just over a week. Similar parades by troops of the People's Liberation Army and the People's Armed Police took place in other cities in Xinjiang. **The massive show of force** is the first act of muscle-flexing by the province's new Party Secretary Chen Quanguo.

Xinjiang is home to the Uyghurs as well as other ethnic groups and is China's least stable region. It has experienced years of ethnic strife and terrorist attacks. Beijing perceives the conflict as a serious threat to China's political stability. The most recent incident in February left eight people dead.

At the parade in Urumqi, Chen, like his predecessor, called for a "people's war on terror" and reiterated his commitment to China's controversial counter-terrorism strategy that includes a highly visible presence of security forces in the province's main cities and the comprehensive surveillance of public life. Chen announced that another 1500 troops would be dispatched to Hotan, Kashgar and Aksu, cities the authorities regard as trouble spots.

Earlier in February, the authorities had announced another new security measure. **By the end of June**, all car owners in Xinjiang's largest prefecture Bayingolin have to install GPS-style tracking devices in their vehicles. It is unclear whether these measures will be extended to other parts of the province as well.



Military Parade in Xinjiang, Source: Imagine China

Rare protests by military veterans in Beijing

Hundreds of former soldiers of the People's Liberation Army staged a two-day protest in Beijing last week demanding better pensions and higher living standards. The veterans, **dressed in green and blue camouflage fatigues** and chanting slogans and protest songs, gathered on Wednesday outside the Central Commission for Discipline Inspection, the CCP's anti-corruption agency. A second but smaller protest took place on Thursday outside the Ministry of Civil Affairs but that gathering was quickly dispersed.

The protests are the largest since October 2016 when more than 1000 military veterans gathered in Beijing. Reports of smaller protests in other parts of the country surface regularly. The demonstrations highlight the precarious situation of many demobilized troops and the difficulties in managing them and their demands.

A spokesman for the defense ministry said **the government cared about veterans** and attached great importance to resolving their difficulties. The demonstrations were not reported in the Chinese media and happened just a few days before the opening of the annual meeting of the National People's Congress, China's legislative body, on March 5th. Before and during that meeting, the authorities are extremely nervous about protests and usually tighten security, especially in front of central government buildings.

Rallies by veterans, who are well organized and disciplined, are a particular challenge for the government. Many of them live on small pensions and often face difficulties finding new jobs. With 2.3m troops, the PLA is the largest army in the world. In 2015 president Xi Jinping announced that the PLA would cut troop levels by 300,000. The bulk of the reductions are due to happen before the end of 2017. That timeline puts additional pressure on social services and might be one underlying reason for the protests.

Contested history: The 70th anniversary of the “228 Incident”

Taiwan marked the 70th anniversary of an uprising against Kuomintang troops on Tuesday this week but commemorations were overshadowed by Beijing trying to use the historical events for its own ends.

The “228 incident” started on February 28, 1947 as a dispute between an illegal cigarette vendor and government officials. **The clash sparked a local riot** that was put down by Nationalist troops. When island-wide protest erupted, Chiang Kai-shek sent additional troops to quell the rebellion. Up to 28,000 Taiwanese were killed in subsequent months. The rebellion was followed by four decades of authoritarian rule and in the end stirred the beginning of Taiwan’s democratic movement.

In recent years, Taiwanese independence supporters have used the “228 Incident” as a rallying point. The People’s Republic of China, for its part, used to mark the incident with low-key commemorations. This year, however, Beijing organized an official symposium to pay tribute to **the “228 Uprising of the Taiwan People”**. The overseas edition of the People’s Daily said on Tuesday, the day should be marked by people on both sides of the Taiwan Strait joining hands to oppose Taiwan independence.

Taiwan’s president Tsai Ing-wen ignored Beijing’s commemorations. She urged truthful reconciliation during her speech at the annual ceremony for the victims of 1947 in Taipei.

News in brief

- **China cemented President Xi Jinping's position as the "core" of the Communist Party**, making it part of ideological teaching in colleges and universities.
- **China is considering a baby bonus for couples to have a second child**. Strict family planning rules were relaxed in 2013 but China still has one of the world’s lowest birth rates.
- **Chinese films or actors did not win any Oscars** but Chinese media point towards increasingly large sums of Chinese money invested in award-winning Hollywood productions.
- **China issues white paper on judicial reform of courts.**
- **China plans network of maximum security labs to study the world’s most dangerous bio threats**

ECONOMICS, FINANCE AND TECHNOLOGY

China overtakes US as Germany's top trading partner



China for the first time has become Germany's largest trading partner in 2016. The People's Republic overtook the U.S. that had replaced France at the top of the list only a year earlier. **The Sino-German trading volume reached 170bn euros** in 2016, a new record high. China bought German goods totaling 76.1bn euros and sold goods to Germany for 93.8bn euros. The rise in trade volume was mainly due to rising Chinese exports and Germany's growing demand for Chinese consumer good. While Germany registered a trade surplus with the U.S. and France, it had its biggest trade deficit yet again with China.

The rise of China to the top of the list of Germany's main trading partners does not come as a surprise. China has become increasingly important for Germany's trade relations due to increased cooperation between the two countries and weaker demand from the U.S. The German-American trade volume decreased by more than five per cent in 2016. However, looking at exports alone, the U.S. was still the biggest customer for goods "made in Germany" outside the EU.

The latest trade statistics also show that Germany's foreign trade is mainly with three main partners: the EU, the U.S. and China. Further adjustments in the ranking of the top trading partners are likely to continue.

News in brief

- **Repatriation of profits** - China's Central Bank reassures foreign businesses that transactions will be handled as usual
- **Housing market shows signs of cooling** - buying restrictions in major cities dampen prices
- **The European Court in Luxemburg rejected a bid to scrap EU tariffs on solar panels imposed more than three years ago.**

THE EUROPEAN VIEW

EU investigates Chinese “Belt and Road” project in Hungary

The EU and China could forge closer links to promote global trade, but in Brussels scepticism is on the rise over Beijing's New Silk Road and its impact on Europe

Worries about the protectionist course of the Trump administration as well as recent statements by China's president Xi Jinping at the World Economic Forum in Davos have raised **expectations** that Europe and China could cooperate more closely to promote global economic integration. For Beijing, its own Belt and Road Initiative (OBOR), the grand scheme – also dubbed the „New Silk Road“ - to connect China with Eurasia and Africa through massive infrastructure investments, seems a natural starting point. It is no coincidence that Xi used his keynote speech in Davos to **announce** a high-profile BRI forum to take place in Beijing in May.

However, policy-makers especially in Western Europe show growing scepticism about BRI's potential impact on investment standards. On February 20, the European Commission sent its strongest signal yet to Beijing by opening a **formal investigation** into a showcase Chinese rail project that aims to extend the New Silk Road right into the heart of Europe: the planned 350km high-speed rail link between Belgrade and Budapest. Brussels is particularly concerned about the role of Hungary, a EU member state and thus bound by EU procurement rules. The Commission doubts whether the \$2.89bn railway project is financially viable and in compliance with EU standards, which require public tenders for such large projects. A legal setback to China's first railway project in Europe would be nothing less than a diplomatic embarrassment for Beijing.

In another BRI-related snub to Beijing, Germany's ambassador to China, Michael Clauss, used an **interview with the South China Morning Post** to express unease about Beijing's growing clout in Eastern and Southern Europe. “In order to succeed, BRI needs true co-ownership by all participants, everyone should be able to help shape the initiative on the basis of equality,” he said, alluding to concerns about China's ‘special offers’ to individual countries in the EU and its neighbourhood, which could end up diluting European standards on investment and competition. While Clauss stands out among European diplomats for publicly addressing controversial issues, his views on BRI reflect widely shared concerns in Brussels and other European capitals which are not part of the Chinese **'16+1 Initiative'**.

Both moves illustrate the difficult balancing act Europe has to perform with regard to BRI. On the one hand, the EU has a clear interest in the economic success of the Chinese initiative. BRI promises to open up new markets for European companies in Central Asia and offer new logistic hubs that could also benefit European exporters. On the other hand, the EU and its member states have struggled to come up with a convincing plan to ensure that European procurement rules are adhered to and labour and environmental standards are upheld in the wider European neighbourhood and indeed – as the example of Hungary shows – in the European Union itself.

MERICs Analysis:

- [Europe and China's New Silk Roads](#): A Report by the European Think-tank Network on China
- [Germany Wants Europe to Help Shape China's Belt and Road Initiative](#), Commentary by Jan Gaspers in "The Diplomat"

MAD MERIX

Chinese man sells stolen iPhone for a pittance: "It had only one button"

An elderly Chinese man has sold a stolen iPhone for less than 30 euros because there was "only one button" on the handset.

[The man who is almost 70 stole the iPhone 6 Plus near a basketball court in Nanjing](#). Footage from surveillance cameras show him taking the phone from a pile of players' belongings. He was arrested two days later.

Yet he no longer had the phone. The man admitted selling the phone for the equivalent of 27 euros. A new iPhone 6 Plus costs more than 740 euros. But the elderly man was puzzled by the handset: The phone had "only one button," he told police. "It didn't seem very handy." He said he had even thought about throwing the phone away. The man who said he was deeply embarrassed about stealing the phone. He was released on bail.

iPhone manufacturer Apple is reported to consider ditching the single Home Button on its new phones altogether. Maybe the company should reconsider its plans.

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