



Number 5/2017 (March 3-16, 2017)

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METRIX

255 million

The share of older citizens in China (60 and above) will rise to 17.8 percent of the total population (255 million) by 2020, according to an estimate by the State Council.

TOPIC OF THE WEEK: NATIONAL PEOPLE'S CONGRESS

China's planned civil code: more legal clarity, few individual rights

China's lawmakers have started **work on a civil law code** to provide more legal clarity for its citizens. The National People's Congress (NPC), **China's party-controlled parliament**, approved the general provisions of the new document on March 15. The NPC Standing Committee is now tasked with amending a number of existing pieces of legislation and passing the entire code by 2020. In the face of the complex issues at hand and potential opposition ahead, this is a very tight schedule.

The codification project is a response to public discontent over the **lack of legal clarity** on civil law issues in China. China has no civil law code and existing laws often overlap or even contradict each other. Several high-profile cases in the recent past have exposed these gaps in the legal system. For example, the absence of a "Good Samaritan" law is being blamed for situations, in which passers-by refrain from helping victims of traffic or other accidents for fear of being held liable for mistakes.

The new civil code is meant to remove such obstacles to more solidarity within Chinese society. It also aims to design a system of responsibilities, among them guardianship issues for children and senior citizens who were abandoned by their families. The general provisions, which the NPC reviewed during its annual session, also laid down some new principles for the protection of individual rights such as the protection of personal data.

The overall focus, however, is on social responsibilities rather than on personal rights. Critics point out that the general rules that form the basis of the new code fall short of enshrining civil liberties such as freedom of speech. On the contrary, the draft contains a provision to **prosecute those who dare to criticize "heroes and martyrs"** endorsed by the party-state.

The civil law code is in line with other efforts to address public dissatisfaction. When he delivered the **government's work report to the NPC** on March 5, Prime Minister Li Keqiang openly addressed issues like environmental degradation, social inequality and major accidents as triggers for social discontent. The ten-day long annual meeting of the nearly 3,000 delegates ended on March 15.

Delegates of China's legislative show their unity
Voting results of the 5th plenary session of the 12th National People's Congress (March 2017)



Topic	In Favor	Against	Abstention	Proportion of negative votes and abstentions
Report Work of the Government	2812	14	8	0.8%
National Economic and Social Development Plan	2721	89	26	4.1%
Report Work of the Standing Committee of the NPC	2793	24	17	1.4%
Budget Report	2555	208	71	9.8%
Report Work of the Supreme People's Procuratorate	2606	180	46	8.0%
Report Work of the Supreme People's Court	2606	180	49	8.1%
General Provisions of the Civil Code*	2782	30	21	1.8%

*The Civil Code is to be completed by 2020.
Source: news.ifeng.com



CHINA AND THE WORLD

Islamic State threat raises Chinese concerns over Xinjiang

The Islamic State (IS) has issued a direct threat to China for the first time. A **propaganda video**, which was probably released by a subgroup of the terror organization, shows ethnic Uighur fighters training in Iraq and mixes in images of President Xi Jinping and Chinese policemen in China's restive Xinjiang province. In the half-hour long recording, one fighter refers to the "evil Chinese Communist infidel lackey," and announces that, "we will make your blood flow in rivers, by the will of God."

The video illustrates China's increasing exposure and vulnerability to global security threats - comparable to that of the U.S., Europe and Russia. This could increase Beijing's willingness to work with other countries to counter the threat of transnational terrorism. But the Chinese government could also use the case of Xinjiang to justify an extension or expansion of repressive police state measures in the restive province, making it harder for the U.S. or the EU to find common ground on anti-terrorism.

The Chinese government was quick to link the IS threat to its concerns about violent Uighur extremism in Xinjiang. After the release, a Foreign Ministry spokesman stressed that the "East Turkestan forces" have long presented a threat to China's national security. **Cheng Guoping, state commissioner for counter-terrorism and security**, called the movement "the most prominent challenge to China's social stability, economic development and national security."

The Islamic State has been on Beijing's agenda since the organization claimed the responsibility for the death of a Chinese hostage in 2015. According to a report by the New America Foundation, 114 Chinese fighters had joined the IS by early 2016 – and this number is likely to have increased by now. In December 2015, the IS released its first propaganda song in Chinese.

China lashes out at South Korea over U.S. missile shield

The deployment of a U.S. missile shield in South Korea has triggered harsh reactions from China. Chinese authorities **closed 23 supermarkets of the South Korean Lotte Group** in China, and the company has suffered customer boycotts and hacking attacks. Lotte provided the land on which the THAAD (Terminal High Altitude Area Defense) system is being installed since March 7. China also ordered a halt to Chinese tour groups visiting South Korea on March 2, the day after South Korea began **annual joint military exercises with U.S. troops**.

These steps were the latest in a series of retaliatory Chinese actions since South Korea's official decision to build the missile defense system. The U.S. and South Korea justify the installation with the threat from North Korea's ongoing efforts to develop further nuclear warheads and missiles to deploy them. But China fears that THAAD's powerful radio technology could also be used to spy on Chinese missile tests and capabilities. China's Xinhua News Agency **warned of a new arms race in East Asia** as a result of THAAD.

The fallout over THAAD comes at a time when unity would be needed to deal with North Korea's increasing security threat in East Asia. It presents a major foreign policy test for the new Trump administration in Washington as well as for the acting South Korean government, which is busy dealing with domestic uncertainty following the impeachment of President Park Geun-hye on March 10.

China will likely increase its missile defense cooperation with Russia in response to South Korea's joint activities with the U.S. Meanwhile, China and South Korea might be able to resolve their standoff with a compromise, which could consist of **technological adjustments to the THAAD radar system**. Some view **Park's exit as a chance to reset relations with China** since the leading candidates to replace her favor a softer approach both towards China and North Korea.

News in brief:

- **China's defense spending increases at lowest rate in more than two decades**
- **China stealth jet enters service in an attempt to narrow military gap with U.S.**
- **EU and ASEAN start preparations to relaunch stalled free trade talks**
- **Saudi Arabian King Salman's visit to Beijing underscores China's role in Middle East**

POLITICS, SOCIETY AND MEDIA

China's finance minister sees room for more debt

Finance minister Xiao Jie has tried to allay concerns that high debt levels of China's central and local governments present an increasing risk to the world's second largest economy. "China's government debt risk is controllable," **Xiao said on March 7** in his first press conference since taking office last year. "Compared to international peers, the Chinese government still has a relatively large room to borrow."

Xiao's appears to signal the Chinese government's willingness to resort to further stimulus measures if needed to reach its economic growth target of 6.5 percent. Bolstered by government spending, China's economy grew by 6.7 percent in 2016, but economists are predicting a further slowdown this year.

In spite of higher spending and lower revenue, China's central government managed to meet its budget deficit target of 3 percent of GDP in 2016. But **according to Reuters**, this goal could only be reached with the help of an accounting measure that allows China to use unspent money from previous years to close the gap. **New debt is forecast** to rise above the 3 percent threshold in 2017.

The central government is reaching a limit to further stimulus spending such as infrastructure projects. The high-speed rail network is nearing completion, and recent large-scale power plant projects have already produced overcapacities in the electricity generation sector.

Future stimulus will have to come from subnational governments, many of which already suffer from unsustainable levels of debt. The central government has allowed local governments to issue bonds in order to pay back their debt and raise money for new projects, while shutting down illicit or illegal channels of local borrowing.

Sexist comments on International Women's Day

Women in China were probably not flattered by the way party-state media covered female issues on International Women's Day on March 8. Rather than reporting on persistent problems with ensuring gender equality and equal pay at the workplace, many publications chose to reproduce prejudices or outright sexist remarks.

Workers' Daily (Gongren Ribao) published photos of female construction workers who had been "styled" in honor of Women's Day. The Global Times took to Twitter to remind its followers not to forget about International Men's Day in November. **China Daily** reported on the growing employment opportunities for women in areas like housekeeping and childcare as a symbol of empowerment.

These claims contradict those of **women's rights advocates** who complain about an increasingly difficult work environment for women in China. According to the **China Labour Bulletin**, many job postings in China discriminate against female job seekers and employers regularly ask women about their family planning in job interviews.

It is remarkable that party-state media are touting sexist clichés and commercialized beauty ideals. After all, the CCP has traditionally fought for gender equality.

Sex education book for elementary schools sparks heated debate

A **sex education textbook for elementary school students** has sparked a heated controversy in China after a mother had complained about its graphic illustrations. The mother from Hangzhou expressed her outrage about the book series published by Beijing Normal University in a Weibo post on February 28. She had included pictures of the book's images of sexual organs and "mom and dad" having intercourse. Under increasing pressure, the son's school in Hangzhou has recalled the books, which also feature open discussions of sexual abuse and homosexuality.

Chinese schools have traditionally avoided sex education, partially out of fear of violating China's strict pornography laws. But some are apparently starting to break the taboo. **18 schools had started using the controversial book series** before the concerned mother brought the new approach to the attention of a broader public.

Reactions to the mother's blogpost (which she said she deleted herself because it "stirred up too much attention") were mixed. While some netizens agreed that the content of the books was immoral, others praised the new approach as a necessary change. The lack of sexual education in China has been blamed for the rising numbers of infections with HIV or other sexually transmitted diseases as well as for the high rate of unplanned pregnancies.

News in brief

- **China ranks in the middle field in terms of internet availability and quality according to the Economist Intelligence Unit's ranking "The Inclusive Internet: Mapping Progress 2017".**
- **Dual role:** Hong Kong Chief Executive elected as vice president of Beijing's top advisory body CPPCC
- **Taiwan's ex president Ma Ying-jeou charged with leaking confidential information**
- **China launches "Sky Net 2017" to go after corruption suspects abroad**
- **China cracks down on "Peppa Pig" and other foreign children's books**

ECONOMY, FINANCE AND TECHNOLOGY

China rejects accusations of protectionist industrial policy

China's Minister of Industry and Information Technology Miao Wei has brushed off accusations of protectionism during a **press conference on March 12**. He reacted to criticism by the **European Union Chamber of Commerce in Beijing**, which had claimed in a report in early March that China's industrial policy "Made in China 2025" discriminated against international companies in China. Miao Wei said that

there was equal treatment of Chinese and foreign companies and that the goals for increasing domestic market shares are not compulsory government targets but only predictions by scientific experts.

Despite these assertions to the contrary, China uses protectionist measures on a regular basis, among them subsidies and procurement advantages for domestic companies and investment restrictions for international competitors. This is especially the case in industries that have been identified as providing the key technologies for China's industrial upgrading plans.

Beijing has repeatedly voiced its support for open markets and equal access in the recent past. But so far there have been no signs of a fundamental course correction in dealing with international companies.

"Political intervention in the name of technological catch-up will continue in the Chinese market, with the potential to cause massive harm to the China operations of international companies."

Mirjam Meissner, Head of Program Economy and Technology

MERICS analysis: "Made in China 2025: The making of a high-tech superpower and consequences for industrial countries," [MERICS Paper on China No. 2](#).

China moves against foreign rivals in car battery market

In an attempt to secure leadership of the global market for car batteries, China wants to support the development domestic battery makers such as BYD and CATL. A new [development plan for the industry](#), which was jointly issued by four government ministries, stipulates that [domestic production capacity should double by 2020](#).

So far, Korean companies like LG Chem and Samsung as well as Japan's Panasonic have dominated the global market for car batteries. The new plan appears designed to weaken these rivals by limiting their market share in China.

International suppliers of car batteries have increasingly been hit by protectionist measures in China in the recent past. In the most aggressive step so far, the government took LG and Samsung off the list of approved battery suppliers. It also scrapped subsidies for electric cars that used imported batteries.

MERICS analysis: [Who will build tomorrow's car? According to Beijing, it will be China](#), MERICS Blog by Sebastian Heilmann (March 15, 2017).

News in brief

- [China introduces new services index to reflect changing economy](#)
- [Alibaba's mobile business arm plans to increase investments in India](#)
- [China's central bank chief reassures investors on yuan stability and forex reserves, talks up fintech](#)

THE EUROPEAN VIEW

East of NATO: Turkey looks to China for strategic realignment

Turkey's growing estrangement from Europe has led the country to look east in search of new allies. The **diplomatic row with the Netherlands** and other European countries over whether Turkish government representatives may campaign abroad has led Turkish officials to openly question their strategic alignment with NATO and to look for alternatives to the country's EU accession plans.

The Shanghai Cooperation Organization (SCO) appears to be the only conceivable alternative. Since 2013, Ankara has repeatedly expressed interest in attaining observer status or even membership in the regional alliance, which is dominated by Russia and China.

The timing would be right as the SCO is currently in a phase of expansion. Pakistan and India are set to join next year. While Moscow is an important variable in Ankara's strategic repositioning, **Beijing's reaction will define Turkey's relations with the SCO.**

Ankara's interest in closer ties with the SCO poses significant challenges to the existing European security architecture and transatlantic security cooperation. Europe's foreign and security policy community is only slowly awakening to the fact that China is an increasingly global security actor whose activities have a direct impact on European interests.

In the short run, it is unlikely that the Chinese leadership would exploit Turkey's SCO ambitions to undermine existing transatlantic and European security frameworks. Yet in the long run, China would certainly welcome an expansion of the SCO's influence at the expense of U.S.-led security alliances.

"For now, leaving NATO and joining the SCO is not an option for Turkey, but Ankara's rhetoric should ring some alarm bells in Brussels."

Jan Gaspers, Head of the European China Policy Unit

MERICS analysis: "Can Turkey play the Shanghai card? China's take on Ankara's Eurasian security endeavours and what it means for Europe's security architecture," **Federal Academy for Security Policy Working Paper No. 6/2017.**

MAD MERIX

China's police dogs hunt down criminals with high tech cameras

Has anyone seen the movie "A Dog's Purpose"? The protagonist "Bailey" is reincarnated as a police dog heroically saving the lives of young children. The movie emerged on top of the Chinese box office last weekend. And who knows, maybe Bailey is popular with the Beijing police ... The city of Beijing has equipped its **police dogs with modern video cameras** to help fight crime. The panorama cameras can

record images over a distance of up to ten meters and transmit live broadcasts for up to six hours. Police officers with VR glasses can react in real time and issue new instructions to the dogs.

The lightweight equipment is shatterproof and waterproof, according to Wang Huaiying, a chief technology officer with the Beijing police.

Chinese police have increasingly used dogs to fight drug crimes and terrorism. Most dogs have become used to the recording devices and have learned to hold their cameras stable even in hectic circumstances.

THE LATEST FROM MERICS

Events

- **Discussion event in New York: Get Tough But Never Close: What Does Xi Jinping and China's Rise Mean for the United States and Europe?**, March 20, 2017
- The Age of Chinese Capital: Conference at the Luxembourg Chamber of Commerce, March 30, 2017
- **MERICS European China Talent Program 2017**, 25 to 28 April 2017

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