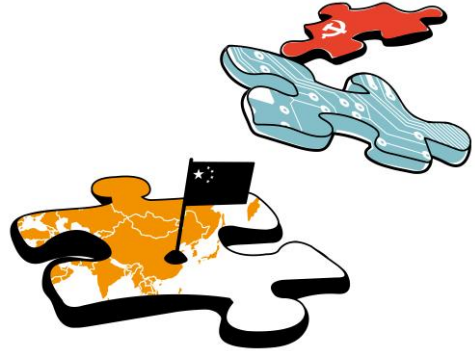


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MERICS China Essentials



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TOP STORY

China sees opportunity for better relations with Europe in US-Russia thaw

Beijing seems rather pleased as Washington cozies up to Moscow. As the US and Russia discuss an end to the war in Ukraine, Beijing now finds itself closer to some key goals with little effort of its own: maintaining its partnership with Russia, weakening the transatlantic alliance and seeking better relations with Europe. In a virtual meeting between Xi Jinping and Vladimir Putin on February 24, the leaders not only reaffirmed their strong partnership, but also made clear that Russia is briefing China on the details of its talks with Washington – and that Beijing approves, even without a seat at the table.

China would be concerned if a reset of US-Russia relations promised to leave Russia less dependent on China and to free up the US to focus on the Indo-Pacific. But likely thanks to the signals Moscow is sending, China sees the talks as positive. Peace in Ukraine and a normalization of US-Russia relations could, for one, benefit China economically and geopolitically as criticism of its pro-Russian stance over the last three years would ebb.

They could also raise tensions between Europe and the US and so advance one of Beijing's key geopolitical objectives. China is taking advantage of this opportunity. While it has publicly welcomed the US-Russia talks, it is also trying to improve relations with Europe and to deepen the emerging transatlantic rift by positioning itself as a more reliable partner. It has also repeatedly said that European participation in any Ukraine-related negotiations is imperative – albeit without using its power to make this happen.

Some observers have suggested the US is trying to engineer a “reverse Nixon,” pulling Russia away from China, instead of US President Richard Nixon's early-1970s gambit to pull China away from the USSR. But the chances of this seem slim. Beijing and Moscow share strategic interests and geopolitical objectives, and there is little incentive for either side to drop this relationship. Xi's visit to Moscow in May to attend the commemoration of the 80th anniversary of the end of World War II is just one more sign of this.

“As long as Russia continues to signal its interest in deepening relations with China, Beijing will see Washington's rapprochement with Moscow as a positive development. Without having to limit its partnership with Russia or change its stance on Ukraine, China now sees a path toward better relations with Europe, and a weakened transatlantic alliance.”

Helena Legarda, MERICs Lead Analyst

Media coverage and sources:

- People's Daily (CN): [习近平同俄罗斯总统普京通电话](#) (Report on Xi-Putin call)
- Chinese MFA (CN): [王毅出席二十国集团外长会](#) (Wang Yi at the G20 Foreign Ministers meeting)
- Chinese MFA (CN): [王毅阐述中方在乌克兰危机上的立场](#) (Wang Yi at the MSC)
- Chinese MFA: [Wang Yi meets with Russian Foreign Minister Sergei Lavrov](#)

- Chinese MFA: [Remarks by China's Permanent Representative to the UN Ambassador Fu Cong at the UN Security Council Briefing on Ukraine](#)

METRIX

5.25%

This is the weighted average of the 2025 economic growth targets recently set by China's 31 provinces, municipalities, and autonomous regions. MERICS' calculation reinforces expectations that Premier Li Qiang will announce a national growth target of around 5% for this year when he addresses the National People's Congress next week. But the regional figures also reinforce expectations that China will grow less than the 5% officially tallied by Beijing for last year: only one region forecast higher growth and 15 expected no change over 2024, while 13 lowered their forecast by 0.5 percentage points and two by one or more. The International Monetary Fund expects China's economic growth to slow to 4.6% from its measure of 4.8% in 2024. (Source: MERICS)

TOPICS

New US measures resolutely aim for America first - and China last

New measures announced by the Trump administration indicate the US is willing to impose ever-increasing costs on itself and its allies alike as it seeks to create distance with China. Based on investigations by the Biden administration, the White House last week issued a policy memo and the US Trade Representative released a proposal, both aimed at strengthening US industry and innovation and further undermining China's economic potential – albeit at the cost of lost opportunities and higher import prices in the US.

The White House's memo announced an "America First Investment policy," drawing a sharp distinction between allies and adversaries, and specifically naming China as falling into the latter category. The policy encourages allies and partners to invest in the US and help rejuvenate American manufacturing and technology with fast-track procedures.

The US will also apply more scrutiny to inbound Chinese investments, including greenfield projects, and therefore the jobs and tax revenue they would otherwise create, to make it harder for Chinese firms to access US innovations, talent and other factors that could help give them an edge. The policy also expands limits on outbound US investments to China, especially for the defense industry and emerging strategic industries such as semiconductors and artificial intelligence. These include new sources like publicly traded securities or university endowments, which were not included in Biden's 2023 executive order.

The US Trade Representative on the same day issued a proposal targeting China's shipping and shipbuilding companies by slapping high docking fees on Chinese shipping firms and any other companies with Chinese-made vessels in their fleets or on order from shipyards. This move will drive up costs for shippers and consumers – and will drive companies to consider expensive rebalancing to adjust.

“*The America First investment policy and the trade representative's proposal targeting China's shipping and shipbuilding industries are a continuation of efforts to create distance between the US and its allies on the one hand and China on the other. They demonstrate a growing US willingness to tolerate economic costs – and impose them on allies – to advance new strategic goals such as keeping innovative Chinese companies, Chinese shipping companies and Chinese-built ships out of the US.*”

Jacob Gunter, Lead Analyst, MERICS

Media coverage and sources:

- The White House: [The America First Investment Policy](#)
- US Trade Representative: [USTR Seeks Public Comment on Proposed Actions in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance](#)
- Lloyd's List: [Sweeping US plan to target Chinese ships would snare many non-Chinese operators](#)

Xi schmoozes tech entrepreneurs, but makes no concessions to private sector

In a bid to boost investment in and by the private sector, Beijing has signaled renewed support for private companies – but no inclination to reverse the growing focus on state-owned enterprises in its economic and innovation policies. On the back of AI-company DeepSeek's success, Xi Jinping met with Chinese entrepreneurs – including DeepSeek founder Liang Wenfeng, Alibaba's Jack Ma and Huawei's Ren Zhenfei – to praise the “great promise” of the private sector. At the same time, state media reported on lawmakers' progress in drafting the Private Economy Promotion Law – although officials cautioned that it might not be ready for the upcoming National People's Congress.

Chinese media quoted Ren as telling Xi that China's “lack of chips and shortage of operating systems” had been greatly reduced, referring to twin chokepoints that have worried officials since the 1990s. But the Singapore Times reported that Ren had also called for vigilance, as superficial technological flourishes could mask a lack of core strength. Nevertheless, he went on to signal alignment with Beijing, calling for greater state support and setting a target for 70 percent of all Huawei components to be sourced in China by 2028. Other speakers similarly supported China's self-reliance goals.

“*Despite Alibaba founder Jack Ma's presence, the meeting does not signal a return to the pro-business policies before Beijing's tech crackdown after 2020. Beijing invited players in semiconductors, AI, agriculture, robotics and new energy vehicles – and not those in consumer-oriented digital and financial services. This shows that Beijing*

continues to prioritize production and tech sovereignty over consumption and economic growth."

Jeroen Groenewegen-Lau, Head of Program Science, Technology and Innovation at MERICS

Media coverage and sources:

- Xinhua (CN): [习近平在民营企业座谈会上强调：民营经济发展前景广阔大有可为 民营企业和民营企业家大显身手正当其时](#). (Report summarizing Xi's speech at the meeting)
- Sina (CN): [座谈会六位企业家发言全览](#) (Excerpts from the speeches of six representatives at the Annual Forum for Private Entrepreneurs)
- People's Daily (CN): [鼓足信心，大显身手](#) (Report about Xi's remarks at the forum)
- NPC Observer: [NPCSC Session Watch: Private Sector Promotion, Civil Aviation & NPC Preparations](#)

Hong Kong takes next step in forced conformity as Democratic Party disbands

Beijing passed another milestone in bringing Hong Kong under its political control, when the Democratic Party of Hong Kong (DPHK) recently announced it had initiated its dissolution after 31 years. Lo Kin-hei, chairman of what was once the largest party in the city's organised opposition, said the DPHK was asking its 400 remaining members to vote to dissolve the organisation because the political situation made it "particularly difficult" to campaign for democracy. Beijing's crackdown on dissent after the 2019-2020 Hong Kong protests had forced the party out of the city's Legislative Council by 2021.

The formal end of the DPHK would be another shock to Hong Kong after the demise of the second largest pro-democracy party, the more confrontational Civic Party, in 2024 and dozens of smaller groups before that. Founded in 1994, the DPHK had long campaigned for the city's legislature and chief executive to be elected by the public, rather than just the privileged business and professional elites, even before the 1997 "handover" to China. Hong Kong media reported that Beijing had wanted to dissolve the party before December elections to avoid the public embarrassment of barring it from participating.

“*The demise of the DPHK underlines the end of 'one country, two systems' and democracy, freedom of speech, and human rights in Hong Kong. The city will remain an important economic hub to China, more like Shanghai, with no room for political diversity and under tight control from Beijing.*”

Nis Grünberg, Lead Analyst at MERICS

Media coverage and sources:

- Hong Kong Free Press: [Hong Kong's Democratic Party to set up task force to discuss disbandment steps](#)
- SCMP: [Leadership of Hong Kong's Democratic Party backs motion to dissolve](#)

- BBC: [Hong Kong's main opposition party announces plan to dissolve](#)
- Ming Pao (CN): [民主黨三人組跟進解散清盤程序 羅健熙：不能明確交代挑戰](#) (Democratic Party Task Force to follow up the winding up procedures, Lo: Cannot clearly explain the challenges)

MERICS CHINA DIGEST

[China holds live-fire exercises in Gulf of Tonkin after Vietnam marks its territorial claims \(AP News\)](#)

Beijing began live-fire exercises in the Gulf of Tonkin on Monday, just days after Vietnam announced a new line marking what it considers its territory in the area between the countries. China's navy last week conducted a series of drills near Australia and New Zealand. (25/02/25)

[Chinese warships re-enter Australia's Exclusive Economic Zone and head closer to Tasmania \(ABC News\)](#)

Three Chinese warships that recently disrupted international flights by conducting live-fire drills in the Tasman Sea have re-entered Australia's Exclusive Economic Zone and are currently being tracked east of Hobart. In a statement the Australian Defence Department said: "We respect the right of all states under international law to exercise freedom of navigation and overflight in international waters and airspace, just as we expect others to respect our right to do the same." (25/02/2025)

[Taiwan catches Chinese-owned ship cutting undersea cable \(Financial Times\)](#)

Taiwan's coastguard said it had caught a Chinese-owned freighter in the act of cutting a subsea communications cable off its western coast early on Tuesday. (25/02/2025)

[China hits brakes on rural land reform in major policy release \(South China Morning Post\)](#)

China has released its annual rural-focused "No. 1 Central Document", which for the first time mentions a ban on the sale of rural land and houses to urban citizens and retired officials. The government is trying to prevent the loss of farmland and growing inequality between rural and urban citizens. (24/02/2025)

[A group of Uyghur men detained in Thailand for more than a decade may have been deported to China \(Associated Press\)](#)

A group of Uyghurs detained in Thailand for more than a decade appear to have been deported to China. Last month, the detained men had made a public appeal to halt what

they called an imminent threat of deportation, saying they faced imprisonment and possible death in China. Their treatment during detention in Thailand as well as their deportation may violate international law. (27/02/2025)

[New policy allows Chinese companies to treat data as an asset \(Rest of the world\)](#)

China Unicom, one of the world's largest mobile operators, has become the first Chinese tech giant to take advantage of the Ministry of Finance's new corporate data policy, which allows companies to classify data as inventory or intangible assets. It is the first such regulation in the world, opening the door for data to be traded and boost company valuations. (25/02/2025)

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