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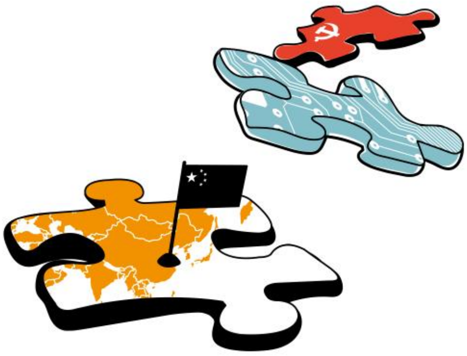

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TOP STORY

Trump chalks Panama port sale as a win, angering Beijing and exposing its limits

Li Ka Shing, the tycoon whose family controls Hong Kong conglomerate CK Hutchison, has drawn Beijing's ire for the planned sale of its overseas port assets, including those in Donald Trump's coveted Panama Canal, to US investment firm BlackRock and Europe's Mediterranean Shipping Company. The government sees the move as a betrayal of China's national interests, but Beijing has surprisingly little leverage over the sale, which Trump is notching as a win.

Excluding the 10 ports CK Hutchison still holds in Hong Kong and Mainland China, the sale includes 43 ports and related logistics networks across 23 countries in Europe, the Middle East, Asia, and the Americas, including two ports located at each end of the Panama Canal.

On March 4, the day the deal was announced, Trump described it as a step toward "reclaiming the Panama Canal" in his address to Congress. The timing made it appear that China had capitulated to Trump's demands. The ports were reportedly intended as a strategic bargaining chip for China in negotiations with the United States. Chinese state-run newspapers in Hong Kong called the sale "ignorance of national interests" and "a betrayal of all Chinese."

Beijing is concerned Trump may use the strategic infrastructure to restrict China's trade. In February, the US already pushed Panama to quit China's Belt and Road Initiative. But Beijing has limited leverage to halt the transaction, as all the ports are beyond Beijing's jurisdiction, and CK Hutchison's exposure to the Hong Kong and mainland China markets has decreased dramatically to 5% and 7%, respectively, in recent years, while 50% of its income comes from Europe. Diplomatically, if Beijing were to halt the deal, fears are it could provoke US retaliation, such as higher tariffs.

> "The sale impacts the Belt and Road Initiative and diminishes Chinese influence in America's backyard. In terms of US-China competition, Xi Jinping's image as a strongman is damaged, as Trump now has something to brag about, while Xi wasn't even consulted before the deal, and Beijing has limited leverage to halt it."
>
> ***Claus Soong,*** *Analyst, MERICS*

More on the topic:

- Mapping China's global port network: on the backfoot in 2024, but still well entrenched – Interactive maps and analysis by **Clark Banach** and **Jacob Gunter**

Media coverage and sources:

- The White House: Remarks by President Trump in joint address to congress
- Wall Street Journal: China Is Unhappy With BlackRock's Panama Ports Deal
- The South China Morning Post: Devil in the details of the Hutchison-BlackRock Panama ports deal

- The Storm Media: Xi Jinping is angry! Using Hong Kong National Security Law to halt selling the Panama parts? Hong Kong Media sketches why Li Ka Shing is not afraid 習近平震怒！動用「香港國安法」力阻賣巴拿馬港口？港媒揭李嘉誠沒在怕的原因

METRIX

3.5 million USD

This is the maximum fee that Chinese and other foreign shipping companies would have to pay each time they visit a US port under a US government proposal discussed at a hearing in Washington this week. Shipping companies currently pay only a few thousand dollars in customs and border fees to the government when one of their vessels docks in the US. But under the new rules proposed by the Office of the US Trade Representative, ships would face surcharges of 1 million USD if Chinese-owned, an additional 1.5 million if built in China, and another 1 million if part of any shipping company with a majority of new vessels on order in China. The proposal is designed to counter China's dominance in the shipbuilding industry and to encourage US allies and their shipping companies to source their vessels elsewhere – ultimately also from US shipbuilders. (Source: USTR)

TOPICS

Beijing hosts US, EU companies that meet its needs at China Development Forum

The annual China Development Forum started this week in Beijing, with Chinese policymakers reiterating promises about opening up and supporting foreign investment to a crowd of invited foreign companies – mainly European and US – that align with China's strategic national goals. The goal was clearly to encourage companies to lobby their governments for China to maintain access to their home markets.

Around 80 CEOs and other representatives of foreign companies attended the event. Vice premier He Lifeng delivered a keynote speech reiterating the message of open markets and called on attendees to "resist protectionism" and make the most of China's "resilient" and "vibrant" economy. Some attendees are set to meet with Xi Jinping on March 28.

The meeting has two main functions for Beijing: to encourage foreign investment in areas of strategic interest and to promote good relations with attendees' home countries. The strong showing of US companies underlined the importance of the Chinese market for many, despite the growing hawkishness towards China in Washington.

Notably, companies fell into categories aligned with Beijing's strategic national goals. Most importantly, key technology providers in the semiconductor, pharmaceutical, machinery, and auto component industries attended. Next most common were capital providers, especially asset management and capital investors, as well as banks and insurers, which can inject capital into a Chinese economy eager to pull in more financial resources. Some less strategically important firms that support employment and consumption in China, like automotives or consumer goods, were also present, as well as some critical commodities exporters like iron ore, energy, and agriculture.

> "The fact that all but a few attendees were either American or European shows the critical importance of those markets for China, and the Forum certainly hopes to foster goodwill with those firms so they lobby their home governments to preserve China's access to their country's technology, capital, and markets."
>
> ***Jacob Gunter,*** *Lead Analyst, MERICS*

Media coverage and sources:

- China's Ministry of Commerce (CN): Readout of Vice Premier He Lifeng's speech
- Reuters: China touts business potential to US companies despite 'rising instability'
- CNBC: Beijing pledges greater market access as top global CEOs gather at the China Development Forum

China's new cable-cutter heightens alarm over deep-sea infrastructure security

China has developed a sophisticated underwater cable cutter that is raising fears about the security of marine telecommunications infrastructure. The new technology reinforces the urgency European and Asian countries face in protecting their infrastructure amid heightened global tensions and recent damage to undersea cables.

Developed by the China Ship Scientific Research Centre (CSSRC) and its affiliated State Key Laboratory of Deep-sea Manned Vehicles, the equipment operates at depths up to 4.000 meters, twice the depth of existing subsea communications infrastructure. It has been specifically designed for use with China's advanced manned and unmanned submersibles and can cut fortified deep-sea cables. The publication in Chinese-language journal *Mechanical Engineer* is the first time a country has publicized such a capability.

China has been implicated in several recent incidents involving damage to undersea cables. In the Baltic Sea, Swedish and Finnish authorities are investigating suspicious activity by a Chinese vessel that may have led to the cutting of two cables in November 2024. Russia has also long been suspected of similar incidents, although both China and Russia have denied accusations of deliberate sabotage. Taiwan also accused China of sabotaging undersea cables as part of "gray-zone tactics" to disrupt its defenses.

The EU, European governments and NATO are stepping up efforts to respond to this type of security threat, including increased patrols, intelligence, and engagement with the private sector. This is a priority as deep-sea cables are vital to both economic and military activities, carrying 95% of global data transmissions. A South China Morning Post article points to undersea cables near Guam, key to US military operations in the Pacific, as an example of what the new cable cutter could disrupt in a geopolitical crisis.

> “China’s display of deep-sea cable-cutting technology is a show of strength at a time of heightened tensions. From continuing to deny its involvement in shadowy operations involving doctored anchors to unveiling equipment to cut fortified cables, China is sending mixed messages about its role in global submarine infrastructure. It wants to be a player in its construction and operation – but also wants the world to know that it has the capability to disrupt critical infrastructure if necessary.”
>
> ***Wendy Chang,*** *Analyst, MERICS*

Media coverage and sources:

- South China Morning Post: China unveils a powerful deep-sea cable cutter that could reset the world order
- Radio Free Asia (CN): Claimed to be able to operate at a depth of 4,000 meters – China reveals “cable killer” 聲稱能在 4000 公尺深海操作　中國公開 "電纜殺手"
- European Commission: Commission and the High Representative present strong actions to enhance security of submarine cables
- CAICT Whitepaper (CN): China's involvement in the construction and protection of international undersea cables, 2025

Beijing’s campaign for public trust is more optics than real reform

In a renewed push to curb corruption and strengthen compliance amid economic challenges, the Chinese Communist Party has launched a party-wide education campaign to fight corruption, based on implementing work conduct rules. But the campaign appears more about appearing trustworthy and boosting compliance than tackling some of the root problems – such as a lack of resources and responsibility overload that is straining officials and may breed corrupt practices.

The party-run People’s Daily newspaper announced the campaign to enforce Xi Jinping’s “eight-point decision” on work conduct, a set of rules introduced in 2012 to improve governance, curb extravagance, and promote discipline among party officials, adding 80 new potential violations to the list, like forbidding work meals to consist of luxury foods.

The CCP currently has to balance fostering economic growth with ensuring clean governance, but party cadres tasked with economic development must do so with few resources, and some have resorted to corrupt practices to attain goals. To tackle this issue, the party has shifted cadre evaluations from individual performance metrics, such as GDP targets, toward collective responsibility and implementation-based assessments. This reduces corruption but slows decision-making and dilutes accountability. As a result, officials prioritize compliance over efficient governance outcomes. This can have an adverse impact on economic performance and administrative effectiveness.

> “Despite new rules, corruption persists as a systemic issue in China’s opaque system. Yet the party views corruption as a personal failing, not a product of the environment or constraints. This shows the campaign is less about eliminating corruption and more about managing public trust at a precarious time.”
>
> ***Alexander Davey,*** *Analyst, MERICS*

Media coverage and sources:

- People’s Daily (CN): The party-wide thematic education campaign on the eight-point decision by the central party powers
- China Government Procurement News (CN): The 80 violations of the eight-point decision on work conduct
- PRC Leader: From purge to control: A recent pivot in Xi Jinping’s anti-corruption crackdown
- The Diplomat: Changing cadre incentives: The untold story of China’s economic challenge

MERICS CHINA DIGEST

Tough G7 statement drops 'one China' reference from Taiwan language (Reuters)

G7 foreign ministers adopted a tougher stance on China when they met in Canada in mid-March, hardening their language on Taiwan by condemning its "coercion" and dropping some established conciliatory references – including to the "one China" policy. (25/03/14)

China to lift hukou-based marriage registration restrictions nationwide (China Daily)

Chinese couples will reportedly no longer have to register their marriages in their household registration area. The *hukou* system ties people to their place of birth, making rural-urban migrant families ineligible for public services such as schools. (25/03/22)

German investment in China has been decreasing since 2022 (Handelsblatt)

German companies invested five billion EUR less in China over the past three years than previously thought, according to new data from Germany’s Bundesbank quoted by business newspaper Handelsblatt. (25/03/19)

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