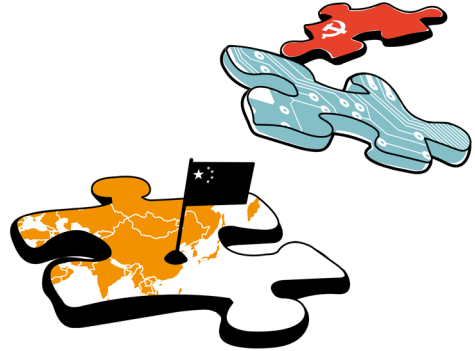


JUNE 19, 2025

MERICS China Essentials



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TOP STORY

Shifting tones on Israel's attack shows Beijing lacks of leverage in the Middle East

China's response to Israel's attack on Iran has grown more cautious as Tehran's military weaknesses have become apparent and the likelihood of joint US-Israeli airstrikes increased. President Xi Jinping on Tuesday called on "all parties [...] to de-escalate the conflict". Although he held Israel responsible for escalating tensions, Xi's language was noticeably more conciliatory than Beijing's initial response. Foreign Minister Wang Yi on Saturday said that China "explicitly condemns Israel's violation of Iran's sovereignty" and pledged to "support Iran [...] in defending its legitimate rights and interests" – strong terms not used in other military conflicts, such as Russia's invasion of Ukraine.

Beijing's shifting stance reflects its conflicting interests in the Middle East. It views Iran as a useful counterweight to US influence and a crucial supplier of oil – by one estimate, China buys up to 90 percent of Iran's oil exports, which are under embargo by the US and EU. But the relationship between the Communist state and the Islamic theocracy is ultimately one of strategic convenience – one which China balances with its ties to other regional powers: Saudi Arabia is its second-largest oil supplier (after Russia), the United Arab Emirates serves as a key financial and logistics hub for Chinese firms, and Israel was long a favored destination for tech and infrastructure investment.

Xi's expression of being "deeply worried" about Israel's military campaign against Iran reflects China's growing concern over the potential for broader destabilization in the Middle East. Such instability threatens not only Beijing's economic and geopolitical interests but also increases the risk of – even just indirectly – being drawn into a wider conflict, possibly involving nuclear weapons. China remains acutely aware of how foreign entanglements can weaken great powers, as evidenced by the US experiences in Iraq and Afghanistan. The war between Iran and Israel and a possible US involvement could serve as a test of how China's rhetoric aligns with its actions—and reveal what role, if any, Beijing is willing or able to play in de-escalation.

“ Although the Iranian regime is a valuable geopolitical asset for China in terms of extending its regional influence, the Middle East is neither a core interest nor a strategic priority for Beijing. Washington getting entangled in an Israel-Iran war could work to Beijing's advantage by diverting US attention away from the Indo-Pacific. But US pressure on Iran also demonstrates its power —and contrasts with Beijing, which has little to offer beyond calling for de-escalation.”

Claus Soong, Analyst, MERICS

Media coverage and sources:

- Chinese MFA (CN): [王毅同伊朗外长阿拉格齐通电话](#) (Wang Yi held a phone call with Iranian Foreign Minister Araghchi)

- Chinese MFA (CN): [王毅同以色列外长萨尔通电话](#) (Wang Yi held a phone call with Israeli Foreign Minister Saar)
- Xinhua (CN): [中国代表：中方谴责以色列侵犯伊朗](#) (Chinese Representative: China condemns Israel's violation of Iran's sovereignty)
- Xinhua (CN): [习近平：各方应该推动中东局势尽快降温](#) (Xi Jinping: All parties should work to de-escalate the situation in the Middle East as soon as possible)
- SCMP: [Chinese envoy urges Israel to halt “risky” Iran attacks, warns of ‘serious consequences’](#)
- Bloomberg: [China warns Iran-Israel conflict may spiral, calls for peace](#)

METRIX

60 billion

This is the proportion of Huawei’s research and development budget that, according to founder Ren Zhengfei, goes into basic research every year – “about 60 billion” of “roughly 180 billion” CNY, the equivalent to 8.3 billion of USD 25 billion. For comparison, Nvidia spends around USD 13 billion and Apple about USD 31 billion on R&D annually, although neither company discloses what share of their total budgets goes into basic research. In an interview with the People’s Daily, Ren said: “Without basic research [...] we’ll never catch up with the US.” He noted that: “Our single chips are still one generation behind the US” – but then also said that by “stacking and clustering” chips and chip components, “our computing outcomes match the state of the art”. (Sources: [China Talk](#) and [People’s Daily](#))

TOPICS

After US raised barriers, China to remove import tariffs for almost all of Africa

China last week widened its few-strings-attached economic outreach to Africa by committing to remove all tariffs on imports from African economies – in stark contrast to the higher US tariffs hitting the continent. This builds on Beijing’s September 2024 pledge to eliminate all tariffs for the 32 African countries defined as least developed countries (LDCs) by the United Nations. Some 53 African countries will now be included– the only exception being southern African Eswatini, which recognizes Taiwan.

The removal of tariffs could create new opportunities to Northern African middle economies like Egypt and Morocco and major regional economies like Nigeria and South Africa. Current African exports to China are dominated by much-needed key minerals and energy, and it is unlikely these volumes can rise much more. But the removal of tariffs

could greatly improve market access for African exporters of agriculture as well as food and beverages, although regulatory burdens would presumably also need to be cut.

It is not known how far Beijing's latest move was motivated by US President Donald Trump's protectionist tariff policy. However, the exclusion of African countries from Chinese tariffs contrasts sharply with their inclusion in Trump's "Liberation Day" tariffs, which range from 50% for Lesotho, 30% for South Africa, to 10% for Egypt. Despite China almost certainly continuing to run large surpluses with most African countries, its preferential tariff treatment is likely to give it more diplomatic clout on the continent.

“The US ceded a lot of ground to China in Africa on ‘Liberation Day’, when Trump accused some of the continent’s poorest countries of ‘ripping off’ the US. Trump aside, the US has historically offered favorable trading opportunities to African economies – but always with many strings attached. China sets few conditions – and eliminating all tariffs will boost Africa-China trade and Beijing’s standing.”

Jacob Gunter, Head of Program Economy and Industry, MERICS

Media coverage and sources:

- Xinhua.net (CN): [Xi Jinping and Congolese President Sassou respectively sent congratulatory letters to the Ministerial Meeting of Coordinators for the Implementation of the Outcomes of the Forum on China-Africa Cooperation](#)
- BBC: [China ready to drop all tariffs on African imports](#)
- Reuters: [China says it will remove all tariffs on African exports to boost trade](#)

Beijing bets on a techno-solutionist approach to tackle elder care crisis

Beijing is accelerating its push for new technology to ease its demographic challenges. A new pilot program aims to promote the use of elderly-care robots, with the goal of having 200 devices in homes and 20 in care institutions by 2027. The plan involves pairing robotics companies with care providers to test solutions in areas like mobility assistance, health monitoring, personal care and emotional companionship in real-world settings.

The initiative shows Beijing's appetite for technological fixes for even the biggest social challenges. Despite long-standing plans for more training, China can currently muster only 8 percent of the 6 million elderly-care nurses it needs – and demand will rise as the over-60 cohort is projected to swell from 21 percent in 2025 to as high as 40 percent by 2050. Unwilling to let immigration fill the elderly-care labor gap, Beijing is hoping to capitalize on advances in embodied AI and robotics to cater to the “silver economy”.

But events like April's first humanoid half-marathon also highlight challenges – only six out of the 21 robots reached the finish. Similarly, most applications in healthcare are prototypes overhyped in publicity stunts. Elderly people in Shenzhen were able to test an exoskeleton that aids human movement, and Tsinghua University launched an AI-run hospital. Nevertheless, the Shenzhen company Atribot announced a partnership with the Shenzhen Elderly Care Hospital to integrate its AI robots into the facility's services.

“Beijing’s eagerness for elderly care robots perfectly illustrates how deeply the Chinese Communist Party is wedded to technological progress. But even quick advances in healthcare robotics will not solve the nursing shortage.”

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

Media coverage and sources:

- Ministry of Industry and Information Technology of the People’s Republic of China (CN): [两部门关于开展智能养老服务机器人结对攻关与场景应用试点工作的通知](#) (Notice of two departments on launching a pilot project on pairing and scenario application of intelligent elderly care service robots)
- People.cn (CN): [养老护理人才的专业化培养与高质量供给](#) (Professional training and high-quality supply of elderly care talents)
- CGTN: [World's first humanoid half-marathon held in Beijing](#)
- 21Jingji (CN): [具身智能机器人，正在进入养老院](#) (Embodied intelligent robots are entering nursing homes)

New security measures drive Hong Kong’s integration into China’s Greater Bay Area

In the run-up to the fifth anniversary of Hong Kong’s National Security Law (HKNSL) – enacted to stop, among other things, “subversion” and “terrorism” in Hong Kong – the central government’s local Office for Safeguarding National Security (OSNS) held its first joint operation with the Hong Kong Police. This shows how Beijing is systematically integrating Hong Kong into the “Greater Bay Area” it forms with Guangdong and Macao – and eroding China’s “one country, two systems” pledge from the Hong Kong handover.

The search of the homes of six individuals suspected of foreign collusion followed the introduction in May of new local laws under Article 23 of Hong Kong’s Basic Law. Last year, Hong Kong’s government already adopted sweeping new security legislation to support the broader measures of the HKNSL, which has been in effect since June 30, 2020. While authorities have described them as essential for “stability and prosperity,” critics warn that the laws further weaken civil liberties by giving the OSNS more tools and legal powers to enforce national security directly.

Officials present this integration in positive terms, pointing to 1.6 million trips by Hong Kongers to the mainland over Easter. But this is likely driven by economic and emotional pressures. While life in Shenzhen is reportedly over 50 percent cheaper, Hong Kong is becoming as security focused as the mainland. Police drone patrols, the censorship of a Taiwan-made protest video game, arrests of peaceful Tiananmen commemorators, and the shutdown of one of the last remaining organizations documenting labor rights and protests in China all reflect the tightening of the city’s civil space.

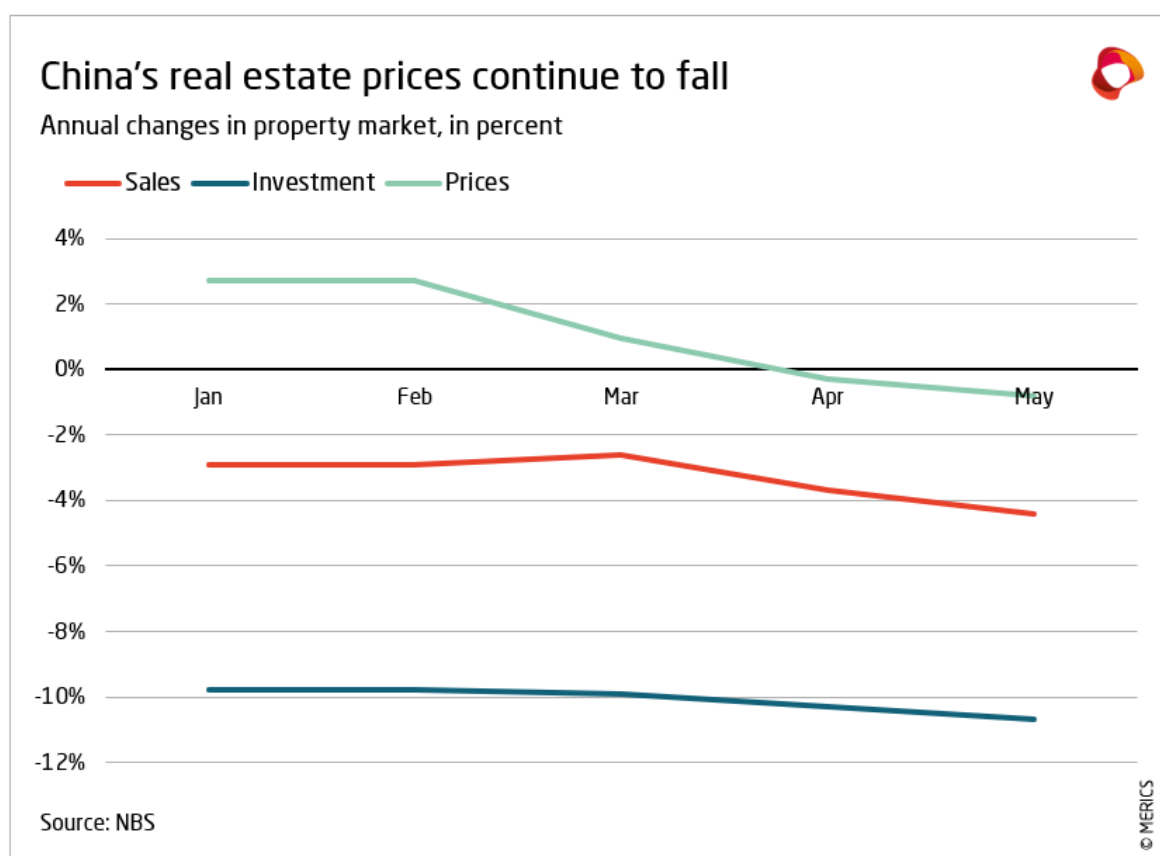
“ Hong Kong’s increased securitization and cross-border flows have accelerated its integration into the Greater Bay Area. More than 240,000 Hong Kongers moved away from the city between 2020 and 2023. For many who remain, a train ride north might offer a temporary reprieve – retail therapy for worries at home.”

Alexander Davey, Analyst, MERICS

Media coverage and sources:

- Database of Hong Kong legislation: [Safeguarding National Security Ordinance \(6 of 2024\)](#)
- HKFP: [Hongkongers ‘vote with their feet’ by spending weekends, holidays in mainland China, city’s No. 2 official says](#)
- HKFP: [Hong Kong police launch first known joint operation with Beijing’s national security office](#)
- NYT: [Chinese Labor Rights Group Led by Former Tiananmen Protest Leader Closes](#)

GRAPHIC OF THE WEEK



China's real-estate sector shows no signs of revival. The annual decline of property prices accelerated to 0.8 percent in May from 0.3 percent in April, while sales volumes were down 4.4 percent from 3.7 percent and investment dropped 10.7 percent. Nevertheless, at a meeting chaired by Premier Li Qiang on June 13, the State Council focused only on “stabilizing and halting” the decline of the sector, rather than on stimulus measures.

Beijing is concerned about the effects of the real-estate slump on economic confidence, but it remains determined not to resort to government spending to prop up the market.

MERICS CHINA DIGEST

[EU spurns economic dialogue with China over deepening trade rift \(Financial Times\)](#)

The EU has refused to hold the EU-China High-Level Economic and Trade Dialogue with Beijing because of a lack of progress on numerous trade disputes, reports the Financial Times. The omission of the talks will lower expectations for any concrete gains at the leaders' summit set for the end of July in Beijing, which also marks 50 years of bilateral relations. (25/06/17)

[China stockpiling nuclear warheads at fastest rate globally, new research shows \(The Guardian\)](#)

A report published on Monday by the Stockholm International Peace Research Institute (SIPRI) estimated that China now has at least 600 nuclear warheads, with about 100 per year being added to the stockpile since 2023. Foreign Ministry spokesperson Guo Jiakun declined to comment on the report but said: "China has [...] always maintained its nuclear forces at the minimum level required for national security." (25/06/17)

[Largest known leak of Chinese personal data from single source uncovered \(Security Affairs\)](#)

Researchers discovered a massive 631GB unsecured database containing around 4 billion records, including financial, WeChat, and Alipay data, likely exposing hundreds of millions of users, primarily from China. They suggest the scale and variety of the information point to a centralized system, possibly used for surveillance, profiling, or enriching existing data. (25/06/07)

[Chinese propaganda surges as the U.S. defunds Radio Free Asia \(Washington Post\)](#)

According to an analysis prepared for a grantee of the U.S. Agency for Global Media, which funded Radio Free Asia and other news outlets, China filled the void left by RFA shutting down 60 shortwave radio frequencies due to drastic funding cuts by the Trump administration by adding 80 new frequencies during the same period, jamming frequencies previously used by RFA, includes in Tibetan and Uyghur language. (25/06/06)

[Widespread pay cuts in China drive down consumer spending, fuel deflationary fears \(Radio Free Asia\)](#)

Chinese workers across industries are facing salary cuts and layoffs as mounting economic woes engulf China's public and private sectors. The cuts indicate the financial strain on local governments. The salary reductions have sparked a sharp decline in consumer spending, creating deflationary pressures across the economy, as businesses engage in aggressive price cutting in a desperate bid to attract cash-strapped consumers. (25/06/17)

[G7 Leaders' Statement on Transnational Repression \(G7\)](#)

In the statement, which does not single out China or other countries, the leaders of the G7 voice their concern about transnational repression, which they describe as an “aggressive form of foreign interference whereby states or their proxies attempt to intimidate, harass, harm or coerce individuals or communities outside their borders.” They vow to “redouble our efforts to keep our communities safe, to defend human rights, including the freedom of expression online and offline, and to safeguard our sovereignty.” (25/06/17)

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