

MARCH 25, 2021

MERICS

China Briefing

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TOP STORY

LIKEMINDED COORDINATION BOOSTED, WITH CHINESE PUSHBACK

A concerted push by European and likeminded partners to coordinate responses to China – including the imposition of sanctions for human rights abuses – has elicited strong Chinese backlash.

On 22 March, the EU Foreign Affairs Council sanctioned four Chinese officials and a section of the Xinjiang Public Security Bureau for human rights abuses in Xinjiang under the EU’s global human rights sanctions regime. This move was coordinated with the US, the UK and Canada – Washington, London and Ottawa imposed similar sanctions shortly after the EU – marking the first coordinated Western action against Beijing since President Joe Biden took office in the US.

The EU has long tried to avoid confrontation with Beijing and to stress the cooperative elements of its relationship with China, although its position has shifted in recent years. The EU’s sanctions on four Chinese officials were carefully calibrated – for example, it didn’t blacklist Xinjiang Party Secretary Chen Quanguo, the top official in the region (read more about Chen in the profile below). But it was the first time since the suppression of the Tiananmen Square protests in 1989 that the EU resorted to this tool.

China immediately retaliated against the EU’s sanctions by imposing its own sanctions on 10 individuals and four entities in the EU that it claims “severely harm China’s sovereignty and interests and maliciously spread lies and disinformation.” China’s asymmetric escalation, which was likely a reflection of Beijing’s concerns regarding a potential Western coalition to confront China and an attempt to warn Europe against closer coordination with the US and other allies. However, this could backfire. It will induce EU stakeholders to prioritize risks and vulnerabilities in their China relationship and give momentum to ongoing international coalition-building efforts.

It remains to be seen how Europe will respond to China’s retaliation – and whether other individuals and organizations in the UK, Canada or the US will also be targeted. China’s counter-sanctions against Europeans also pushed the issue of transatlantic coordination on relations with Beijing even higher on the agenda of US Secretary of State Antony Blinken, who was visiting Brussels for talks with EU, Belgian and NATO officials. On 24 March, Blinken and the High Representative of the European Union Josep Borrell launched a US-EU dialogue on China. According to Borrell, the topics discussed will include reciprocity, resilience, human rights, security and multilateralism as well as climate change as a field for cooperation with China.

The Brussels trip was the last stop in Blinken’s tour of allied states, which began on 12 March with visits to Japan and South Korea. He also went to Alaska for meetings with a Chinese delegation led by top diplomats Yang Jiechi and Wang Yi. After an acrimonious beginning, both sides claimed to have discussed a range of substantive matters from post-covid-19 economic recovery to Taiwan and Hong Kong. Despite this, the talks laid bare the deep-seated tensions between the two countries.

MERICS analysis: “The Anchorage meeting between Blinken and his Chinese counterparts showed that the US under President Joe Biden will largely maintain the previous administration’s tough stance on China, although its approach will have a stronger focus on working with allies and likeminded partners. Blinken’s trips to Asia and to Europe are attempts by the Biden administration to revitalize alliances and partnerships that had suffered under the Trump administration and to push for a coalition to stand up to China flexing its muscles in the international arena.” **Matt Ferchen**, MERICS Head of Global China Research

Media coverage and sources:

- Lowy Institute: [Quad vaccine diplomacy](#)
- Xinhua: [Official read-out of the Anchorage meetings](#)
- VOA: [Blinken in Brussels and US-European alliances](#)
- Chinese MFA (in Chinese): [Announcement of sanctions on Europe \(外交部发言人宣布中方对欧盟有关机构和人员实施制裁\)](#)
- Reuters: [EU, China impose tit-for-tat sanctions over Xinjiang abuses](#)

TOPICS

CHINA AND RUSSIA AFFIRM CLOSE TIES

The facts: Escalating tensions between China and the West appear to be pushing Beijing and Moscow closer together. Before making a two-day visit to China earlier this week, Russian Foreign Minister Sergei Lavrov highlighted China and Russia’s mutual interest in creating a multipolar world order. Lavrov said its evolution was being hindered by Western countries led by the United States. On Tuesday, Lavrov and Chinese Foreign Minister Wang Yi issued a joint statement calling for a UN Security Council summit to address what they described as “global political turbulence.”

What to watch: Lavrov also called on Russia and China to collaborate to develop technological independence and to reduce their exposure to US sanctions by moving away from Western international payments systems and the primacy of the US Dollar.

MERICS analysis: “The strategic partnership between Russia and China is founded on a mutual distaste for US hegemony. As the fault lines between the West and China deepen, Beijing will appreciate Moscow’s alignment with its agenda of technological independence and internationalization of the Yuan.” MERICS Analyst **Jacob Mardell**.

Media coverage and sources:

- Reuters: [Russia’s top diplomat starts China visit with a call to reduce US Dollar use](#)
- Global Times: [China-Russia partnership 'key to balance US hegemony'](#)
- Foreign Ministry of Russia: [Interview with Foreign Minister Lavrov](#)
- Al Jazeera: [China and Russia push for UN summit amid political turbulence](#)

FINANCIAL REFORMS SET COURSE FOR CONTROLLED LIBERALIZATION

The facts: The middle of March offered signs that China's financial reforms are real: HNA Group detailed a restructuring that now has its airline assets looking for strategic investors, its airport business seeking capital from the state and its retail activities open to funding from any investors; the China Banking and Insurance Regulatory Commission (CBIRC) removed the last cap on foreign investment in insurance joint ventures; the People's Bank of China (PBoC) launched a pilot program allowing foreign multinationals to more freely move cash in and out of mainland China. This all happened before a background of record fines being slapped on financial institutions for shadow banking and unregistered real-estate financing, and new rounds of inspection for local banks. On financial markets, the shake out of over-leveraged entities continued: bond defaults continued, and funding costs spiked – especially for real-estate developers, old industries (including SOEs) and local government financing vehicles – while the central bank kept liquidity fairly tight despite these trends.

What to watch: These are positive indications of China's resolve to reform its financial sector and financial markets with a mix of market liberalization and strong political guidance. China is trying to combine the two to develop a modern socialist market economy. Its aim is to direct capital away from speculative investment fields like real-estate towards the growth drivers envisioned by Beijing – start-ups, technology intensive sectors and “new infrastructure.” As economic growth slows and the ambitious goals of developing a modern, socialist market economy become more concrete, China's real test lies ahead.

MERICS analysis: “As some forms of normality returns, we see China's pre-Covid-19 financial reform back on track – and further clarified through recent plans. But behind the many modern measures and announcements, there are still many dated mechanisms in play – quantitative targets for bank-funding for private companies or the cosmetic decline in non-performing loans in most provinces last year,” says MERICS Analyst **François Chimits**.

Media coverage and sources:

- PBoC (in Chinese): [PBoC and multinational cross-border cash management \(中国人民银行 国家外汇管理局进一步便利跨国公司跨境资金统筹使用\)](#)
- China Securities Journal (in Chinese): [New rounds of inspections at local branches \(独家 | 监管部门开展银行保险机构履职回避工作落实情况调研\)](#)
- Bloomberg: [Sustained waive of default, encompassing SOEs and LGFV](#)

CLOSED-DOOR TRIALS IN BEIJING FOR CANADIAN CITIZENS FACING SPYING CHARGES

The facts: Canadian citizens Michael Kovrig and Michael Spavor have been denied access to consular support as they stand trial in Dandong and Beijing on charges of espionage. The media was also refused access to the closed court hearings which began on March 19 and 22. Spavor, a business consultant, and Kovrig, a former diplomat working for the International Crisis Group, were arrested in 2018 and have been kept mostly in isolation since then. Chinese officials argued that closed court hearings were in line with Chinese law as the cases involved state secrets. From the start, Chinese official statements and media have linked the charges against the two with the arrest in Vancouver of Meng Wanzhou, daughter of Huawei founder and CEO Ren Zhengfei. The United States is seeking Meng's extradition to face fraud charges and violation of US sanctions.

What to watch: The first court hearings did not result in an immediate verdict, but it is likely that the two courts will not take long to pass sentence. Given the conviction rate of 99 percent in Chinese courts and the highly political nature of the case, a guilty verdict seems a given.

MERICs analysis: Denying access to consular support is an extraordinary step to take and one that contradicts China's obligations under the Vienna Convention on Consular Relations. Hopes that a conclusion of the legal proceedings and trial could open the door for negotiation of their release might prove short lived, as relations deteriorate further in the wake of sanctions imposed by Canada. China is likely to present the court rulings as a show of strength, independence and an exertion of sovereignty in reaction to diplomatic pressure from the United States and Canada.

Media coverage and sources:

- CBC: [Spavor's trial in China ends without a ruling](#)
- NYT: [Canadians stand trial in China for spying](#)
- Global Times: [China slams Canada for interfering in judicial process](#)
- QQ (in Chinese): [Chinese Ministry of Foreign Affairs spokesperson slams criticism of closed-door hearings\(华春莹：康明凯、迈克尔案涉国家秘密，法院依法不公开开庭审理无可指责\)](#)

METRIX

300,000

China has pledged to donate 300,000 doses of Chinese-made vaccines to UN peacekeepers. According to the Chinese [party-state news agency Xinhua](#), priority will be given to supplying peacekeepers in Africa. According to the Chinese U.N. mission's press release,

this is another step toward making Chinese vaccines a global public good. China has pledged “vaccine aid” to 53 countries and is also exporting a much larger number of doses at cost. Important customers include Serbia, Pakistan, Brazil, Indonesia, and the UAE. Amid an ongoing global shortage, vaccines have become a valuable part of China’s diplomatic toolkit.

More on the subject: Read the Short Analysis [“China’s vaccine diplomacy assumes geopolitical importance”](#) by **Jacob Mardell**.

REVIEW

LAND OF BIG NUMBERS, BY TE-PING CHEN

A woman and child bring food to a family refusing to leave its soon-to-be-demolished house that sits high above the construction pit surrounding it. A woman escapes an abusive boyfriend and finds liberation in the beautiful chaos of a big city. A farmer and aspiring inventor dreams of building an aircraft to impress the local party secretary. Te-Ping Chen’s short stories are full of tenderness, and resilience. They are about humans, so also populated by desires, flaws, and sins.

With a refusal to judge, quietly powerful prose and an intimate understanding of Chinese society from years of experience as a reporter, the author paints a colorful, magnetic portrait of ordinary people in China and of members of the Chinese diaspora. Masterfully alternating realism, magical realism, satire and tragedy, Chen transports the reader into the lives of her characters. The mundane and the magic, love and violence, surrender and struggle alternate on her pages.

There emerges a complex patchwork of diverse human experiences in a fast-changing country – one in which everyone is struggling to make their lives better and meaningful in their own way: a boring government job, risky stock market bets, professional video-gaming, political activism, a new life in America, or simply contentment with the material security that an authoritarian state can sometimes provide. China is indeed a land of big numbers, one whose next GDP target and other numerical goals of an ever-more-powerful government make headlines in the West, while its people, all their variety and energy, are too often ignored, misunderstood, viewed as some alien “other.”

Chen’s debut collection is illuminating and necessary, a constellation of voices and faces that deserve to be taken for what they truly are, beyond externally imposed projections and expectations. At a time when simplistic narratives about China and its sheer size often dominate public debate, *Land of Big Numbers* is a wonderful reminder to never lose sight of the individual.

Reviewed by **Rebecca Arcesati**, Analyst at MERICS

PROFILE

CHEN QUANGUO - BEIJING'S EXPERIENCED ENFORCER IN XINJIANG

Chen Quanguo, the Chinese Communist Party (CCP) Secretary of the Xinjiang Uighur Autonomous Region, was notably absent from a quartet of Chinese officials sanctioned by the European Union on Monday. A central figure in Beijing's repression of the Uighur Muslim minority, Chen was blacklisted by the USA in 2020 and had been expected to be the most senior figure targeted by the EU. Brussels not naming the CCP's top man in Xinjiang can be read as a carefully calibrated signal to Beijing.

A Han Chinese, Chen was born in Henan Province in 1955, served in the military and holds a master's in economics. His political career took off in 1998 when he became Henan's Vice-Governor under Li Keqiang. In 2011, Chen was appointed CCP Secretary of the Tibet Autonomous Region and First Secretary of the Tibet Military region, increasing policing and surveillance and, despite a series of self-immolations, managing to prevent protests in the region. Success in Tibet was followed by Chen's transfer to Xinjiang in 2016, after China had faced terrorist attacks linked to Uighur independence groupings and Islamic terrorist organizations, including two deadly attacks in the southern city of Kunming and Beijing in 2014.

As documented in Chinese government reports, Chen, after coming to Xinjiang in 2016, told police and soldiers to prepare for a "smashing, obliterating offensive." Chen imposed measures akin to martial law, with strict controls on movement, communication and religious practices. Researchers estimate more than a million members of the Uighur ethnic minority were forcibly held in reeducation centers for, which the Chinese government holds are "vocational training" facilities where presence is voluntary. Former inmates have reported other crimes directed against them during the detention. While the number of people detained in such reeducation centers seems to have fallen in the past year, criminal convictions – including many former detainees – in the region have surged, as have other forms of social control.

Media coverage and sources:

- Reuters: [EU, China impose tit-for-tat sanctions over Xinjiang abuses](#)
- Global Times: [Party chief rejects Xinjiang genocide claims](#)
- Newsline Institute: [An Examination of China's Breaches of the 1948 Genocide Convention](#)
- The New Yorker [Inside Xinjiang's prison state](#)

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MERICS' Top 3

- Swiss Info: [Switzerland unveils its first China Strategy](#)
- Independent: [UK integrated review to test UK's relations with China](#)
- The Guardian: [China only allows foreign visitors who have had Chinese-made vaccine](#)

Politics and society

- SCMP: [China's plan to raise retirement age will be gradual process](#)
- BBC: <https://www.bbc.co.uk/news/world-asia-china-56519411>
- Global Times: ['Red-themed dramas' featuring CCP history hit the small screen](#)

Economy, finance and technology

- Reuters: [Xiaomi eligible for index inclusion after investment ban win](#)
- China Banking News: [Out of 20 provinces only three saw a rise in the NPL ratios in 2020](#)
- Bloomberg: [PBoC proposes new law to control financial risks](#)
- Yicai: [Chinese Regulator Calls Out Problems at Xiaomi-Backed Internet Bank](#)

International relations

- Washington Post: [Xi, Kim share messages reaffirming China-North Korea alliance](#)
- CNN: [Philippines demands Chinese fishing flotilla leave disputed South China Sea reef](#)

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