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METRIX

24.9%

Of the 2980 delegates to the 13th National People's Congress (2018-2023) 24.9 percent are women. Their share rose slightly from 23.4 percent in the 12th NPC (2013-2018) and is well above figures from earlier decades. The latest figures put the NPC before the **US Congress** (19.8%) and the **Japanese Lower House** (10.1%), but behind the **UK Parliament** (32%) and **Sweden** (43.6%). **Since the 2017 election in Germany**, women deputies account for 30.9 percent of the Bundestag, that's down six percentage points from the previous legislature period.

TOPIC OF THE WEEK: NATIONAL PEOPLE'S CONGRESS

It's official: The party takes over the state

The National People's Congress never had real decision-making power. But at this year's session, the Communist Party's firm grip over the 2980 delegates is on full display. The agenda reads like an extension of last fall's Party Congress. The most important decisions are aimed at tearing down the boundaries between the party and the state.

The government's work report at the beginning of the session is usually the most important event. But this year, Premier Li Keqiang's speech on March 5 was overshadowed by the anticipation of the vote on several constitutional amendments, scheduled for March 11. The delegates are expected to drop the **two-term limit for the presidency**, allowing Xi Jinping to keep the office past 2023 – in addition to the more powerful post of CCP General Secretary, which has no term limit.

The constitution will also be amended to include the „leadership of the Communist Party of China" in Article 1 – elevating it from a mere guiding principle in the preamble to a binding provision. The preamble will be altered to include the “Xi Jinping Thought on socialism with Chinese characteristics for a new era" as well as several of Xi's foreign policy slogans such as the principle that China “follows a path of peaceful development and pursues a mutually beneficial strategy of opening up.“

The NPC is also expected to pass the controversial National Supervision Law and to establish a **National Supervision Commission**, which will be entrusted with the prosecution of suspects in Xi Jinping's anti-corruption campaign. This commission is a perfect example of the merging of party and state functions as it will consolidate the respective party and state offices, effectively expanding the reach of the anti-corruption campaign from CCP members to all state officials – from managers of state-owned enterprises to university professors.

A recent CCP Central Committee decision points to potential plans for merging other state and party offices. This is also supported by media speculation that the NPC will reduce the number of ministerial-level organs from 25 to 19. The delegates will vote on important state personnel appointments – from the Vice President to members of the cabinet – between March 17 and 19, before the unusually long session is scheduled to end on March 20.

MERICS analysis:

In Xi's China, the party morphs into the state. Blogpost by Matthias Stepan and Sabine Muscat.

Activating the National People's Congress. Law making on Behalf of the Party Center. China Monitor by George C. Chen and Matthias Stepan.

CHINA AND THE WORLD

China to boost defense spending by 8.1 percent

China will spend 1.11 trillion RMB (EUR 142 billion) on its military this year, an increase of 8.1 percent in comparison with last year's expenditure. The figures were **released on Monday**, the first day of the plenary session of the National People's Congress. Like in previous years, defense spending rises faster than GDP growth. The increase is also slightly higher than in 2017 (7 percent) and 2016 (7.6 percent) and signals the leadership's commitment to continue with the military **modernization drive** and turn the People's Liberation Army (PLA) into what president Xi Jinping calls a "world-class force" by 2049. The increase is also further proof that Xi wants to build a military force that can "fight and win wars" and matches China's economic and political strength.

Many experts believe that China real military expenditure is much higher than the official figures indicate. Many projects and expenses that are typically part of Western military budgets are not included in China's defense budget. For example, China's coast guard, which runs a lot of the naval operations in the South China Sea, belongs to the State Oceanic Administration under the Ministry of Land and Resources. The coast guard's budget is therefore thought to not be included in the military spending figures.

MERICS analysis:

China's PLA to become more active on the global stage, Podcast with Helena Legarda.

China Security Project. Joint project by MERICS and IISS.

Chinese BRI loans hike risk of debt distress in eight countries

China's ambitious Belt and Road Initiative (BRI) creates potential debt risks in participating countries, **according to a new study** by the Washington-based Center for Global Development. The researchers say that out of the 68 countries that China lists as potential BRI participants, 23 were already at "quite high" risk of debt distress. Eight of these 23 countries could face difficulties servicing their debt because of future financing of BRI projects. The countries most at risk are Djibouti, the Maldives, Laos, Montenegro, Mongolia, Tajikistan, Kyrgyzstan, and Pakistan.

The researchers highlight the case of Montenegro which has enormous debt problems due to one China-related project: a motorway linking the port of Bar with Serbia. China Exim Bank finances 85 percent of the project. In the East African state of Djibouti debt has risen from 50 to 85 percent of GDP in just two years, the highest rate of any low-income country. Much of this debt is owned by China Exim Bank but additional projects such as a new port and two airports are already in the pipeline.

The study **recommends** that China make the BRI more multilateral and that institutions like the World Bank work toward a more detailed agreement with Beijing on lending standards for the initiative's projects.

News in brief

- Hong Kong bookseller: [EU politicians demand release of Gui Minhai](#)
- Energy firm CEFC: [Chairman reportedly under investigation](#)
- US-Taiwan travel bill: [China voices anger and criticism](#)

POLITICS, SOCIETY AND MEDIA

Censors work overtime to suppress criticism of constitutional amendment

Chinese censors have played a cat-and-mouse game with internet users ever since the CCP's plan to remove the two-term-limit on the Chinese presidency was revealed on February 25. On many news websites comment functions were temporarily disabled to prevent netizens to voice their opinions. On some sites, readers' comments could not be seen by other users. On the messaging service Weibo comments criticizing the plans were deleted [at speed](#). A long list of [key words](#) relating to the planned constitutional changes were banned, including words such as "my emperor," "lifelong," "shameless," or "I disagree." On a Chinese-language [forum](#) that is hosted on a server outside China, a single post on the CCP's plans triggered hundreds of sometimes emotional criticism. While many commentators said the planned changes did not come as a complete surprise, many expressed fear that China's development was taking a turn for the worse.

Offline criticism also surged despite strict controls. Several activists and dissidents were forced to leave Beijing for the duration of the NPC's annual meeting. Li Datong, a well-known journalist, wrote an [open letter](#), warning that abolishing the term limit for the presidency would plant "the seed once again of chaos in China, causing untold damage." In Hong Kong, where citizens enjoy much greater freedoms than on the Chinese mainland, [protestors](#) took to the streets criticizing the CCP's plans

Former presidents back campaign for Taiwan independence referendum

A campaign for a referendum on Taiwan's independence has been launched with backing from two former presidents. Lee Teng-hui (1988-2000) and Chen Shui-bian (2000-2008) both voiced their support for an initiative to hold a vote in April 2019.

The campaign was launched by Kuo Bei-hong, chairman of Formosa Television channel. According to [media reports](#) lawmakers, pro-independence groups and former vice president Annette Lu attended the launch event. They wish to see a vote on Taiwan's official name, its constitution and full UN membership.

Any move to hold a referendum could invoke the wrath of Beijing, which regards Taiwan as a renegade province.

The campaign is the first attempt to hold a referendum since the sunflower protests of 2014 which won the support of many younger Taiwanese critical of Beijing. The last time Taiwan held a referendum was

in 2008 under President Chen Shui-bian. The vote on UN-membership for Taiwan failed due to low voter turn-out.

Last December, the Taiwanese government introduced changes that make referendums easier. The new “Referendum Act” (公民投票法) lowered the **threshold** for a vote to be valid from 50 to 25 percent of the electorate. However, under the **Taiwanese constitution**, issues of sovereignty and the official name of the island cannot be decided by public vote.

News in brief

- Studying abroad: **Death of students in the UK sparks debate in China**
- #MeToo: **80 percent of female journalists in China experience sexual harassment**

ECONOMY, FINANCE AND TECHNOLOGY

Tax cuts stand out in government work report to NPC

Determined to keep economic growth at current levels, the Chinese government has **committed to substantial tax cuts**. The **government work report** that was presented by Premier Li Keqiang at the opening session of this year’s NPC, promises to cut tax rates for businesses and individuals by 800 billion CNY (126 billion USD) in 2018.

The announcement suggests that the Chinese government sees a need for additional stimulus in order to maintain stable growth. In addition to the tax stimulus, public spending on infrastructure will remain at high levels. According to Li, the **government has allocated** 1.8 trillion CNY (284.4 billion USD) for roads, 1 trillion CNY for water management and 732 billion CNY for railways in its budget.

The work report kept the previous year’s emphasis on “high quality growth” and kept the growth target of “around 6.5 percent,” but dropped the phrase “or higher if possible in practice.” China’s economy grew by 6.9 percent in 2017, exceeding the target.

The tax cuts can also be interpreted as an attempt to prevent the return of capital flight in the wake of the massive tax reductions enacted by the US Congress. **China’s top tax rate of 45 percent**, as well as a plethora of additional tariffs and fees, have driven some domestic and foreign companies abroad in recent years. The proposed cuts focus on alleviating the burden for businesses in the manufacturing and transportation sector. Tax breaks for individuals are also part of the package.

Addressing fears of rising deficits and debt, the government aims at reducing the fiscal deficit from 3 percent to 2.6 percent of GDP – although the tax cuts would reduce revenue by more than 5 percent.

Germany debates stricter disclosure rules after Geely purchase of Daimler stake

The German government is looking into tightening disclosure rules for investors after the surprise purchase of a 9.7 percent stake in Daimler by Chinese carmaker Geely. “Against the backdrop of the current case, the federal government will examine whether the existing rules are sufficient to provide an adequate level of transparency,” [Reuters quoted from a report](#) the German economics ministry prepared for a session of the economics committee of the German parliament on February 28.

The Chinese entry into one of Germany’s flagship companies was welcomed by many analysts who view it as an opportunity for the Germans to access the fast-growing market for e-mobility in China. Germany’s foreign minister Sigmar Gabriel supported this view: “If you see the danger that the future of the car is a computer on wheels and that Tesla or Google therefore have the chance to relegate the German car industry to the second or third place, then perhaps it is rather smart to align yourself with the participants of the largest market,” he told a [German-Chinese business conference](#) in Düsseldorf on February 28.

At the same time, the news of Daimler’s new Chinese shareholder reignited fears over the transfer of German technology and expertise to China. Geely’s chairman and main owner, Li Shufu, attempted to quell these fears during visits to Berlin and Stuttgart, where Daimler is headquartered. He would not seek a seat on the company’s supervisory board, Li told the tabloid Bild am Sonntag, addressing concerns that a competitor to Daimler could get access to the company’s strategic planning process. Geely also owns other major car brands, among them Volvo.

It had been rumored for a while that Li planned to acquire a stake in the German car brand, but the size of the purchase hit Daimler and the German public by surprise. It is unclear how Li was able to circumvent regulatory thresholds forcing investors to disclose their share purchases when they cross 3 percent and 5 percent of voting rights. Reuters reported that Bank of America Merrill Lynch helped Geely to skirt these requirements by securing the stake through financial instruments not covered by the regulation. The bank declined to comment.

News in brief

- GDP Growth: [China has met its annual development targets](#)
- Faster speed: [Germany’s Autobahn sets example for China’s first high-speed smart highway](#)
- Advanced research: [Chinese AI company is the first to join MIT initiative](#)

THE EUROPEAN VIEW

China among policy priorities for Chancellor Merkel’s fourth term

Ensuring fair and open competition with China is among German Chancellor Angela Merkel’s priorities for her fourth term in office. After the Social Democrats had approved joining a new grand coalition with

Merkel's conservative CDU last Sunday, the chancellor listed her foreign policy priorities **in a brief statement** on Monday. She mentioned international trade policy, ensuring open competition with China, and dealing with the conflict in Syria. Merkel is scheduled to be sworn in with her cabinet by Germany's lower house of parliament, the Bundestag, on March 14. She will outline her agenda in more detail in an address to parliament the following week.

In the past few weeks, Merkel has made several statements that could indicate a tougher stance vis-à-vis China and Chinese Belt-and-Road financing in Central and Eastern European countries (CEEC). On February 27, during **a joint press conference** with the Serbian president Aleksandar Vucic, Merkel warned EU member states participating in Chinese infrastructure initiatives not to undermine the bloc's common foreign policy stance toward China. She had made **similar remarks** a week earlier, warning Beijing that Chinese investments in the Balkans must not be linked with political demands.

In the past, Merkel has rarely criticized China's global infrastructure initiatives. Instead, she often left it to her foreign minister Sigmar Gabriel (SPD) to deliver critical messages to Beijing. It is unclear though whether Gabriel will keep his post in the new cabinet.

Echoing Merkel's remarks, a senior foreign ministry official used an op-ed last Sunday to call for European unity towards China. The EU had to find common answers to Beijing's growing economic and political influence, Michael Roth wrote in Frankfurter Allgemeine Zeitung. He stressed that human rights, democracy and the rule of law were non-negotiable to all Europeans.

Jan Weidenfeld: Germany looks set to become tougher on China and is likely to push for joint EU initiatives with France. But as long as Berlin and Paris pursue their own bilateral interests with Beijing, other EU member states will see little reason to back a common European China policy.

MERICS analysis: "**Authoritarian advance: Responding to China's growing political influence in Europe**". Joint report by MERICS and GPPi.

MAD MERIX

A ladder to the wild

Zoos and wildlife parks are wonderful places to relax and observe wild animals without leaving the country. Unfortunately, the tickets are getting more and more expensive. A Shanghai gang of four apparently thought the same and devised a simple plan. Three members would solicit potential visitors of the Shanghai Wild Animal Park at subway stations and drive them to the southern perimeter of the park where the fourth would help them to scale a 3m high wall by means of a rickety ladder made of bamboo.

Customers would pay 100 CNY (12.75 EUR) to the group, a 30 CNY (3.80 EUR) discount on the official price. **Reports say** the gang would get around 30 customers a day and as many as 80 customers on public holidays. The scam was running for **at least two years** even though park employees and police had been notified. Similar incidents have happened elsewhere – despite the dangers awaiting the illegal

visitors on the other side. Those dangers were made evident last year, when a man was killed by a tiger in Ningbo after climbing into its enclosure from outside the zoo to avoid paying the entrance fee.

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