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## METRIX

135

China wants to build a 135-kilometer undersea railway tunnel to link the mainland and Taiwan. The proposed Taiwan Strait tunnel would be the world’s longest undersea railway tunnel and three times the length of the Channel Tunnel between Britain and France. [According to media reports](#) scientists are close to a consensus on the design but political tensions between Taiwan and Beijing - which regards the self-ruled island as a part of its territory - mean construction is unlikely to start any time soon.

## TOPIC OF THE WEEK: FORUM ON CHINA-AFRICA COOPERATION

### China showcases its role in Africa and rejects “debt trap” claims

The Chinese government pledged another 60 billion USD for Africa’s development during this week’s Forum on China-Africa Cooperation (FOCAC) in Beijing. State and party leader Xi Jinping, **addressing African leaders at the Great Hall of the People**, promised development that would benefit the people. “China-Africa cooperation must give Chinese and African people tangible benefits and successes that can be seen, that can be felt,” he said, adding that resources “are not to be spent on any vanity projects.”

The headline figure for financial aid, loans and investments at this year’s summit is the same as at the last China-Africa summit, in Johannesburg in 2015. As anticipated, China broke with previous patterns of doubling or nearly doubling its pledges at each FOCAC meeting.

China is the single biggest financier of African development projects. Beijing loaned around 125 billion USD to the continent from 2000 to 2016, according to data from the China-Africa Research Initiative at Washington’s Johns Hopkins University School of Advanced International Studies.

During the Beijing summit, the Chinese government rejected criticism that its loans lead to mounting debt problems in Africa. “It’s senseless and baseless to shift the blame onto China”, Beijing’s special envoy for Africa, Xu Jinghu, told a **news conference**. “If we take a closer look at these African countries that are heavily in debt, China is not their main creditor,” he added.

Criticism of China was also rejected by some African leaders. “Everything we do with China is perfectly under control, including on the financial and debt side,” said Senegal’s President **Macky Sall**, whose country took over the co-chairmanship of FOCAC for the next three years.

**Reuters news agency** reported last month that some African countries, including Ethiopia and Zambia, were attempting to restructure their debt with China. Concerns over mounting debt were also highlighted when UN Secretary General Antonio Guterres called for “sustainable fiscal policies” and “financial sustainability of African development” in his opening address to the Beijing gathering. Xi, for his part, promised that debt from Chinese interest-free loans due by the end of 2018 would be written off for some of the poorest African nations.

The only African country not attending the Beijing summit was eSwatini, formerly Swaziland. It’s the only African country that still has diplomatic ties with Taiwan. Burkina Faso, Gambia and Sao Tome and Principe terminated relations with Taipei in the last three years and attended the FOCAC for the first time this year.

## CHINA AND THE WORLD

### BRI: Praise and criticism ahead of 5th anniversary

The Belt and Road Initiative (BRI), China's global infrastructure and investment plan, is receiving praise and criticism ahead of its fifth anniversary in September. **In a speech on August 27** in Beijing state and party leader Xi Jinping praised the initiative's achievements and called for a widening of its scope. He emphasized that the BRI is an economic cooperation initiative, not a geopolitical or military alliance and that it is not about creating **"exclusive circles or a China club."** However, he also stressed the Chinese Communist Party's leadership over the BRI.

The Belt and Road Initiative was launched by Xi Jinping during a speech in Kazakhstan on September 7, 2013. It is considered Xi's key foreign policy project and aims to facilitate trade across Asia, Europe and Africa through improved transport and energy links. According to Chinese media, roughly 70 countries are participating. China has pledged over 900 billion USD in loans and investments for roads, ports, rail links and other infrastructure projects. However, critics have highlighted the debt burden placed on many participating countries and the lack of local involvement in many projects.

The latest setback has been the cancellation of BRI projects in Malaysia. On August 21, at the end of a five-day visit to China, Malaysian Prime Minister Mahathir Mohamad announced that projects worth about 22 billion USD would be **"cancelled for now."** The projects **had already been halted** in July 2018, when suspicions were raised about the use of Chinese loans by the previous government. During his election campaign, Mahathir had called for a review of Chinese projects and what he called **"unequal treaties."** During his visit to China he struck a more conciliatory tone, but also warned of a **"new version of colonialism."**

**MERICS analysis:** **Guardians of the Belt and Road: The internationalization of China's private security companies.** China Monitor by Helena Legarda and Meia Nouwens.

### News in brief

- **China funds training camp to support Afghanistan's defense and counterterrorism efforts**
- **China, Greece sign MOU to promote Belt and Road Initiative**
- **PLA to participate in Russia's Vostok war games**
- **El Salvador cuts diplomatic ties with Taiwan for China**

## POLITICS, SOCIETY AND MEDIA

### China disputes UN report on Uighur discrimination

The Chinese government has rejected a report by a UN rights committee that called on Beijing to release ethnic Uighurs held in extra-legal detention centers. A Chinese foreign ministry **spokeswoman** said the report had "no factual basis."

The UN Committee on the Elimination of Racial Discrimination (**UN CERD**) cited estimates that about one million Uighurs were being held in so-called re-education camps without charges or trials on the “pretext of countering terrorism” in the Xinjiang Uighur Autonomous Region (XUAR) in China’s North-west.

The UN committee also expressed concern over **reports** of mass surveillance measures that are “disproportionally targeting ethnic Uighurs.” Those measures include frequent police stops, the scanning of mobile phones at police checkpoints and the mandatory collection of biometric data, including DNA samples and iris scans. There is also growing evidence that the Chinese authorities are trying to extend the surveillance of Uighurs **beyond the Chinese borders**. Because of concerns over human rights in Xinjiang, Germany last month suspended deportations of Uighurs to China, **several media** reported.

The Chinese government doesn’t deny mass surveillance in Xinjiang and the existence of detention centers. But the foreign ministry spokeswoman said such measures were necessary to combat terrorism and extremism and were aimed at preserving stability and unity.

In the past China has been the target of several terrorist attacks, especially between 2014 and 2016. Subsequently, China has stepped up a crackdown in Xinjiang against what it calls Islamic extremism and separatist elements, but many Muslims in the region accuse Beijing of religious and cultural repression.

**Kristin Shi-Kupfer**, Director of the Research Area on Public Policy and Society at MERICS:

“Developments in Xinjiang shows the determination and capacity of the Chinese government to use repressive measures to deal with what it considers serious threats to stability and security. Beijing is also testing the international community on its ability and willingness to speak up against those repressive policies.”

### **China paves way to end family planning policy**

China appears ready to end its decades-long policy of determining the number of children couples can have. The country’s top legislative body, the Standing Committee of the National People’s Congress, deliberated a new draft civil code during its meeting in late August that contains no reference to “family planning”, indicating that there will be **no more restrictions** on the number of children Chinese families can have. Revisions to the draft civil code will be submitted to China’s annual parliamentary meeting in **March 2020**.

Over the last few years China has loosened its family planning policy as its population gets older, birth rates slow and the workforce shrinks. In 2016, the government allowed all couples to have two children, replacing a one-child policy enforced since 1979. But the changes failed to increase the birth rate. In 2017, the country’s total fertility rate was 1.6 children **per woman**, well below the 2.1 rate estimated to be necessary to keep the population steady.

### News in brief

- CCP Central Committee issues revised discipline regulation
- ABC's website blocked for unspecified "violation of Chinese laws"
- China's Cyberspace Administration opens "Illegal and Harmful Information Reporting Center"
- Users boycott Didi Chuxing after killing of female passenger

## ECONOMY, FINANCE AND TECHNOLOGY

### Yuan stabilizes after PBOC adjustments

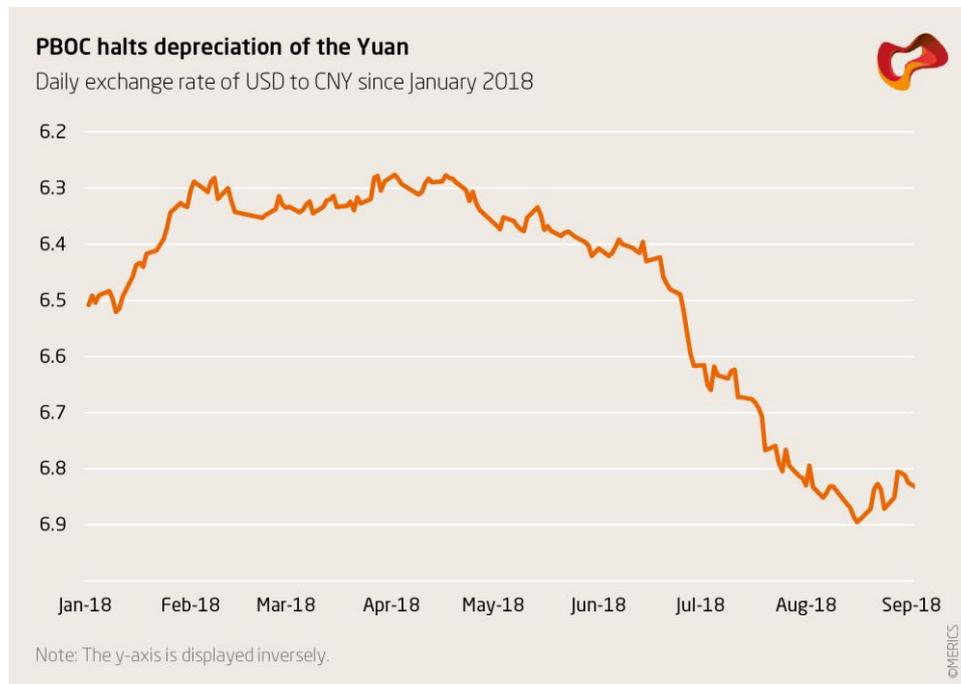
Amid trade tensions with the US and a sliding yuan, the Chinese central bank PBOC has introduced measures to stabilize the country's currency. The PBOC adjusted its methodology for fixing the yuan's daily midpoint, a measure which had immediate effects: The value of the yuan has since risen slightly to 6.82 against the US dollar.

Over the summer the yuan depreciated significantly, falling from a peak of 6.28 to 6.88 per US dollar. The decline reflected a stronger dollar, gloomier prospects for growth in China and concerns about the trade dispute with the US. The PBOC's intervention, the second in the past 18 months, is likely to calm markets and signals investors that the currency will not be allowed to slide further.

The latest policy moves seem to affirm that the Chinese central bank considers an exchange rate of seven yuan per US dollar a red line below which they will not allow the yuan to fall. If the currency slides too much capital flight is likely to follow as investors try to avoid future losses by moving their money abroad. In 2015 the PBOC battled against capital flight and spent more than one trillion US dollars of its foreign exchange reserves to prop up the currency.

While the latest measures have halted the yuan's decline, overall figures for 2018 show that the Chinese currency has depreciated by about five percent against the US dollar since January.

The Chinese currency is not floated freely on international markets. The PBOC fixes the exchange rate every morning but allows a two-percent trading band below or above the fixed rate.



### Tax cuts to boost growth and consumption

For the first time in seven years, the Chinese government is going to cut individual income tax. The Standing Committee of the National People's Congress, China's top legislature, passed an amendment of the Individual Income Tax Law on August 31st raising the threshold for tax-free income from 3,500 CNY (442 EUR) to 5,000 CNY (631 EUR) per month. In addition, from October the lowest four tax brackets will be adjusted in favor of low-income earners. Other changes, due to take effect next year, include tax deductions for special expenses such as elderly care or children's education. The measures are aimed at boosting private consumption. However, compared to the June draft of the law, **the changes are modest** and fall short of public expectations.

In a separate move the State Council, China's cabinet, announced measures to cut costs for companies to support the economy. These measures include tax reductions for some companies, notably those whose business was put on hold to tackle overcapacities. The cabinet also decided to increase the rate of export tax rebates for some products and reduce the tax burden on loans for micro- and small companies. The State Council expects the measures to reduce firms' costs by more than 45 billion CNY (5.7 billion EUR) this year. They are part of a series of fiscal steps the government has taken since March to boost the economy and reduce corporate costs.

### News in brief

- New export orders take a hit as trade war unfolds
- ZTE, Huawei blocked from 5G development in Australia
- Discrepancy of NBS data on industrial profits raises quality concerns
- China adds tariffs on U.S. goods worth 16 billion USD

## PROFILE

### Xu Zhangrun

**Xu Zhangrun** is the 56-year old law professor from Beijing who in July this year dared to criticize the policies of state and party leader Xi Jinping. His bold essay is regarded as the fiercest attack by a Chinese academic in recent months on the direction of the Chinese Communist Party (CCP) at a time when many Chinese intellectuals don't dare to speak up.

Xu's essay was published on the website of the liberal think tank **Unirule Institute of Economics** that was recently forced out of its Beijing office. Simultaneously the essay was published on Ininitum, a Hong Kong based news site. Although it has been read online just 33,000 times, the essay was shared widely in Chinese academic circles and gained extra fame when it was featured by the **New York Times and other international media**.

Although Xu doesn't mention Xi Jinping by name, his criticism is clear: "People nationwide, including the entire bureaucratic elite, feel once more lost in uncertainty about the direction of the country and about their own personal security, and the rising anxiety has spread into a degree of panic throughout society." Xu argues that the CCP has abandoned its principles and the social consensus that underpinned its legitimacy in the four decades following the Cultural Revolution. The constitutional scholar from Tsinghua University called for a departure from Xi's policies and opposed the National People's Congress decision in March to do away with presidential term limits. In addition, Xu asked the party leadership to publicly deal with the violent suppression of the Tiananmen Square protests in June 1989.

Xu has criticized the CCP before. But his complicated writing style that mixes classical and modern Chinese and uses numerous historical references makes his works sometimes difficult to read. That may be one reason why his writings received little attention in the past. In **an interview in 2013** he described himself as "culturally conservative," "politically liberal" and "paternalistic in daily life." He said he had "his own political opinions" and no affiliation to any political party.

Xu received his PhD in Australia and went abroad several times to do research, including visits to France and Germany. When his essay was published, Xu was reportedly doing research in Japan.

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