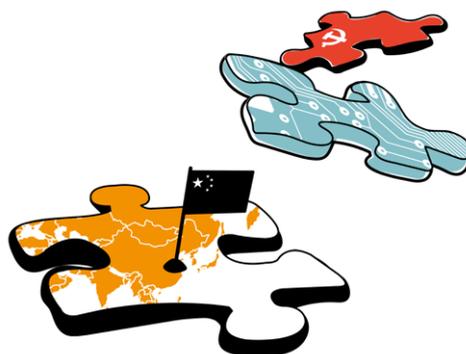


JUNE 24, 2021

# MERICS China Briefing



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**MERICS**

Mercator Institute for China Studies

## TOP STORY

### Germany's future China policy - a look into the election campaign

The Merkel era is drawing to a close. The German General elections are scheduled to take place in three months, before the new Chancellor will move into office in the fall. The extent to which a future Chancellor Laschet of the Christian Democratic Union (CDU) or a future Chancellor Baerbock (Greens) will change Germany's China policy is speculation at this point. Looking into the manifestos of the German parties will give voters some insight into what the future might hold. This time, China plays a bigger role in the lead up to the election. What is new is the parties' inclusion of their China policy, some even devoted an entire chapter or a long paragraph to it.

Almost all parties are taking a critical look at China, with a focus on topics such as geo-strategic challenges, market access conditions and the human rights situation. And yet all parties emphasize different points. While the CDU and its Bavarian sister party, the Christian Social Union (CSU) mainly emphasize the foreign and security policy challenges that China pose, the Greens focus on the human rights situation and the need for a climate dialogue.

The SPD also condemns the situation in Xinjiang and Hong Kong but emphasizes its willingness to enter into dialogue. The FDP program covers topics related to China with particular focus on human rights violations, legal security and the expansion of relations with Taiwan. The Left is holding back with its criticism of China and is looking to maintain an equidistant position. Lastly, the AfD's program is contradictory as on the one hand it supports Germany's participation in the Belt and Road Initiative (BRI), but on the other criticizes China's interference abroad via Confucius Institutes.

The four parties potentially involved in the future federal government, CDU/CSU, SPD, Greens and FDP, largely agree that China policy must be European. In addition, they unanimously demand fair economic ties, i.e., mutual market access under equal conditions and legal security. However, at this point the SPD has only formulated rather general terms. There is also a clear desire among all four parties to make Europe more competitive, especially in areas of digitization and technology.

The CDU/CSU and the Greens agree on some points. In their election manifesto both use the term of "competitor, partner, systemic rival" and both explicitly speak of utilizing transatlantic cooperation to confront China, especially when it comes to data protection and network security.

There is no mention of the human rights situation in the CDU/CSU's program, whereas the SPD, Greens and FDP have all reached a consensus. The two current opposition parties go into greater detail on this point, for example when it comes to forced labor and compliance with the International Labour Organization (ILO) standards, public and electronic surveillance or the situation in Hong Kong. The fact that the Greens and the FDP are largely in agreement can be seen in a joint article by Reinhard Bütikofer (MEP, Greens) and Olaf der Beek (MdB, FDP), which mentions human rights as an important topic for China policy.

Exhibit 1

**German election manifesto pledges on China**



- ✓ Takes the position in the manifesto
- Not mentioned in the manifesto
- ✗ Takes the opposite position in the manifesto

	CDU/ CSU	SPD	GRÜNE	FDP	LINKE	AFD
Further develop EU-China strategy	✓	✓	✓	✓	—	—
Make Europe more competitive, particularly in digitalization and technology	✓	✓	✓	✓	—	—
Fair economic relations	✓	✓	✓	✓	—	✓
Protect networks, data and high-tech from China*	✓	—	✓	—	—	—
Ratify the CAI	—	—	✗ <sup>***</sup>	✓ <sup>**</sup>	—	—
Create European alternative to the BRI	✓	—	✓	✓	—	✗
Deepen transatlantic understanding (✓), explicitly with regard to China (✓✓)	✓ ✓	✓	✓ ✓	✓	✗	—
Cooperate with China on climate	—	✓	✓	—	—	—
Engage China in disarmament	—	✓	✓	✓	✓	—
Expand relations in the Indo-Pacific	✓	—	✓	✓	—	—
Condemnation of human rights violations	—	✓	✓	✓	—	—
Preserve Hong Kong's autonomy	—	✓	✓	✓	—	—
Support Taiwan	—	—	✓	✓	—	—
Make Confucius Institutes independent	—	—	—	✓	—	✓

\*Other parties have also made statements in their manifestos on the topics of data and network security, but not explicitly in connection with China.

\*\*Only after considerable amendment

\*\*\*Not in its current form

Note: SPD and FDP published position papers on China in 2019/2020 that are not represented in this table, but which provide further information on the parties' positions on China. The same applies for the CDU/CSU's transatlantic paper from January 2021.

Source: MERICS

Based on the manifestos, changes can be expected after the election. Current German China policy has been bilaterally oriented, especially regarding economic interests. Moving forward, this will be contrasted slightly by a stronger European orientation. In the 5G debate, too, the parties are at least implicitly in favour of a European solution and warn of a dependency on foreign digital technology. Should the FDP and the Greens be involved in the future federal government, a tougher approach towards China is likely.

Election programs, however, are only declarations of intent - the direction in which future German China policy will move will only become clear during the coalition negotiations.

**More on the topic:** “With the era Merkel coming to an end, Germany’s China policy seems set for change,” says **Barbara Pongratz** in [her short analysis on “Germany’s Next China Policy”](#).

**Media coverage and sources:**

- [CDU/CSU election manifesto](#)
- [SPD election manifesto](#)
- [Green party election manifesto](#)
- [FDP election manifesto](#)
- [AfD election manifesto](#)
- [Die Linke election manifesto \(draft\)](#)
- Tagesspiegel: [Wie man einen Rivalen zähmt: Neun Thesen von Grünen und FDP zum Umgang mit China](#)

## TOPICS

### China’s government tightens its grip over the tech sector with Data Security Law

**The facts:** China’s new Data Security Law (DSL) aims to comprehensively govern data activities to protect data security while supporting the digitalization of China’s economy, society and CCP-led governance system. Formally issued on June 10 and effective on September 1, the sweeping law not only applies to data activities taking place within China, but also regulates those conducted outside of the PRC, if they are seen as harming national security, the public interest or legal interests of Chinese citizens and organizations. It is a national security-centric law, with the powerful Central State Security Commission – a CCP organ led by Xi Jinping – in charge of overall decision-making.

**What to watch:** The law is a landmark in a complex and likely lengthy process through which a data security system is being constructed. Specific rules are expected to be issued in coming months and years that will flesh out the implementation of related policies. For example, the DSL will introduce a data protection system based on a hierarchical classification of data according to its importance in the context of national security, the public interest, as well as China’s “economic and social development”. Industry supervising authorities and local governments are expected to come up with guidelines for the data classification process.

Chinese and foreign firms alike will need to invest considerable resources to ensure compliance, not only as they handle data in China but also when transferring it overseas.

Building on existing provisions in China's Cybersecurity Law, companies found exporting "important data" without authorization face hefty fines and may see their business license revoked.

Geopolitical tensions could play into regulators' considerations surrounding implementation, putting foreign businesses in China in a tough spot. The newly created category of "national core data," an addition compared to earlier drafts of the law, is subject to more stringent requirements but vaguely defined, potentially leaving plenty of room for administrative discretion. Additionally, the DSL includes a provision that allows China to take reciprocal measures in response to foreign government's restrictions on Chinese companies' data activities or data-related technology.

**MERICS analysis:** "The DSL reflects the CCP's view of data as both a factor of production and a strategic resource whose security is vital for that of the state. It must be read first and foremost seen as a tool for safeguarding and strengthening the party's power. As such, the law adds an additional and potentially powerful layer of control through which the state can force the tech industry to meet its demands – including handing over data at the request of public and national security organs". MERICS analyst **Rebecca Arcesati**

**Media coverage and sources:**

- Xinhua [CN]: [Data Security Law of the People's Republic of China \(full text\)](#)
- China Law Translate: [English translation of the DSL](#)

**China's Anti-Foreign Sanctions Law: New risk factors for foreign actors**

**The facts:** The main purpose of the new Anti-Foreign Sanctions Law (AFSL) passed by the Standing Committee of China's National People's Congress on June 10 is to preserve China's "national sovereignty, security, and development interests". It prohibits organizations and individuals from helping enforce foreign discriminatory measures against PRC entities, but also allows the Chinese government to implement its own countermeasures where it deems that "discriminatory restrictive measures" imposed by foreign states or other conduct infringe on its security and development interests.

**What to watch:** The AFSL goes far beyond countering sanctions imposed by other states. It allows for countermeasures against a wide range of actors and actions that China perceives as harming its interests. Despite attempts by the Ministry of Foreign Affairs to reassure foreign businesses that the law will have no impact on them, the AFSL should give foreign companies with a presence in China pause. Governments and non-governmental actors, too, should not underestimate the AFSL as a new risk factor.

**MERICS analysis:** Chinese officials and state media have pushed the narrative that the country will not attack unless provoked. But the scope of what is seen as a provocation has fundamentally changed in recent years. From trade and investments to China's global image and reputation – everything has become a matter of national security for the party.

### More on the topic:

- Read the full analysis [“China’s Anti-foreign Sanctions Law: A warning to the world”](#) by MERICS Senior Analysts **Helena Legarda** and **Katja Drinhausen**.
- In her chapter in the latest MERICS Paper on China on the [“CCP’s next century”](#), **Helena Legarda** analyses the CCP’s all-encompassing approach to national security.

### Media coverage and sources:

- Legal text (CN): [Anti-Foreign Sanctions Law \(AFSL\)](#)
- Chinese Ministry of Foreign Affairs: [Statement attempting to reassure foreign business](#)
- Xinhua: [NPC official says the law is necessary to fight Western hegemonism, power politics](#)
- Reuters: [BDI criticizes the law](#)

## Hong Kong’s pro-democracy newspaper Apple Daily shuts

**The facts:** Following the arrest of five senior executives and the freezing of USD 2.3 million of financial assets under the city’s National Security Law (NSL), Apple Daily, a prominent pro-democracy newspaper in Hong Kong ceased operations this week. Both the print and online editions of the tabloid, the second largest newspaper by readership in Hong Kong, have been discontinued, according to the media outlet’s owner Next Media. Founder and pro-democracy activist, Jimmy Lai has been charged with foreign collusion and is currently serving a prison sentence for his involvement in unauthorized assemblies in 2019.

**What to watch:** The closure of Apple Daily marks the end of one of the most critical voices of the Communist regime in Hong Kong’s media industry. The city government has said it is considering a “fake news” law to address what authorities label as “misinformation, hatred and lies”. Between February and April this year, authorities overhauled content at public broadcaster RTHK, known for its independent reporting and criticism of the government. Programs critical of Beijing, were pulled off the air and senior personnel fired. In April, a journalist who had been critical of the police was convicted in court for making false statements.

**MERICS analysis:** Apple Daily’s end shows how far-reaching and hard-hitting the NSL can go to take down critical voices in Hong Kong. Apart from conducting police raids and making high-profile arrests, authorities effectively strangled Apple Daily’s operations by cutting off its financial lifelines. This sends a strong chilling message to the city’s media industry that Beijing is resolved to bring members of the media, who are critical of the regime, to heel.

### Media coverage and sources:

- SCMP: [Accusations against Apple Daily and its future – an explainer](#)
- People’s Daily (CN): [The National Security Office of the Central Government in Hong Kong’s response to the actions against Apple Daily](#)
- NYT: [Apple Daily, Pro-Democracy Newspaper in Hong Kong, Says It Will Close](#)

## China cracks down on Bitcoin miners over stability concerns

**The facts:** Amid concerns over financial stability Chinese authorities are shutting down Bitcoin mining sites all over the country. Local authorities in Sichuan ordered mining operations to be closed as of Sunday. Provinces such as Inner Mongolia and Xinjiang have already taken similar steps. Authorities in other localities will likely soon follow. The party-state newspaper Global Times claimed that 90 percent of mining operations would be shut down. Because electricity is cheap, China hosts around 75 percent of global Bitcoin mining.

The crackdown is another important move in China's efforts to deter cryptocurrency mining. The government has already banned financial institutions from doing business in cryptocurrencies. Since Sunday, the price of Bitcoin, which was already in decline, has fallen by about USD 3,000. The price of computer graphics cards which can be used to mine bitcoin also fell. Prices for cards produced by NVIDIA and Radeon declined sharply on Chinese e-commerce platforms following the crackdown.

**What to watch:** China has launched a digital version of the yuan. Digital CNY wallets and lotteries are being offered to customers all over China. As attempts to control crypto currencies accelerate, efforts to promote the Digital CNY are also speeding up.

**MERICS analysis:** China has been wary of speculation for a long time and wants to prevent investments in crypto currencies from getting out of hand. The Chinese government knows it has little leverage over the crypto currency market and prefers its citizens investing in the domestic stock market – an area it has under its control.

### More on the topic:

- MERICS analyst **Kai von Carnap** has looked into China's blockchain policies [in a recent MERICS Primer](#).
- MERICS analyst **Maximilian Kärnfelt** argues that China's digital currency will only lend a minor boost to the internationalization of the Renminbi [in this short analysis](#).

### Media coverage and sources:

- Global Times: [China to shut down over 90% of its Bitcoin mining capacity after local bans](#)
- People's Bank of China (CN): [PBOC calls in banks and payment institutions for discussion of transactions and speculation in virtual currency](#)
- Coin Market Cap: [Bitcoin exchange rate](#)
- SCMP: [China's Bitcoin crackdown sends graphic card prices plummeting](#)
- Time: [Why China is cracking down on Bitcoin mining](#)

## METRIX

# 100

## Astronomical Units

China is reportedly developing a mission to send spacecrafts 100 astronomical units - that's 150 billion kilometers - to the edge of the solar system by 2049, to coincide with the PRC's 100<sup>th</sup> anniversary. Space exploration is a priority in China's current Five-Year Plan and a major source of national pride. Ahead of the Chinese Communist Party's centenary next week, China landed a rover on Mars. On June 17, China sent its first-manned space mission in five years into orbit as part of an ambitious plan to build a space station by the end 2022. China also plans to build a moon station together with Russia.

(Source: [Spacenews](#))

## VIS-À-VIS

### **Sebastian Heilmann on the CCP's next century: "We should prepare ourselves for a Chinese superpower with global reach"**

Sebastian Heilmann is Professor for the Political Economy of China at the University of Trier. From 2013 to 2018, he served as the Founding Director of MERICS. As part of our series on the "CCP's next century", we asked what he considers the party's main sources of resilience are and how realistic the goal is of becoming a wealthy and powerful socialist nation by 2049. Questions by Claudia Wessling, interview edited for brevity.

#### **Looking back at the CCP's last 100 years, what has been the essence of its rule?**

There are several factors at work. The first one is political control. Even though there have been many crises and disruptions in the course of its history, the CCP has always had a very tight hold on the security forces and on the military in particular. This is a key institutional prerequisite that has served to keep the party in power for so long while facing many domestic and external upheavals.

Another important source of CCP resilience is the campaign style that the party has utilized and refined since revolutionary times. As soon as China's political system moves into a crisis mode, the CCP still has the capacity to put aside bureaucratic routines and mobilize the entire political machinery for focusing on just one task, such as fighting the virus in the corona pandemic.

A crucial and, from a Western perspective, quite surprising factor for keeping up the agility of China's political and economic system is sustained policy experimentation. This is the openness to try out new policy instruments and combine broad central government

policy goals with concrete local problem solving on the ground. We have seen this pattern since the early days of the CCP, from the base areas during the revolutionary times to today's special economic and free trade zones.

The contribution of long-term development planning to the strength of CCP rule and China's economic rise in recent decades is widely ignored in Western perceptions of China. However, the combination of long-term policy programs for setting strategic objectives, from science and education to infrastructure, with bottom-up experimentation for finding flexible solutions has given China's economic and technological development a rather stable direction while preventing it from becoming rigid and inflexible.

### **Does this flexibility still apply for the Xi Jinping era?**

The Xi Jinping era is, in important respects, a departure from principles that had been in place since the early 1980s. For example, the extent of centralization of policymaking differs quite considerably from the leadership style of Deng Xiaoping, Jiang Zemin and Hu Jintao, when China's administrative system was much more decentralized.

We see this departure from previous policies also in the attempt of the CCP to control the private sector. The party tries to push its political and ideological control deep into the private sector with its, to date, pretty free-wheeling innovation ecosystem. This political push may become a major drag for China's dynamism due to increasing political restrictions and interventions. Consequently, I see the Xi Jinping era as an aberration from the more flexible patterns of rule that we had seen, especially in the 1992-2012 period.

### **Will the CCP reach its big centennial goal for China to become a wealthy and powerful nation and global superpower by 2049?**

I think these are realistic goals. I even expect China to become a superpower and leading global rule-shaping power much earlier than 2049. Of course, major catastrophes and upheavals, either in China or in the global context, have the potential to derail China's course. But without catastrophic disruptions, it is likely that China will overtake the United States as the largest economy in the world by the early 2030s. And as long as the West is not getting its act together, through rebuilding social and political cohesion, boosting its innovative strengths and realizing an effective counterstrategy to China's advances, we should prepare ourselves for a Chinese superpower with global reach.

**More on the topic:** You will find more MERICS publications and analyses, including a report, short analyses, graphics, videos and podcasts on the CCP's 100<sup>th</sup> anniversary on [this dedicated website](#).

## MERICS CHINA DIGEST

### MERICS' Top 3

- Reuters: [Taiwan reports largest incursion yet by Chinese air force](#)
- Axios: [China crosses 1 billion vaccinations, with 500 million in one month](#)
- WSJ: [Chinese researchers directed NIH to delete gene sequences of early Covid-19 cases](#)

### Politics, society and media:

- WSJ: [LinkedIn accounts of scholars blocked in China](#)
- SCMP: [Chinese three-child policy ad campaign blasted for featuring only men and for lecturing women on how to have babies](#)
- FT: [Obedience and fear': the brutal working conditions behind China's tech boom](#)

### Economy, finance and technology:

- FT: [China orders banks to intensify anti-crypto campaign](#)
- SCMP: [China's new private tutoring regulatory watchdog is another blow to the industry amid ongoing crackdown](#)
- Yahoo Finance: [Alibaba victim of huge data leak as China tightens security](#)
- DigiChina (stanford.edu): [With auto data, China buckles in for security and opens up for future tech](#)

### International relations:

- Global Times: [Misjudgments of CPC blind West of reality and future](#)
- SCMP: [China tells its nationals to leave Afghanistan urgently as violence spirals](#)
- Global Times: [SCO secretary-general on bloc's bigger role in regional security, prosperity, and coordination on its 20th anniversary](#)

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