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MERICS China Essentials



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TOP STORY

Von der Leyen and Macron in Beijing - a first test for “de-risking”

French President Emmanuel Macron and European Commission President Ursula von der Leyen were in Beijing late this week for a visit that included a joint meeting with President Xi Jinping and a separate one with the newly appointed Premier, Li Qiang. The European duo had set out to explore engaging China to help end Russia’s war in Ukraine, – and to convey the European Union’s lukewarm reaction to China’s proposal that implicitly leaves room for Russian annexations.

Macron, who had invited von der Leyen to accompany him on his official state visit, was scheduled to travel with Xi to Guangdong for informal discussions and possibly the agreement of commercial deals between members of a fifty-strong French business delegation and Chinese counterparts. Differences in the two European leaders’ rhetoric and itineraries threw up questions about the coherence of the EU position. Macron said he did “not want to believe” in “an inescapable spiral of mounting tensions between the West and China” – days after von der Leyen had warned of the risks in relations.

The EU Commission President had the week before urged Europe to “de-risk, not decouple” relations with China. In her most comprehensive speech on EU-China policy, she outlined a balancing act of political and economic de-risking: limiting strategic dependencies, using the EU’s economic defenses more effectively, engaging in open and assertive dialogue – while remaining open to targeted cooperation and implicitly “un-risky” economic ties. She said China was “becoming more repressive at home and more assertive abroad” but was also keen to maintain space for constructive relations.

The speech was not welcomed by Beijing, although it stopped short of criticizing von der Leyen directly. The Chinese Ambassador to the EU said her speechwriter “does not really understand China or deliberately distorted Chinese positions”. Even though it is not thrilled with the “de-risking” agenda, Beijing appeared wary of antagonizing the head of the EU Commission at a time of ongoing EU-China diplomatic reopening.

Selected highlights from von der Leyen’s speech:

- **Ukraine:** EU finds diplomatic proposals that allow Russian annexations of Ukrainian territory as not viable. That applies to Beijing’s proposal, and China’s position on Russian invasion will determine the prospects of EU-China relations.
- **Strategic dependence:** The Commission proposed a Critical Raw Materials Act to limit the overdependence on imports of rare earths (e.g., lithium or cobalt) from China.
- **New instruments:** The Commission will prepare by the end of the year its Economic Security Strategy and propose a targeted Outbound Investment Screening Mechanism that would seek to regulate exposure of sensitive European technologies.
- **Comprehensive Agreement on Investment:** The EU stands to re-evaluate the agreement in the light of the new geopolitical reality and its China strategy, which further decreases already low chances of the agreement’s ratification.

- **Islands of cooperation opportunity:** There remains room for engagement with China on issues such as climate change, biodiversity, pandemic preparedness, nuclear non-proliferation or global financial stability.
 - **Partnerships:** EU will explore working with a broad range of partners – with emphasis on the Indo-Pacific and Global South – on issues of concerns towards China.
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MERICS analysis: “Von der Leyen’s call for ‘de-risking’ EU-China relations is an attempt to set the tone for re-engagement amid intensifying economic competition and systemic rivalry and to define a distinct European China agenda amid intensifying US-China strategic competition,” said MERICS Analyst **Grzegorz Stec**. “But how de-risking will look in practice remains to be seen. European capitals may be reluctant to follow von der Leyen’s as many national leaders seek to revive commercial and diplomatic ties with China. A common European position is badly needed and the Commission President will have to try to build a consensus behind her de-risking proposal.”

Media coverage and sources:

- Chinese Ministry of Foreign Affairs: [Press information on the visit](#)
- FT: [Brussels calls on China to use influence with Russia to rein in war](#)
- European Commission: [Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre](#)
- IPQ: [Six Priorities for “De-risking” EU Relations with China](#)

METRIX

173 billion

This is the approximate total USD value of bilateral trade between China and Brazil in 2022. Thanks to a new agreement, the two countries can trade directly in Chinese yuan and Brazilian real, not only USD. This reflects Beijing’s interest in promoting the CNY as an international currency, and the interest of a number of countries in mitigating the risk of US sanctions and interest rate hikes. (Source: General Administration of Customs of China)

TOPICS

Alibaba splits into six to navigate tech sector's new politics and regulation

The facts: Chinese regulators appear to be observing a benign silence about Alibaba's intention to split its six core lines of business into independent subsidiaries of holding company Alibaba Group: China-based e-commerce, global e-commerce, logistics, cloud computing, digital mapping and food delivery, and media and entertainment. The tech giant announced late March that its goal was to allow these subsidiaries, all run by their own CEO and board of directors, the flexibility to operate in a changing environment – and to make it easier for each entity to pursue an IPO when the time is judged right.

What to watch: Beijing's apparent acceptance of Alibaba's plan suggests the two-year official crackdown on the tech sector has successfully established a new regime to which China's tech giants are now adapting. Some Western commentators have taken Alibaba's investor-friendly move as a sign of a reversal of Beijing's "tech rectification". But dividing up Alibaba aligns well with Beijing's opposition to the "disorderly expansion of capital", separating China-based and overseas e-commerce should make compliance with China's new data governance regime cleaner, and cordoning off media and entertainment would insulate the broader company from any potential official crackdowns on content. Having brought China's tech giants into line, Beijing's silence also signals it is now keen for them to again drive growth, employment and innovation.

MERICS analysis: "Breaking up Alibaba Group's core lines of business could be an effective way to isolate different parts of the company from each other to make regulatory and political compliance easier, especially for the less sensitive entities," said MERICS Senior Analyst **Jacob Gunter**. "This move may not be appropriate for other firms that were caught up in the tech rectification campaign, but we can expect other tech giants to also try novel strategies to navigate the new era they're operating in."

Media coverage and sources:

- Caixin: [Alibaba Weighs Ceding Control of Some Businesses After Major Overhaul](#)
- SCMP: [Alibaba to overhaul China's biggest tech conglomerate into 6 units to reignite their entrepreneurial mojo as 'start-ups'](#)
- WSJ: [Jack Ma Engineered Alibaba's Breakup From Overseas](#)

China is locking foreigners out of databases, raising worries for researchers

The facts: The China National Knowledge Infrastructure (CNKI) suspended foreign access to several online repositories on April 1, 2023. CNKI is China's leading academic database containing papers, dissertations, and government statistics from across the country. The suspension comes after a monthslong national security investigation into the platform, led by the Cyberspace Administration of China (CAC) – the top cybersecurity watchdog. The move is part of a broader regulatory effort to clamp down on cybersecurity. While China is re-opening for foreign tourists and businesspeople after Covid, it now simultaneously cuts off important sources of information for foreign researchers and stakeholders.

What to watch: CNKI is not the first platform to cut foreign access and the suspension appears to be part of an escalating trend. In March, China's Supreme People's Court pulled hundreds of thousands of administrative judgments from its online portal – slashing the total number of available verdicts by 99.99 percent. And a few months earlier, company-insights database Qichacha – comparable to Crunchbase – cut off access to anyone without a Chinese phone number.

MERICS analysis: “The partial suspension of CNKI highlights the fragility of information on China,” says **MERICS Analyst Vincent Brussee**. “Under Xi's ‘securitization of everything’, information, too, has become a matter of national security. Some of the sources have provided a glimpse into still rich and pluralistic academic debates in China, while others have been crucial to uncovering evidence of potential human rights violations. This drew CNKI into the fray. Ultimately, the trend is clear: global stakeholders will have to face more important decisions about China with less access to key information.”

Media coverage and sources:

- SCMP: [A portal to China is closing, at least temporarily, and researchers are nervous](#)
- Global Times: [China launches cybersecurity review into online academic database to “prevent data security risks, safeguard national security”](#)

China signals it can push back against US export controls

The facts: The Cyberspace Administration of China announced in late March it would re-view US memory chip maker Micron's products sold in China, citing network security concerns. The move is seen largely as retaliation for US export controls affecting China's semiconductor industry. Micron is not a big player in China, with sales there going mainly to international companies based in China, making it something of an easy target for Beijing to punish without hurting its own firms. Local media cheered the move, portraying Micron as a bad competitor that has lobbied the US government to target China's memory chip business.

What to watch: Memory is an area of semiconductor manufacturing where China has closed the gap significantly in recent years. China's largest memory chip maker YMTC reached 5 percent of global market share in 2021, up from only 1 percent in 2020, while the US holds about 22 percent of the market with Micron. In December, the US put YMTC on its entity list, blocking its access to chipmaking equipment. With billions of dollars of additional funding from the Chinese government, YMTC announced this week that it has resumed plans to open a new chip-making plant. The company is working with local equipment suppliers and older ASML machines already in China.

MERICS analysis: “The twin stories of the memory chip makers are telling for foreign firms operating in China,” says **MERICS Analyst Antonia Hmaidi**. “Foreign firms operating in China face mounting pressure from increasing international tensions. With the thin pretext of cybersecurity review, China signals to the US and its allies that it has means of pushing back against export controls, with carefully selected targets.”

Media coverage and sources:

- Wall Street Journal: [China opens cybersecurity probe of Micron](#)
- Financial Times: [China's YMTC set for chip comeback despite US export controls](#)
- Sina.com: [Micron finally sanctioned by China](#)

VIS-À-VIS

"Indians deem it important for Europe to retain its strategic autonomy"

MERICS China Briefing spoke with Senior Fellow Vijay Gokhale about China's influence on relations between Europe and the world's largest democracy. He was India's Foreign Secretary from 2018 to 2020 and Ambassador to China and to Germany before that.

Chancellor Olaf Scholz recently visited India in part to find ways for Germany to cut its dependence on China. Are EU-China tensions affecting EU-India relations?

Europeans are displeased with China's political and diplomatic support for Russia, which includes endorsing the idea that the war was forced upon Russia by the West disregarding its geo-political and security interests. But the general Indian view is that Europeans think China too important a global player to be cold-shouldered. Ukrainian President Volodymyr Zelenskiy's response to China's "peace plan" is also regarded in India as having the tacit endorsement of major European countries.

Economically, most Indians still think that the Chinese market remains a high priority for much of Europe. Consequently, they consider it unlikely there will be a significant departure of European business or capital from China – and so expect the potential economic benefits for India from worsening China-EU relations to be marginal. But on the political side, there is a greater willingness in both India and the EU to develop a joint understanding of China's geo-strategic objectives. India sees this an opportunity to build a common strategic approach to Indo-Pacific policy with Europe. It is in the shared interest of Europe and India to facilitate peace and stability and a rules-based order in the Indo-Pacific. This is possible because the perception that China is seeking to impose its own order in the Indo-Pacific arouses concerns in Europe as well as in Asia.

Does India think the United States and EU have aligned on China? How does it rate the EU's success in aiming for "strategic autonomy" from both the US and China?

India has noticed a re-alignment in EU thinking about China since 2019 and the steady shift from perceiving China as a "partner" to seeing it as a "systemic rival". But Indians do not think this shift has been uniform across Europe. The major states, Germany and France, do seem to be looking at China more strategically, with an eye on the global balance of power. But smaller European states appear to be more aligned with US thinking, especially after China imposed sanctions on Lithuania and gave its political and moral support to Russia's invasion of Ukraine. Similarly, Indians think the EU may not fully commit to US technology sanctions against China as they could harm Europe's semiconductor sector.

The chance of a significant US-EU alignment on China has come under renewed scrutiny in India. After the start of the Ukraine conflict, the feeling grew that the two parties have different strategic priorities. India sees Europe's attempt to walk the tightrope between China and the US as somewhat akin to what India is doing between the West and Russia. Indians welcome this as they deem it important for Europe to retain its strategic autonomy in global affairs. Given this, they would be content with only partial rather than total alignment between the two major Western players on any international issue.

China and India have refused to align with the West in opposition to Russia's war on Ukraine. Do both now have a rare common interest – perhaps as go-betweens?

There are fundamental differences between China-Russia and India-Russia relations. India has always enjoyed friendly ties with Russia since 1947 – the bilateral relationship has not seen the sharp swings China-Russia ties have experienced. Overall, India's relations with Russia are a common element in its post-World War 2 non-alignment and current multi-alignment policies. On the other hand, China's Russia policy has always been driven by expediency and broader balance-of-power considerations. The country's current strategic perspective makes the current regime of President Vladimir Putin its preferred option. But in India's case the relationship is not built on contingencies like personalities or regimes. It is founded on mutual respect and the absence of any fundamental conflicts of interest.

This means the responses of India and China to Russia's invasion of Ukraine have been fundamentally different. India has made it clear from the outset that violence and war are no solutions for disputes. It has repeatedly urged all parties to return to dialogue to resolve the problem. India has also publicly condemned the egregious human rights violations in Bucha and elsewhere. It has not taken sides between the warring parties, nor has it amplified Russian justification for the invasion. India remains sensitive to and acknowledges European concerns over the war, and its policy, like that of the European states, is driven by international principles and national circumstances. It has maintained contact with both Russia and Ukraine and supports all efforts to resolve the situation in a mutually satisfactory way. But it is premature to talk about any specific role without a request from the concerned parties.

Interview: Gerrit Wiesmann

PROFILE

Kong Yiji - classic fictional character brought to virtual life by anxious youth

Kong Yiji, a century-old fictional character, is making waves on China's internet after being re-discovered by anxious young netizens. A 1918 short story by famous novelist Lu Xun presents its protagonist as an impoverished scholar in China's pre-modern feudal society. Then, Kong Yiji was an embodied critique of the imperial examination system and the state's apathy towards the marginalized; today, he serves as a symbol of students' poor job prospects after university.

He started reappearing in January in a self-deprecating new genre on Douyin, China's domestic version of TikTok. "Now that I went to school for 16 years, I really can't go set up a street stall anymore," self-mockingly said one of many recent or soon-to-be graduates calling themselves a "modern Kong Yiji". "The college degree is like an imprisonment in a way." With under-24s unemployment at 16.7 percent in late 2022, three times the urban jobless rate, "Kong Yiji literature" is following 2021's "lie flat" (躺平) movement in lamenting the plight of young, educated urbanites.

Learned but impoverished, kind but pedantic, the original Kong Yiji was often mocked by other customers in the bar he frequented. Fittingly, the savvier modern Kong Yijis have had to endure China's state media exhorting young people should face up to labor-market competition and their own anxieties. This emboldened some to point out publicly that under-24s unemployment is a structural problem, not an individual failing. Three years of zero-Covid policy have marked China's young adults. Their fictional counterpart disappeared after he had his legs broken for stealing – a fate widely read as Kong Yiji being consumed by the cannibalistic feudal system.

Media coverage and sources:

- The China Project: [“Kong Yiji literature’ — Phrase of the Week”](#)
- Zhihu: [“孔乙己文学”背后的焦虑：民众在觉醒 \[The Anxiety Behind “Kong Yiji’s Literature”: The People Are Awakening\]](#)
- [A translation of the Kong Yiji story](#)

MERICS CHINA DIGEST

[Party-wide education campaign on Xi Jinping Thought \(China Daily\)](#)

All party members and cadres will be expected to further advance their study and implementation of *Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era* to fulfill the strategic goals set at the 20th Party Congress last fall. Some analysts see this 6th education campaign to be another effort for Xi to have his theory shortened to *Xi Jinping Thought* pushing Xi to Maoist heights within the party. (23/04/02)

[China moves warships after US hosts Taiwan's Tsai \(BBC\)](#)

Taiwan's president Tsai Ing-wen has met with US House Speaker Kevin McCarthy in California. In response, Beijing has denounced the meeting and a fleet of navy vessels including its carrier, the Shandong, has been spotted some 370km off the east coast of Taiwan. However, since French president Macron and EU Commission President Ursula von der Leyen are in Beijing, China's response is expected to be muted in comparison to its military response to previous US House Speaker Pelosi's visit to Taiwan last year. (23/04/06)

[Popular apps with Chinese ties can gather more data than TikTok \(The Washington Post\)](#)

Popular virtual private networks (VPNs) have disguised their origins, ownership structure and locations, with many originating from within China according to corporate records reviewed by The Washington Post. This is a problem because under certain conditions, Chinese law stipulates that authorities can compel domestically based companies to hand over data. The last paragraph may be especially interesting to VPN users of a well-known company in the sector. (23/03/26)

[China launches new AI program as race against the US for supremacy heats up \(SCMP\)](#)

A new initiative aimed at advancing artificial intelligence (AI) in scientific and technological research has been announced by China's Ministry of Science and Technology. The program will prioritize crucial areas such as drug development, gene research, and biology, while also providing enhanced guidance. (23/03/28)

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