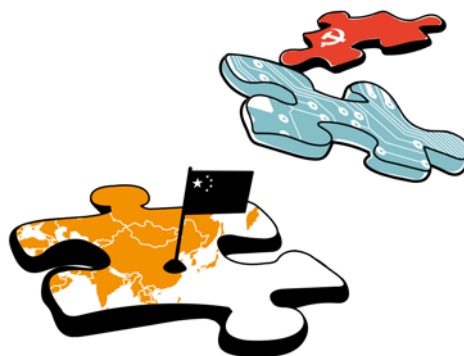


APRIL 28, 2022

# MERICS

## China Essentials



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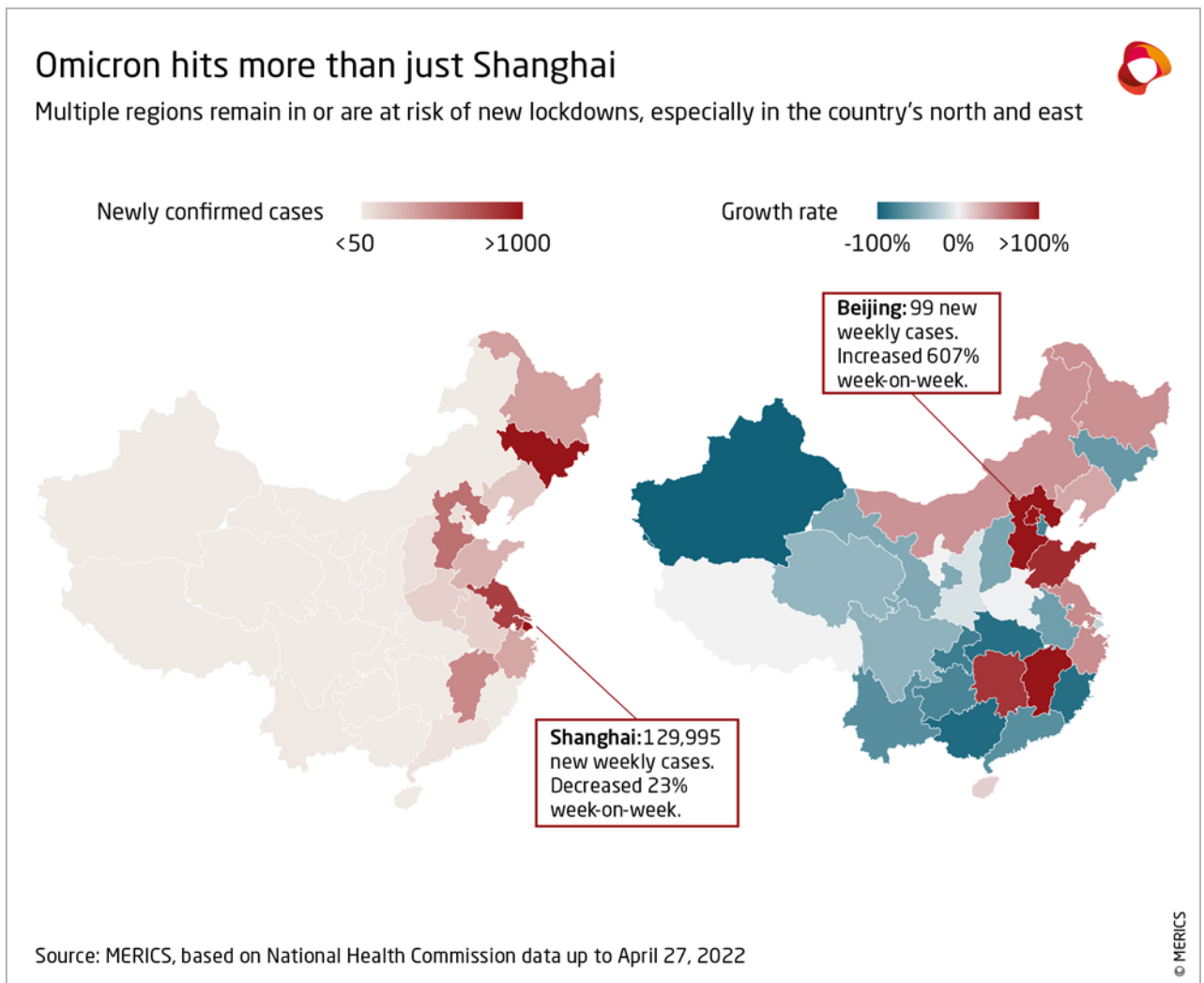
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## TOP STORY

### Looming economic fallout from Covid lockdowns

The past weeks' Covid-19-lockdown in Shanghai has put the spotlight on the pandemic situation in China. As a major international economic hub, the biggest port in the world and home to leading Chinese chip businesses, the city's lockdown is causing supply problems within China and across the globe. Plans to put workers in Covid-free "bubbles" in order to restart businesses in the Shanghai area look unlikely to be sufficient. If infections continue to spread and Beijing sticks to its so-called dynamic zero covid strategy, other cities will also have to enforce lockdowns, prolonging global supply-chain shortages.

The Chinese economy is also under heavy pressure. With millions of people confined to their homes, unemployment rose to 5.8 percent in March, the highest since May 2020, and retail sales fell 3.5 percent, the first decline since July 2020. Production woes, consumers' belt-tightening, slower wage growth are beginning to cast a pall on Beijing's ambition to grow the economy 5.5 percent this year. Doubts about China's economy and its tacit support of Russia in Moscow's war against Ukraine have seen foreign investors sell Chinese securities at record scale since the beginning of the year. On April 25, China's benchmark CSI 300 share index fell 4.9 percent, its biggest one-day fall since early 2020.



The measures in Shanghai are causing widespread domestic discontent. Web users have severely criticized the city's inconsistent and poor communication, logistical challenges hampering food and medicine delivery, and sometimes inhumane circumstances for citizens in quarantine. A video called "Voices of April" (四月之声), a compilation of voice recordings about various untoward events, went viral immediately. Even though censors rapidly attempted to scrub it from the internet, new copies of the video continued to be posted, reaching nearly every corner of the Chinese internet.

Aware of China's low vaccination rate among elderly citizens and the high death rate during Hong Kong's recent wave of the Omicron variant, national authorities have increased the pressure on localities to maintain the dynamic clearing strategy. This will force local authorities to take strict measures at even the slightest hint of a new outbreak – the capital, Beijing, included. The city reported 33 new cases on Tuesday April 26, triggering local restrictions, mass testing, and panic buying of supplies as fears of an impending lockdown arose.

**MERICS analysis:** "While some regions of the world eliminated remaining Covid restrictions, China is having its worst outbreak since the start of the pandemic. The measures are also being taken in a very different context to that two years ago, when the global economy as a whole was scaling down", says MERICS analyst **Aya Adachi**. "Many economies that rely on Chinese imports are now transitioning to a post-pandemic return to normality. China will likely present them with major supply-chain problems, as a growing number of Chinese cities are in various stages of lockdowns."

**More on the topic:** Read the new report by the European Think-tank Network on China (ETNC) on ["Dependence in Europe's relations with China"](#) co-edited by MERICS analyst **Francesca Ghiretti**. MERICS experts **Barbara Pongratz**, **Bernhard Bartsch** and **Vincent Brussee** contributed the Germany chapter of the report.

**Media coverage and sources:**

- YouTube: [Archived version of "Voices of April" with English subtitles](#)
- Bloomberg: [China Lockdown Angst Rips Through Markets as Stocks, Yuan Plunge](#)
- SCMP: [China GDP: economy grew, but 'more pain will come' as coronavirus, lockdown pressures weigh on outlook](#)

## METRIX

# 300 million tons

... is the new coal production capacity increase target for 2022, [presented by Premier Li Keqiang](#). This means an increase of 2.2 percent. Shortly after Li's announcement, China's [National Energy Agency](#) underscored the message, saying that: "Coal power will still carry

an important role in ensuring power supply security for a long time.” This fits into the broader trend of prioritizing energy security in the context of the invasion of Ukraine.

## TOPICS

### China and Russia step up collaboration in space

**The facts:** Russia and China are drafting a space cooperation program for 2023-2028, according to party-state broadcaster CGTN. The centerpiece will be a joint lunar base that will house astronauts after 2030. A joint mission in 2025 by China’s Chang’e 7 robot lunar mission and Russia’s Luna-26 lunar orbiter will lay the groundwork. Russia may also gain access to China’s space station Tiangong, which will be completed later this year. A deal to further integrate Russian and Chinese satellite navigation systems Glonass and BeiDou was signed in February.

**What to watch:** Any announcement on China-Russia space co-operation would be a clear break with Beijing’s official position of neutrality on the Russian invasion of Ukraine. Doing so would close off the possibility of European involvement in Tiangong, BeiDou and other space projects that are envisioned as international success stories. An inflection point will be the Memorandum of Understanding on the joint lunar base that China and Russia are scheduled to sign this year.

**MERICS analysis:** “As competition with the United States is a major motivation behind China’s ambitious space program, the long-term trend is for China to deepen ties with Russia,” says **Jeroen Groenewegen-Lau**, MERICS. “To avoid breaking sanctions or upsetting European and other partners, details of Chinese-Russian plans are likely to be kept secret. Europe will need to prepare for the increasing politicization of space.”

#### Media coverage and sources:

- CGTN: [Russian expert: Russia and China are working on a space cooperation program for 2023-2028](#)
- Global Times: [China marks 7<sup>th</sup> Space Day amid busy mission schedule](#)
- Spacenews: [Russia looks to China for collaboration in space but faces isolation over Ukraine invasion](#)
- Sohu (CN): [俄罗斯愿与中国深化航天合作](#)
- 163.com (CN): [国际大变局如何催化中俄空间站合作](#)

### Global Security Initiative: Beijing doubles down on its Russia position and revision of global order

**The facts:** President Xi Jinping used the occasion of the 2022 Boao Forum for Asia to unveil China’s Global Security Initiative (GSI). Despite its grand name, the GSI announcement did not include new, concrete proposals, but instead solidified China’s vision of future international security and the global order.

China wants to “build a balanced, effective and sustainable security architecture” which would accommodate “the legitimate security concerns of all countries” – the phrase used by Beijing regarding Russia’s demands towards Ukraine. This commitment to Sino-Russian coordination was further underlined by Xi embracing, for the first time, the Kremlin’s concept of “indivisible security”.

Alluding to the economic spillover of Western sanctions on Russia and seeking support from developing countries, Beijing painted its GSI vision as a means for maintaining stability – necessary for development and economic growth – while presenting itself as a model peace actor and enabler of development.

**What to watch:** The GSI comes as two broad camps are emerging – those seeking to maintain the current rules-based international order and those trying to change it, with many international actors trying to navigate the space in between.

Prior to the announcement, China signed a security agreement with the Solomon Islands – an Oceania country for which Beijing had previously provided development support. The agreement – [not made public so far](#) – would allow the Chinese navy to deploy its military personnel to protect major projects and carry out ship visits and logistical replenishment in the Solomon Islands. The deal sparked considerable pushback from the United States and Australia. In a similar vein, speaking during a trip to India just days after the GSI announcement, EU Commission President Ursula von der Leyen said that attempts to undermine the rules-based international order should be opposed in an indirect criticism of Russia and China and an attempt to influence the position of New Delhi.

**MERICS analysis:** “The announcement of the GSI marks Beijing’s doubling-down on its revisionist agenda in the global order and an attempt to present its vision as aligned with interests of the developing countries. Although its attention is focused on the Russian war in Ukraine, the EU should not neglect its engagement with the partners from the developing countries and co-shape its Global Gateway initiative with its recipients so that it caters to their needs.” MERICS analyst **Grzegorz Stec**

**Media coverage and sources:**

- Reuters: [China's Xi proposes 'global security initiative', without giving details](#)
- MFA of the People’s Republic of China: [Xi Jinping Delivers a Keynote Speech at the Opening Ceremony of the Boao Forum for Asia Annual Conference 2022](#)
- People’s Daily: [Wang Yi article for People’s Daily \(24.04.2022\)](#)
- The Guardian: [US won’t rule out military action if China establishes base in Solomon Islands](#)

## REVIEW

**Blockchain Chicken Farm: And Other Stories of Tech in China’s Countryside by Xiaowei Wang (Farrar, Straus and Giroux, 2020)**

For many people, tech in rural China conjures images of “Taobao Villages,” in which residents hope to earn their keep by making things to sell on Taobao, an e-commerce platform run by Alibaba. It is here that e-commerce and fintech are meant to lift people out of poverty, making lives more modern and progressive. At least that is the narrative Alibaba and the Chinese government’s Rural Revitalization strategy are pushing – the managed inflow of tech talent from urban areas and investment in digital technologies will solve all social and economic ills.

Xiaowei Wang’s book is founded on the author challenging their own “metronormativity,” the notion that rural populations are somehow backward and in need of being connected to cities. This notion is tied to techno optimism, but it equally underpins the simplistic view that it is technology – not the political and economic structures created by those in power – that displaces and exploits people.

Blockchain Chicken Farm challenges the overused binaries of urban versus rural, digital versus physical, machines versus humans. In doing so, the book shows how the periphery of rural China, as Wang says, “fuels the technology we use every day, around the world”. It reveals how closely connected the Chinese countryside is to the rest of the world. Questions about the meaning of innovation and who gets to define its boundaries elicit novel and profound answers.

Wang lays bare the relationship between technology and power. The example of a chicken farm in Guizhou is used to launch a sharp critique of blockchain. How can technology help to scale social trust when the institutions asking to be trusted are big corporations and their coders? In Guangdong, the author sees the relentless quest for optimization bring together industrial pig farming and artificial intelligence. In a police station in Guiyang, they witness predictive policing become an act of “crime production” – just like in the United States.

Blockchain Chicken Farm is more than a book about China. It is a personal and intellectual exploration of being human, at a time when capitalism is encouraging us to chase a future in which technology enables us to neatly predict and control our lives. Instead, Wang urges, we should “honor the unknown,” (re)learn how to build inclusive communities and attend to the present moment – much as Guangdong’s cooperative farmers do when they tend their rice paddies.

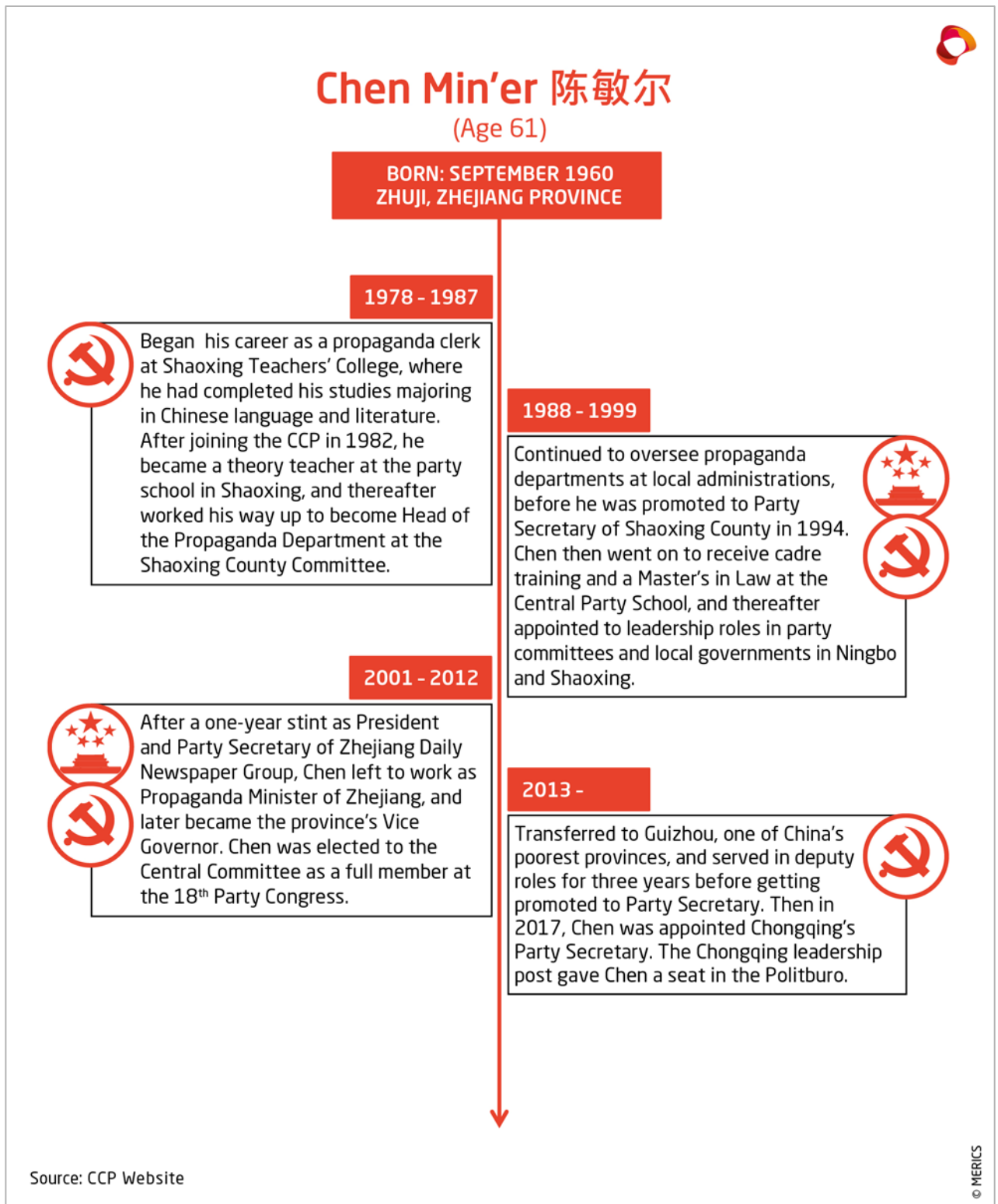
Reviewed by **Rebecca Arcesati**

## PROFILE

### Chen Min’er. Propaganda clerk to political star

Chen Min’er could join the ranks of China’s seven most powerful men at the Chinese Communist Party (CCP) Congress at year’s end. The Chongqing Party Secretary and Politburo member has his eyes on a seat on the Politburo’s Standing Committee, which is headed by a man he first worked for 20 years ago, Xi Jinping. After the latter became Zhejiang Party Secretary in 2002, he happily drew on the expertise and experience of the province’s

propaganda chief. Chen, for one, helped Xi to write columns under a pen name for the Zhejiang Daily, the province's party newspaper once presided over by Chen.



From early on, Chen chose to focus on what he knew best to get ahead. Party ideology and political theory were his forte and he put them to good use. After starting out as a propaganda clerk at his alma mater, Shaoxing Teacher's College, he went on to teach at the local

party school, rising through the ranks to become propaganda chief of his home province, Zhejiang. That is how Chen found himself working under Xi, eventually coming to be regarded as one of his most loyal associates – and a possible successor (even if Xi's striving for a third term as CCP General Secretary makes that point moot for now).

Spurred by Xi's goal of eradicating rural poverty, Chen initiated policies to lift farmers' income when he was Guizhou's Party Secretary from 2013. His political career gained further traction in 2017, when he became Chongqing Party Chief, as a replacement for Sun Zhengcai, who was removed on corruption charges. Despite a lack of experience in central government, Chen has proven to be a loyal and reliable cadre. Armed with administrative experience from Guizhou and Chongqing, Chen ticks all the right boxes for promotion to China's next but highest office after that of Party General Secretary.

#### **Media coverage and sources:**

- The Diplomat: [Chen Min'er Guarantees Xi Jinping's Influence Into the 2030s](#)
- CCP Website (CN): [CV of Chen Min'er](#)
- New York Times: [Xi Jinping's successor Chen Min'er](#)
- Sino Insider: [Why Chen Min'er was not promoted to the Standing Committee in 2017](#)
- Brookings: [CV of Chen Min'er](#)
- Mingjing News (CN): [Political star Chen Min'er is a close confidant of Xi Jinping](#)

## **MERICS CHINA DIGEST**

### [Berlin stops Chinese takeover of German medical device maker \(Handelsblatt\)](#)

The German government stopped China's Aeonmed Group from purchasing a German medical device manufacturer, citing public safety concerns. (22/04/27)

### [China raises status of vocational education \(Sixth Tone\)](#)

Beijing is abolishing the distinction between high schools and secondary vocational institutions. The revised law, which will go into effect on May 1, also obliges high schools to offer vocational courses. The move is an attempt to improve the public perception of vocational education. (22/04/26)

### [China ratifies forced labor conventions ahead of visit by UN human rights chief \(South China Morning Post\)](#)

Beijing has ratified two International Labour Organization (ILO) conventions on forced labor, amid accusations of human rights violations against mostly Uyghur workers in the province of Xinjiang. The decision came ahead of next month's visit by the UN human rights chief Michelle Bachelet. (22/04/20)



[Hong Kong's Foreign Correspondents' Club suspends top Asian human rights awards \(Reuters\)](#)

Hong Kong's Foreign Correspondents' Club has suspended its annual Human Rights Press Awards that were among the most prestigious in Asia. In an official statement, the club's president said that the organization wanted to avoid "unintentionally" violating any laws. (22/04/25)

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