



Issue 4/2020 (February 14-27, 2020)

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## METRIX

**3.34**  
trillion

In an effort to support the economy hit by the coronavirus, China's banks issued 3.34 trillion CNY (476.42 billion USD) worth of loans in January, according to Central Bank data, up from 1.14 trillion CNY in December. The increase exceeded analysts' expectations and is the highest monthly figure ever.

## TOPIC OF THE WEEK: CORONA CRISIS PUTS PRESSURE ON CHINA

### National People's Congress postponed as efforts focus on crisis response

For the first time in decades, Chinese lawmakers have postponed this year's session of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) in an effort not to jeopardize progress made in containing the coronavirus.

The two meetings, known as the "Two Sessions", were due to take place in March. This is the first time the NPC **has been postponed since** the decision to convene the meeting in early March was adopted in 1995. The decision to postpone meetings was taken by the **NPC Standing Committee on February 24**, which was attended by 171 delegates, 57 of whom took part via video conference. Additionally, the lawmakers have moved to **impose a full ban on illegal wildlife trade**.

Nearly 3,000 delegates usually convene in Beijing each year for the "Two Sessions". Besides the formal adoption of new laws by the NPC, the annual meeting carries symbolic significance and is intended to promote the message of political stability and societal progress. This year's meeting was set to be of particular importance since 2020 is the year in which China said it would rid itself of poverty and become a moderately prosperous society.

Postponing the biggest political event of the year makes sense given officials' focus on the epidemic and the complications of dealing with Beijing's 14-day quarantine policy. Nor is this the first political disruption due to the coronavirus epidemic. However, it will be interesting to see how the decision to postpone the meeting is communicated especially as it most likely violates procedural rules.

The postponement has not prevented Xi Jinping getting his message across. On February 23, he headed what was **hailed in Chinese media** as an unprecedented cloud-based conference in which he directly addressed 170,000 cadres and officials. The main theme of the nationwide teleconference was the need to contain and manage the epidemic at the same time as encouraging economic activity and safeguarding social stability.

It is likely there will be more political fallout of the coronavirus in weeks to come. Beijing has already **removed and replaced** two top party heads in Central China's Hubei province, the epicenter of the coronavirus crisis. They will not be the last to go. In addition, new laws are to be introduced to strengthen China's legal basis for emergencies.

### **MERICs analysis:**

"The biggest question remains what 'lessons' Beijing will learn from the crisis. Some of these will be welcome – we can expect investments in health-system reform and disease control. But there are concerns that China's leadership will react to likely pressure and economic disruption by shelving its already limited reform agenda for some time. And that it will make crisis-fighting measures like extensive information control and digital surveillance part of its everyday policy." MERICS Executive Director **Mikko Huotari**.

Read more on the topic in [this Q&A](#) with Mikko Huotari.

MERICS analyst **Nis Grünberg** also looked at the implications of the corona crisis for China's political landscape in a recent [blogpost](#).

## CHINA AND THE WORLD

### China hits back at criticism of its handling of the coronavirus crisis

In Nepal, critical news coverage of China's handling of the coronavirus epidemic [has sparked a fierce row between Beijing and Nepalese media](#). After publication of an opinion piece titled "China's secrecy has made coronavirus crisis much worse" in the Kathmandu Post, the Chinese embassy issued an unusually harsh statement accusing journalists, editors and media organizations of racial discrimination. China's ambassador to Nepal said that Beijing "reserves the right to further action".

The Nepalese newspaper had published a piece by [Ivo Daalder](#), a former US ambassador to NATO, who blamed China's secrecy and inaction for turning "the possibility of an epidemic into a reality," questioning the ability of authoritarian political systems to confront infectious diseases. The Chinese embassy in Nepal condemned the Nepalese paper for having a "malicious intention" in publishing the op-ed alongside an image of a masked Mao Zedong. An editorial by the [Kathmandu Post](#) rebuked the Chinese statement as a violation of diplomatic norms.

As the coronavirus [spreads globally](#), with the number of infections growing rapidly in countries like Italy, South Korea and Iran, China's censors are busy trying to control the narrative in and outside China and paint the CCP as a role model in handling public health emergencies, silencing those who highlight the fact that the government's initial cover-up delayed a timely response to the outbreak.

### MERICS analysis:

"Beijing's lack of transparency at the beginning of the outbreak and persistent doubts over the reliability of figures and information coming out of China undermine trust, a key ingredient in global health governance. It is in Beijing's interest to guarantee a freer flow of information, if it hopes for the world to tackle this global crisis in a concerted matter". MERICS analyst **Rebecca Arcesati**.

### China tests intimidatory tactics across Europe

Chinese embassies in Europe are continuing to use aggressive tactics in an attempt to marginalize dissenting voices. Recent cases in the Czech Republic and Estonia highlight how the trend shows no signs of letting up.

Last week it was revealed that the Chinese embassy in the Czech Republic [threatened Czech economic interests](#) in retaliation for a planned visit to Taiwan by the then Chairman of the Senate, Jaroslav Kubera (now deceased). A letter from the Chinese embassy to the Czech Presidential office mentioned

the implications this could have on Czech companies including Škoda Auto, Home Credit Group, Klavíry Petrof and others.

Meanwhile, in Estonia, the Chinese embassy has **publicly criticized** the country's foreign intelligence agency over its depiction of China in a report covering security threats. The embassy said the report was characterized by "ignorance, prejudice as well as the cold war mindset" and **demanding that the agency correct** its "wrong expressions". Estonian Foreign Minister Urmas Reinsalu **rejected the request**.

This is part of a continuum of intimidatory practices that include, among others, the denial of visa to those who express critical views of China. Beijing has rewarded those ambassadors who have shown what it describes as a "fighting spirit" in countering narratives on China that diverge from Beijing's official views.

While such actions may be damaging China's image in the eyes of European audiences, in the longer term there is a danger that the tactic could succeed in discouraging individuals from publicly criticizing China. By getting topics it deems sensitive removed from public discussions, the Chinese party-state might prove effective at inhibiting free debates on China abroad.

#### News in brief

- Coronavirus: **European Commission publishes statement on the EU's response to COVID-19**
- Munich Security Conference: **US and Europe are speaking a different language on China**
- Defense procurement: **China boosts combat readiness of People's Liberation Army in preparation for potential conflicts with Taiwan and US**
- Coronavirus in Italy: **Outbreak in Italy poses national challenge**

## POLITICS, SOCIETY AND MEDIA

### Wall Street Journal reporters expelled amid Chinese debates over racism

Accusations of racism and discrimination against China and Chinese people abroad have been growing in Chinese media. While not new, the trend is significant. A narrative is taking hold in Chinese social media that criticism of China is motivated by racism. With the claims are often based on flimsy premises, the likely intention is to divert attention from the Chinese government's own failings.

The highest profile case in recent weeks centered on an opinion piece published on February 3 in the Wall Street Journal titled "**China is the real sick man of Asia**". **China expelled three of the paper's reporters** based in Beijing. There has also been strong backlash from China over a **cover story in Der Spiegel** about the coronavirus and its effect on global trade, headlined "Made in China". The magazine received **hefty criticism** from the Chinese Embassy in Berlin.

Both articles have hit a sensitive nerve in China and raised the question of responsible media reporting in a global public health crisis, including among Western observers and ethnic Chinese communities

abroad. Cases in which ethnically targeted attacks and insults towards Chinese and people of Asian descent in the wake of the coronavirus epidemic have surged **in many countries**. But not all of the reporting on this trend is factual: Unsubstantiated claims have circulated widely on Chinese **social media** that a **tourist who died in Italy** after being hit by a tram was pushed into the tram because she was wearing a mask and looked Chinese.

In the case of the Wall Street Journal, the revocation of the reporters' press credentials may have been less about alleged racism and more a reaction to the **US decision to designate five Chinese state media outlets as "foreign missions"**. While the term "sick man of Asia" is historically sensitive, Chinese state media themselves have repeatedly used similar phrasings, for example, describing Egypt as the **"sick man of Middle East"**. It is likely the piece provided a convenient excuse to get rid of three journalists whose investigative stories touched on many politically sensitive topics, including Xi's family members.

### **Internal document reveals further details about repression of minorities in Xinjiang**

In mid-February another document came to public attention, revealing the extent of the surveillance and arbitrary detention of members of the Uighur minority in Xinjiang. The document, which is more than 130 pages long, contains **personal details** of more than 2,000 people from Karakax county in the south-west of the autonomous region. The list provides details of the **arbitrary reasons for detaining people**, including everyday religious customs and practices, violation of "birth planning policies", or clicking on links on foreign websites.

The document also makes recommendations for 300 of the people listed regarding whether they should be released from prison after one year. According to reports the document was leaked to international media from an unknown source.

The local government in Xinjiang and **party-state media** roundly rejected the reports in the Western media. They accused "terrorist forces" and anti-China researchers of deliberately putting the report in the wrong context and distorting facts. Beijing denies accusations of detaining minorities in camps, speaking instead of "vocational training centers" which serve to combat religious extremism and separatism.

According to media reports, the **authenticity of the document** has been confirmed by, among others, relatives living abroad of individuals referred to in the document. At the end of 2019, the so-called "China Cables" made headlines, which provided written evidence of Beijing's role in the systematic surveillance and detention of ethnic and religious minorities in Xinjiang. International experts estimate the number of detainees in the province at more than one million people.

**MERICCS analysis:** **Blogpost** from January 2019 about the number of detainees in Xinjiang.

## News in brief

- Censorship: [Tencent's Dajia blog shut down after article criticizes official coronavirus coverage](#)
- Harder line: [Xi protégé appointed as new head of Hong Kong and Macau Affairs Office](#)
- Tracking coronavirus cases: [China seeks help from national tech giants to track infections with QR codes](#)

## ECONOMY, FINANCE AND TECHNOLOGY

### China goes back to work: a calculated risk

Just as the coronavirus hits Europe with towns in Italy in lockdown and border controls being introduced, in China the government is now encouraging people to go back to work and loosening restrictions on businesses and travel. Assuming the outbreak is contained, most Chinese businesses hope to be operating more or less normally by the end of March.

In a speech on Sunday, President Xi Jinping said he wants China to meet its economic targets this year in spite of the virus and called on cadres across the country to get businesses back to work while adopting a “precise approach” based on local health risks. The State Council and local officials have since been [urging businesses to resume full production](#) in order to prevent further damage to the economy, while [local governments have been relaxing the criteria](#) for factories to reopen.

According to [Liu Xiaoming, a transport ministry official](#), of the roughly 300 million migrant workers in China, around 80 million have already returned to their workplaces. Approximately 120 million more will be returning before the end of the month and an extra 100 million are expected to return from March onwards.

While the virus has now spread to some 28 other countries and territories, there has been a continuing decline in reported new cases in China. Several provinces are now starting to lower their coronavirus response measures, and some local governments are organizing group transportation to get workers back to their destinations.

With millions of companies across China struggling to stay afloat, the relaxation of restrictions will come as a relief. Ongoing caution is apparent though: many white-collar employees are being allowed to work from home and local governments health and safety controls are still in place, requiring that workplaces are disinfected, employees' temperatures are taken on a regular basis and all workers have masks.

### MERICS analysis:

“Beijing is taking a calculated risk. Having low growth is a very scary prospect for China. On the other hand, it will also be a disaster if the disease spreads again. With Xi personally involved, they need to be pretty sure they are doing the right thing.” MERICS analyst **Maximilian Kärnfelt**.

## Kickstarting the economy comes at a cost

The effect on China's economy from the coronavirus has been dramatic. In the week to February 21, the economy was running at just 50 percent to 60 percent capacity, [according to a Bloomberg Economics report](#). Asian financial services group [Nomura last Monday cut its GDP growth forecast](#) for China's first quarter to 3 percent year on year. That compares with 6.4 percent in 2019 (Q1).

The coronavirus has halted much economic activity in China, with finance and international trade all affected. In an effort to prevent it damaging China's growth trajectory further, [Xi Jinping has ordered a raft of macroeconomic policies](#) including fiscal stimulus in the form of reduced corporate taxes and reduced fees. The central bank, which has already injected almost CNY 4 trillion since the beginning of the year, has said it will [reduce the required reserve ratio](#) and the benchmark deposit rate to support the economy. The China Banking and Insurance Regulatory Commission has called for a reduction of micro-enterprises' financing costs.

In terms of managing economic fallout and shoring up growth, it helps that the coronavirus outbreak struck early in the year. On average just 21.6 percent of Chinese GDP is generated in the first quarter. However, the stimulus package is not without costs. Looser fiscal and monetary policy will add risk to the already vulnerable financial system, add pressure on the exchange rate, and push up inflation.

## News in brief

- Survey: [Covid-19 severely impacts European businesses in China](#)
- Global Rich List: [China has more billionaires than US and India combined](#)
- Electric car industry: [China considers extending subsidies after sales slump](#)
- Achieving 2020 economic targets: [China pledges to double size of economy within this decade](#)

## PROFILE: Xu Zhiyong

### Fearless lawyer arrested after criticizing authorities

As a fearless critic of state power, Xu Zhiyong (许志永) has been on the authorities' radar for many years. Now, following the publication of an article about what he sees as failures in the way the Chinese leadership has dealt with the coronavirus epidemic, he has been detained again. [In a piece published at the beginning of February](#) (English translation [available here](#)), the lawyer and civil rights activist called for the resignation of the powerful state and party leader Xi Jinping.

Xu's criticism was a sweeping attack on the ruling powers in Beijing – something few in today's China would dare to do: he accused them of covering up the extent of the corona epidemic in China, mishandling the protests in Hong Kong, and failing in the trade war with the US. The reaction did not take long. The 46-year-old was [arrested](#) on February 15.

Xu was born in 1973 in the province of Henan. He graduated from Beijing University in 2002 and became a lecturer in the law faculty of Beijing University of Post and Telecommunications. It was during this time that he began his political activity. In 2003 he was elected as an independent candidate in the local People's Congress for the district of Haidian and began fighting injustices and abuse of power.

He gained public attention the same year when he and two other lawyers successfully petitioned the National People's Congress to abolish a specific form of detention after the young graduate **Sun Zhigang** died in police custody from mistreatment. In 2005, Xu co-founded the Open Constitution Initiative, which advocated legal and political reforms. In 2009, after receiving occasional support from government agencies for his activities, Xu came under pressure himself and was briefly detained.

In 2012, together with fellow campaigners, Xu founded the "New Citizens' Movement", a nationwide network of civil rights activists. In an open letter to Xi Jinping he criticized the misguided policies toward minorities in Xinjiang and Tibet and **called on people to fight corruption**. He was sentenced **to four years in prison** in 2013 for his activities. The coronavirus crisis clearly moved him to voice his criticism aloud. He may now have to pay a high price for this fearlessness.

Editorial responsibility: Claudia Wessling, Director of Publications, MERICS

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