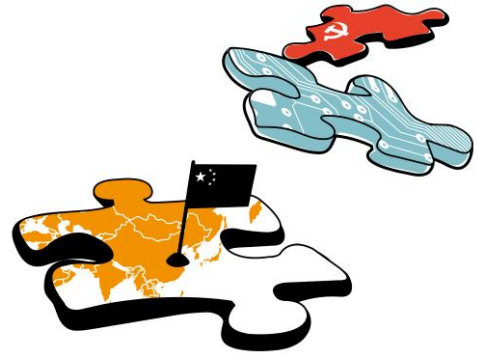


FEBRUARY 16, 2023

MERICS China Essentials



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TOP STORY

Wang Yi's trip to Europe - a wary bet on jump-starting global trade

On his first trip to Europe this week as the Chinese Communist Party's top diplomat, Wang Yi has a thin line to walk. Visits by the director of the party's Foreign Affairs Commission to the Munich Security Conference (MSC), France, Italy and Hungary reflect China's aim to ensure stability of economic relations with the EU and the US after ending its zero-Covid policy. But the tour also takes place as US-China tensions over the spy balloon debacle escalate and Russia's invasion of Ukraine nears the one-year mark. Wang will also travel to Moscow.

Wang will likely aim to smooth the relationship with European capitals and lay the groundwork for the upcoming visits to China of French President Emmanuel Macron and Italian Prime Minister Giorgia Meloni – while also keeping Russia close-by. However, the fact that Wang is not visiting Brussels as previously indicated and the addition of China-friendly Hungary to the itinerary – a sure source of good news or at least good photo opportunities – suggests he is not entirely sure of his success.

Wang has good reason to be wary. China's position on the Russian invasion and tensions over surveillance are bound to dominate conversations at the MSC and with Wang's European counterparts in their capitals. If Europe is hoping for concessions from China amid such strains, it shouldn't expect too much. Wang is likely to stick to Beijing's official line on the visit, which repeats its well-known mantra to "communicate the vision of common, comprehensive, cooperative and sustainable security advocated by President Xi Jinping, make clear China's abiding commitment to peaceful development and share China's position on major international issues."

This in essence repeats China's position towards the war in Ukraine – Beijing's view that the US and NATO are to blame for the conflict and that its relations with Russia have to be kept separate from others. This and Wang's Moscow visit are unlikely to go down well in Europe and will reinforce the view that China has Russia's back.

MERICS analysis: "Bringing some stability to US-China relations, while charming Europe and expressing support for Russia in spite of the ongoing war will be a hard feat for Wang to accomplish," says **Grzegorz Stec**, MERICS Analyst. "But if Beijing does not encounter clear and coordinated messages, it will be able to set the terms of stabilization of its relations with Europe without making concessions on the Russia front."

More on the topic: [Navigating balloons and export controls in a time of hot peace](#), MERICS Europe China 360°

Media coverage and sources:

- MFA of the People's Republic of China: [Announcement of Wang's trip during Spokesperson Press Conference](#)
- Global Times: [Wang Yi's trip to Europe, Russia, attendance of Munich conference to convey China's security vision](#)

METRIX

7

Chinese taikonauts completed a seven-hour spacewalk outside Tiangong space station last week. It was the first such mission since China's orbital outpost was completed several months ago. The spacewalk shows that Tiangong, which means "Heavenly Palace" in Mandarin, is fully functional and that China might be a viable cooperation partner for other space-faring countries like Russia as the International Space Station ISS is due to be decommissioned in 2024. (Sources: [Sina Finance](#), [China Daily](#))

TOPICS

Xi's speech on modernization lays a path of reversals bound to ideology

The facts: In an important keynote speech on February 7, party leader Xi Jinping stymied recent signs of a more pragmatic course in economic and international affairs, displaying his fealty to an ideologically based strategy characterized by power politics. Beijing recently appeared to shift gears – after Xi secured his tenure and gained nearly all policy goals at the 20th Party Congress – offering private-sector and financial incentives to revive the economy, reversing its zero-covid policy after major protests, and reviving international relations. But in his speech on "Chinese Modernization", Xi returned to pushing China's rise as a world power and its desire to win systemic competition against Western capitalism and the United States. Xi propagates "Chinese-style modernization" as the new guiding maxim of his socialism under absolute party rule and emphasizes the superiority of the Chinese system over capitalism.

What to watch: In the prelude to the National People's Congress in early March, Xi is reigniting the ideology offensive. Officials are being urged to commit to the "Two Determinations," which stand for Xi's claim to unlimited autocracy. Xi's program is to build China into a superior system and a systemic alternative. In the usual cryptic dialectical manner, Xi presented stipulations such as "push both top-level design and local experimentation, strengthen innovation while maintaining party control" as guidelines. While China is facing serious economic and social challenges after the most recent year of lockdowns and economic slump, the abstract and ideologically driven speech will likely confuse China's officials rather than inspire concrete policy solutions.

MERICS analysis: "Xi remains an ideologue, sticking to his course. The core strategy of expanding a party-led and ideologically driven form of government is a guide – but he is also willing to show tactical flexibility," says **Nis Grünberg**, MERICS Lead Analyst. "His

about-faces are compromises and reactions to crises. His international activities show flexibility, but always a desire to accelerate China's rise and advance its interests.”

Media coverage and sources:

- Qiushi: [Xi stresses grasping, advancing Chinese modernization](#)
- SCMP: [Chinese leader Xi Jinping's pride in approach to governance displayed in speech on success of country's modernisation](#)
- The China Project: [Xi doubles down on 'Chinese-style modernization'](#)

China is experiencing an AI-chatbot craze very much like the global one

The facts: ChatGPT has been heralded as the next big thing to fundamentally change the internet. The ability of the US-made chatbot to answer questions in paragraph form, summarize documents, and even pass an MBA final exam has sent the world's collective imagination (and fears) into overdrive. China has not missed a beat – internet-search giant Baidu recently said it will release its own ChatGPT-style bot in March.

What to watch: Baidu has a large amount of Chinese internet data available to train its chatbot, making it China's most likely candidate to keep pace with developments in the US. It has been working on artificial intelligence (AI) for several years and recently unveiled ERNIE, a large-scale language model which shares common technological roots with ChatGPT. With much of global natural language processing research being open source, Ernie Bot's performance may not be far behind that of Western competitors.

MERICs analysis: “Sophisticated chatbots should sharpen our focus on the potential misuses of generative AI. There is already concern that large language models trained on internet corpuses can produce inherent biases and hate speech. How far the Chinese state will tolerate chatbot-produced content, even if trained on the heavily censored Chinese internet, is an open question. The potential misuse of language models, combined with image and voice generation, to produce mass propaganda is another imminent issue that democratic governments will have to guard against.”

Media coverage and sources:

- Reuters: [Baidu to finish testing ChatGPT-style project 'Ernie Bot' in March; shares rally](#)
- 21st Century Business Herald: [Domestic Version of ChatGPT to Debut \[CN\]](#)
- MIT Technology Review: [ChatGPT is everywhere. Here's where it came from](#)

Chinese social media posts mock US spy-balloon frenzy

The facts: After the United States shot down a Chinese spy balloon and other flying objects in recent days, the Chinese Ministry of Foreign Affairs accused Washington of itself having sent spy balloons “over Chinese airspace more than 10 times without authorization”. China's state media accounts shared Beijing's accusations widely on the social media

platform Weibo. At the same time, many private accounts accused US media of using the “wandering balloon” (流浪气球) to deflect interest from domestic problems. Chinese memes downplayed the significance of the event, for instance mocking the “big fuss” and offering “congratulations” on the F-22 Raptor’s first-ever air-to-air kill.

What to watch: Despite China’s claim that the balloon was a civilian meteorological device and objections to its destruction, the government was clearly unprepared for the events triggered by its discovery. But Beijing now seems to have found a narrative. It is a story of the US trying to dissimulate domestic problems, of China hawks in the US administration blowing things out of proportion and of a military overreacting. Washington, on the other hand, will need to respond to domestic pressure from the public as well as politicians and investigate Chinese espionage. The Munich Security Conference could provide an insight on how the two sides will interact going forward. Chinese top diplomat Wang Yi will be there and so will US Secretary of State Antony Blinken, whose planned trip to Beijing was called off due to the balloon issue.

MERICS analysis: “The balloon has led to a much heftier exchange about superpowers spying on each other. It could lead to the US and others pushing back more against China’s aggressive tactics. Prospects for better US-China relations have dimmed.”

Media coverage and sources:

- Chinese MFA: [Foreign Ministry Spokesperson Wang Wenbin’s Regular Press Conference on February 13, 2023](#)
- Reuters: [White House rejects Beijing claims of U.S. balloons over China](#)
- CBC: [When a suspected Chinese spy balloon flew over Canada, why didn't we shoot it down?](#)
- Financial Times: [Taiwan reveals Chinese military balloons fly ‘very frequently’ into its airspace](#)
- Reddit: [Post offering „congratulations“ to US fighter plan for shooting down a balloon](#)

Chinese company’s US listing signals delicate thaw in US-China financial ties

The facts: The Hesai Technology Company raised USD 190 million in an initial offering (IPO) on the Nasdaq stock exchange on February 8, the largest overseas IPO of a Chinese company since ride-hailing company Didi listed in the US in June 2021. The move by the producer of laser-based sensors and technologies – so-called LIDAR systems – for cars and robotics came on the heels of a 2022 agreement between the US and China giving US officials better access to regulatory and compliance information of US-listed Chinese companies. Prior to that deal, US officials had been preparing to delist all Chinese firms that were not in compliance. New US listings of Chinese companies ground to a halt after Beijing in August 2021 cited data-security concerns as the reason for launching a crackdown on Didi and other Chinese companies.

What to watch: Hesai's listing required the approval of both Beijing and Washington to happen. Since the debacle with Didi's IPO, Chinese regulators have to approve foreign-listing plans of Chinese companies, especially on the grounds of data and cyber risks. US support for the listing indicates that regulators are staying true to the agreement between the two countries. According to the Financial Times, Chinese fast-fashion giant Sheins is also planning to list in the US this year. But it remains unclear whether these deals will remain outliers or usher in more Chinese IPOs in the US.

MERICS analysis: "Beijing's need for capital to support its post-zero-Covid recovery was likely a big reason for greenlighting Hesai's US IPO," said MERICS Senior Analyst **Jacob Gunter**. "But Beijing's desire for IPOs in China to attract foreign capital continues – as does the competition between Democrats and Republicans in Washington to see who is 'tougher' on China. The stars that aligned to enable Hesai's IPO could still divide."

Media coverage and sources:

- Financial Times: [Chinese tech group's Nasdaq IPO signals revival for offshore listings](#)
- China Briefing: [US Audit Breakthrough May Prevent Chinese Company Delistings](#)
- SCMP: [Does Xiaomi and Baidu-backed EV sensor maker Hesai's USD190 million Nasdaq debut suggest a return of Chinese IPOs in US?](#)

MERICS CHINA DIGEST

[China speeding along in quantum computing race \(Asia Times\)](#)

Following Canada and the United States, China is now the third country worldwide to have built and delivered quantum computers. (23/02/04)

[US Aims to Curb Investment in China Amid Security Concerns \(The New York Times\)](#)

The Biden administration is reportedly working on a new set of rules restricting US investments in China's tech sector. (23/02/09)

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