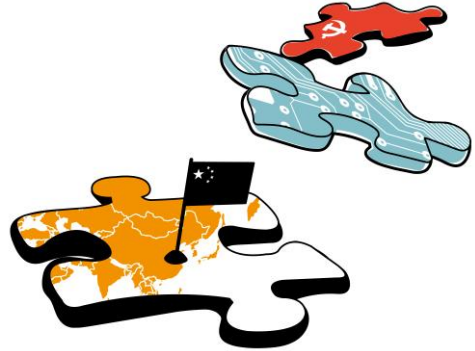


OCTOBER 25, 2024

MERICS China Essentials



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TOP STORY

China's new space science plan silent on military issues of concern to US

China pulled off a balancing act this week in its first mid- to long-term plan on space science, demonstrating its great power ambitions but taking pains not to flex its military muscle, lest it stoke US fears or sanctions. The plan narrowly focuses on space sciences, including black holes, dark matter and energy, habitable exoplanets and laws of the universe, and notably does not talk about military space exploration.

For instance, China's development of a space plane, a reusable spacecraft, was not mentioned in the plan, nor was satellite internet. Both of these are definite priority areas in space for Beijing. While the space plane has direct military utility for China, the science progress outlined in the plan is more important for China's strategic standing as a great power. The plane was launched with some secrecy at the end of 2023 and neither photos, its name nor its landing site have been made public.

The space science plan does lay out ambitious targets for the number of space science missions until 2027 (5-8), between 2028 and 2035 (15) and between 2036 and 2050 (30 missions), while also referencing China's goals to become a space science great power and to be at the frontier of space science by 2050. Its issuers also underscore the civilian nature, which include the Chinese Academy of Science, a civilian research organization, and the civilian space agency. The military is only represented indirectly through the manned space agency.

Echoing similar developments in science and technology fields recently, the plan shows China clearly wants to be perceived as a great power, but also wants to avoid giving the US more armor to target Chinese entities or technologies with restrictions like sanctions. For instance, Huawei's smart phone was lauded by domestic commentators, but did not officially list its 5G capabilities – which has sparked US trade restrictions over national security fears – in its technical specs. The medium- and long-term plan for space science sidesteps any specifics of China's space plans that may have immediate military relevance, while demonstrating China's status as a great power in science and technology.

MERICS analysis: “The medium- and long-term plan for space science lays out ambitious targets on space science missions, but does not mention military issues of concern to Western countries,” says MERICS Senior Analyst **Antonia Hmaid**. “As such, it is emblematic for a China that wants to be perceived as a great power, but is also worried about providing too many details that would enable US restrictions.”

Media coverage and sources:

- CNN: [China's secretive space plane has returned to Earth](#)
- SpaceNews: [China set to unveil long-term vision for space science](#)
- CNSA (CN): [国家空间科学中长期发展规划（2024—2050年）](#)

METRIX

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That's how many satellites form the Low Earth Orbit (LEO) constellation to which Taiwan will have access by the end of the month for its internet connectivity, thanks to a 2023 agreement between Taiwan's Chunghwa Telecom and Eutelsat OneWeb (a subsidiary of France's Eutelsat Group). The partnership is part of Taiwan's strategy to make its digital infrastructure more resilient amid fears China could cut off the island's internet access while trying to annex its territory by force. Taipei's decision to partner with a European company came after talks with Elon Musk's Starlink [proved difficult](#). Musk's business interests in China run deep and he has publicly stated that Taiwan is part of China.

TOPICS

BRICS+ Summit in Russia sees first Xi-Modi bilateral talks in five years

The facts: Bilateral relations between regional rivals China and India appear to be thawing, with Xi Jinping and Narendra Modi holding their first bilateral meeting since 2019 at the BRICS summit in Kazan, Russia. One day before the start of the three-day summit, India announced a breakthrough in the decades-long Sino-Indian border dispute, which had been particularly tense following heavy skirmishes in the Galwan Valley in 2020. While the agreement appears to only facilitate a return to the pre-2020 status quo, rather than a long-term solution of the border conflict, it is a welcome first step – and Xi and Modi meeting in Kazan could be the second major step for normalizing the relationship between the two countries.

What to watch: The Xi-Modi meeting took place at the first “BRICS+” summit since the addition of four new members, Egypt, Ethiopia, Iran and the UAE, in January 2024. Many observers expected that bilateral tensions between various member states could hamper the organization. In addition to the difficult Sino-Indian relationship, Egypt's relations with Ethiopia are strained, and prospective member Saudi Arabia does not see eye to eye with Iran. Given these dynamics, the positive developments in the China-India relations may lead to greater optimism about the future of the BRICS grouping.

MERICS analysis: “While not much information is available on the Sino-Indian deal on patrolling arrangements along the so-called Line of Actual Control in their shared border area, its announcement one day before the BRICS+ summit in Kazan allows for some positive headlines related to the relevance and efficiency of the enlarged organization,” says MERICS Analyst **Eva Seiwert**. “Besides China and India, Russian host Vladimir Putin

can also use the Xi-Modi meeting to present himself as an ‘actor of peace’ and a positive international influence, despite the war Russia is waging against Ukraine.”

More on the topic: [“Anti-Western or non-Western? The nuanced geopolitics of BRICS”](#), MERICS Comment by **Eva Seiwert**.

Media coverage and sources:

- Chinese MFA: [President Xi Jinping meets with Indian Prime Minister Narendra Modi](#)
- South African Government: [XVI BRICS Summit – Kazan Declaration](#)
- China Daily: [Highlights of Xi's remarks during 16th BRICS Summit in Kazan, Russia](#)

As steel demand slumps in China, global steel and machinery makers beware

The facts: Cheap steel and steel-intensive exports from China are likely to surge, including to the EU, as China’s demand for steel drops below half of global consumption and its overcapacity problems worsen. The country hit peak consumption in 2020 with 1,008 million metric tons of steel that year. Consumption has steadily declined since then, hitting 895.7 million metric tons in 2023, although it still produced 1019.1 million tons. Sustained high production and lower demand have boosted the volume of exports so far this year by 21% while their value has declined by 5% – a bad sign for global steelmakers that have struggled with distorted pricing due to China’s overcapacity in the past.

What to watch: China’s real estate crackdown and lack of new infrastructure projects have sharply lowered demand for steel. Yet, Chinese officials will be under pressure to keep employment high, one of the social responsibilities of its state-owned companies, including steel firms. That will make it hard to cut production, even as local demand weakens. This could spell fierce price competition for Europe’s steelmakers, but also for companies making steel-intensive goods like machinery, as cheap steel for goods made in China could drive down prices. While global steel demand is rising, countries in high-demand regions like Latin America, South Asia, and Southeast Asia are keen to produce their own steel for their development needs and already have high tariffs on imports – some on Chinese steel specifically.

MERICS analysis: “Other markets should expect China’s steel exports to surge in the coming months and years,” said **Jacob Gunter**, Lead Analyst at MERICS. “While the share of steel consumption in China going to buildings and infrastructure has been steadily declining, the share going to machinery has risen. Europeans should prepare not only for the flood of steel but also for China-made machinery, now cheaper through low-price steel, to be a source of fierce competition.”

Media coverage and sources:

- Bloomberg: [China’s steel demand has shrunk to less than half global total](#)
- Visual Capitalist: [China’s steel demand through time](#)
- World Steel Association: [2024 world steel in figures](#)

Draft *Private Economy Promotion Law* sends good signals, but will reality catch up?

The facts: Beijing may hope to revive business confidence by swiftly pushing out the first draft of its new Private Economy Promotion Law, but the proof of concept will be in its implementation. Released on October 10, the draft covers a wide range of measures to improve the business environment: promoting fair competition, access to investment and innovation policies, market standardization, and protecting rights and interests of private enterprises. At the same time, it makes clear businesses are expected to follow the party's command and "actively participate in the construction of a modern and powerful socialist country," impelling them to help realize national political goals. It also calls for strengthening "ideological and political guidance" and patriotic entrepreneurship, outlining expectations for those that stand to benefit from government support.

What to watch: Most Chinese media outlets lauded the draft law, emphasizing its importance in restoring business confidence. However, they often subtly highlighted concerns about its effective implementation, noting that many issues addressed in the draft are already covered under existing legal frameworks, but enforcement is the real problem. There have been increasing reports recently of arbitrary enforcement of laws and penalties for companies on the ground, as cash-strapped local governments try to plug financial holes and ward off payment demands by enterprises. A trend international companies should bear in mind.

MERICS analysis: "Getting the draft through the pipeline so quickly is significant as a signal. The government needs to support the private economy," says **Katja Drinhausen**, Head of Politics and Society at MERICS. "But the big challenge is reconciling top-level ambitions to reignite momentum in the private sector with realities on the ground – especially at the cash-strapped local level."

Media coverage and sources:

- SCMP: [China moves to elevate and protect its private sector with new draft law](#)
- Caixin Global: [Opinion: Why Local Enforcement Overreach Is Such a Threat to the Private Sector](#)
- SCMP: [Chinese businesswoman's arrest after demanding USD 30 million in arrears from local government triggers investigation, public outcry](#)

MERICS CHINA DIGEST

[Xi's stronger grip on legislature shows lack of checks on power \(Bloomberg\)](#)

69 percent of laws made this year feature nods to the Chinese Communist Party's authority, a sharp increase compared to just 4 percent in 2018, according to a Bloomberg analysis. (24/10/15)

[Local officials call women to ask “Are you pregnant?” \(China Digital Times\)](#)

Women shared stories about intrusive government inquiries on the Chinese social media platform Xiaohongshu. China’s population has been declining for two straight years. (24/10/23)

[World Uyghur Congress faces harassment ahead of general assembly \(VOA\)](#)

In the months leading up to the group’s general assembly, which took place in Sarajevo this week, the group reported “unprecedented” levels of harassment from the Chinese government, including threats of physical harm, arrest and sabotage. (24/10/21)

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