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Multiple Multipoles: Distinguishing Definitions Between Beijing and the West

By Arran Hope



Foreign Minister Wang Yi addresses the Munich Security Conference. (Source: [FMPRC](#))

Executive Summary:

- Beijing believes that its decades-long calls for a multipolar world are within reach, as recent speeches in Europe, Russia, and elsewhere make clear.
- Beijing’s conception of multipolarity diverges in important ways from that of the West.
- Moscow always has been central to Beijing’s thinking, and it is alongside President Vladimir Putin that President Xi Jinping has tended to unveil core foreign policy positions.
- While the United States attempts to peel Russia away from the People’s Republic of China (PRC), the PRC is attempting the same with Europe, with a pitch for its role as a certain and stabilizing force in a turbulent world.
- “Support for China’s complete reunification” is fundamental to an “equal and orderly multipolar world,” according to Foreign Minister Wang Yi.

If Beijing senses the rumblings of tectonic shifts in the global order, it is because it has been preparing for them for decades. At the turn of the millennium, former U.S. government official Michael Pillsbury argued that the Chinese Communist Party (CCP) since 1986 “has had an almost unchanging assessment of an ‘inevitable’ multipolar future,” and surveyed contemporary Chinese scholars who made parallels to the Warring States period ([Pillsbury](#), 2000). At the United Nations in February, People’s Republic of China (PRC) Foreign Minister Wang Yi (王毅) made the remarkable comment that “the past 80 years is a period of accelerated advancement in world multipolarity”—in other words, the entire postwar has been trending in this direction ([FMPRC](#), February 19). Today, it seems, Beijing is more confident than ever in its analysis that it has correctly called the “changes unseen in a century” (百年变局) and that it is uniquely positioned to shape an emerging international order.

A growing number of voices in the West appear to be coming around to Beijing’s thinking. The new U.S. Secretary of State, Marco Rubio, recently concurred that the United States now faces a multipolar world ([U.S. Department of State](#), January 30). Meanwhile, the theme of this year’s Munich Security Conference was “multipolarization,” with its accompanying report stating that “we already live in a world shaped by ‘multipolarization’” ([Munich Security Conference](#), February 14). The PRC has followed these developments closely. Articles on the PRC internet purr that the Munich report “considers China to be an outstanding and strong supporter of the multipolar international order” (认为中国是多极化国际秩序的杰出、有力支持者), and that the conference showed that Europeans “often put China in the position of a superpower on a par with the United States” (常把中国放在与美国比肩的超级大国位置上) while businesses and academics “generally recognize that China’s rise is unstoppable” (普遍承认中国崛起势不可挡) ([Aisixiang](#), [February 24](#), [February 27](#)). [1]

When considering Beijing’s references to multipolarity, questions of what precisely Party officials mean when they use the term and what the implications will be for the rest of the world are more important than debates on the current structure of the international system. Frequently, they are at odds with Western conceptions, instead expressing a desire for a world that more closely reflects Beijing’s own dark view of the world.

Central Foreign Affairs Work Conference Catalyzed Shift

The current clamor concerning “an equal and orderly multipolar world” (平等有序的多极化和普惠包容的全球化) is not new. The concept of multipolarity was first mentioned in a Party Congress report in 1992 ([China Brief](#), April 12, 2024). Jiang Zemin and former French president Jacques Chirac committed themselves to developing multipolarity in 1997 in a joint statement ([Sciences Po](#), July 2001). A few years later, the founding document of the Shanghai Cooperation Organization (SCO) stated among its goals the promotion of a new international order in an era of developing multipolarity ([UN Treaties](#), September 19, 2003). And in 2005, a government white paper discussed multipolarity as “an unstoppable historical trend” (不可阻挡的历史潮流) ([Xinhua](#), December 22, 2005).

The shift to a new direction first appeared at the highest levels of the Party in the December 2023 Central Foreign Affairs Work Conference. The conference made “two major propositions” (两大主张), the first of which was the need to “advocate” (倡导) for the direction the world should take, rather than merely

describing trends in the international system ([China Brief](#), April 12, 2024). That this conference—only the fifth since the end of the Mao era—set the agenda is evident from recent articles on the state of the world. For instance, an article by academics at the Chinese Academy of Social Sciences refers explicitly to the conference in support of an argument that “multipolarity has [now] become a fundamental trend” (多极化已成为基本趋势). This is echoed by many, others such as Chen Dongxiao (陈东晓), president of the Shanghai Institutes for International Studies, who last month said that not only is the world becoming more multipolar but “China ... is also shaping the future international order” (中国 ... 也是塑造未来国际秩序) ([People's Daily](#), January 27).

Russia's Relevance Suggests Ulterior Strategy

Russia is crucial to the development of Beijing's views regarding multipolarity in the era of Xi Jinping. As the SCO declaration makes clear, the two countries have spent decades willing such a world into existence. In his first year as CCP general secretary in 2013, Xi Jinping chose a visit to Moscow to unveil his theory of a “new type of international relations” (新型国际关系)—a related concept to the promotion of multipolarity ([Xinhua](#), March 24, 2013; [China Brief](#), June 7, 2013). Exactly a decade later, on a separate trip to Moscow, Xi Jinping told Russian President Vladimir Putin, “Now there are changes that have not happened in 100 years. When we are together, we drive these changes” ([Reuters](#), March 22; [Xinhua](#), March 23, 2023). The following year, at the SCO summit in Astana, Putin triumphantly stated that the multipolar world “has become a reality” ([Kremlin](#), July 4, 2024).

Driving the world toward multipolarity is clearly on Beijing's agenda. If Putin is the principal partner in this endeavor, Xi does not intend him to be the only one. While Wang Yi did meet Russian foreign minister Lavrov at the G20 foreign ministers' meeting, telling him that they were both “advancing multipolarity in the world,” Wang's speech to the others in attendance was titled “Be the Driving Force for the Progress of History” ([MFA](#), February 24, [\[1\]](#), [\[2\]](#)).

There are important diverging views between the United States and the PRC on who constitutes key actors in a future multipolar world. In the former, Secretary Rubio suggests that Russia could serve as a third pole. This line of thinking likely informs Beijing's concerns about U.S. attempts to pry Russia away from its deep entanglement with the PRC—a “reverse Kissinger,” to use the phrase attributed to Robert Zoellick ([National Interest](#), January 10, 2017; [MFA](#), February 28). However, surveying PRC references to multipolarity in recent years reveals that it has long focused on Europe as a potential pole.

For the PRC, it is Europe that should be peeled away from the United States in order to build an “equal and orderly multipolar world.” This is in part because Europe has some elements—such as a global currency—that are required of a global power center but that the PRC currently lacks ([China Brief](#), May 24, 2024). Beijing has sprung into action in recent weeks to begin engineering such a gambit. Beyond the Munich Security Conference, PRC officials have been sending the message that “your best friend has abandoned you,” according to reporting from the South China Morning Post ([SCMP](#), February 28). Meanwhile, Party mouthpiece the People's Daily has run commentaries arguing that “China has always believed Europe is an important pole in a multipolar world” (中方始终认为欧洲是多极世界中的重要一极), urging the two

powers to “join hands to promote equal and orderly multipolarity in the world” (携手推动平等有序的世界多极化) ([People's Daily](#), February 18).

Conclusion

If a multipolar world is the direction of travel for the international system, then there is a dark road ahead. It is not for nothing that the PRC's historical analogy of choice is the *Warring States*—a period of enormous upheaval. However, such fearmongering also plays into Beijing's hands. In a world of uncertainty, people yearn for stability. As it turns out, this is exactly what Beijing offers. A report surveying global strategy and security risks put out in January by the China Institute of Contemporary International Relations, a think tank under the Ministry of State Security, argues that the PRC should be “a stabilizing force amid accelerating centennial changes” (百年变局加速演进中的稳定性力量) ([CICIR](#), January 1).

This is the PRC's pitch to Europe and the rest of the world, too. As Wang Yi assured listeners in Munich, “China will surely be a factor of certainty in this multipolar system, and strive to be a steadfast constructive force in a changing world.”³⁶ But as he continued his speech, he overplayed his hand. Among four points he made about the features of a multipolar world came a warning. It is important to respect international rule of law, he said, but “respect for all countries' sovereignty and territorial integrity should mean support for China's complete reunification” ([FMPRC](#), February 15). If that is the condition for entering the brave new world Beijing envisions, European and other Western countries likely will remain poles apart.

Arran Hope is the editor of China Brief.

Notes

[1] It should go without saying that this is a clear distortion of what the report says. In its executive summary, the authors write that “many in the West see Beijing's advocacy for multipolarity as a rhetorical cover for pursuing great-power competition with the [United States].”

Energy and AI Coordination in the ‘Eastern Data Western Computing’ Plan

By Andrew Stokols



A waterfall provides cooling water at Huawei’s data center in Guizhou (Author, 2025)

Executive Summary:

- The “Eastern Data Western Computing” plan is a multiagency strategy that coordinates cloud computing data centers and energy infrastructure across the People’s Republic of China that is increasingly relevant with the rise of artificial intelligence.
- This cloud infrastructure buildout likely will not rival that of the United States, but its coordination with renewable energy infrastructure means that the country’s digital infrastructure will be sustainable, based on a resilient energy system, and will foster economic development opportunities in underinvested regions.
- The plan’s origins in the Gui’an New Area were backed by Li Zhanshu, later Xi Jinping’s chief of staff, and key support from other influential officials likely were key to establishing Guizhou as a hub in the national system.
- Many of the hubs’ locations are remote and have climates and geographic features that make them suitable to host data centers, which can perform energy-intensive functions that do not necessarily require “real-time” computation and ultra-low latency.

The training and deployment of artificial intelligence (AI) models is predicated on an enormous energy supply. This has ushered in a new rush for resource security—both for power generation and water use, as the data centers on which these technologies rely consume large amounts of water to keep them from overheating ([Semianalysis](#), February 13). Currently, the United States leads the People's Republic of China (PRC) in number of data centers by a wide margin ([Statista](#), October 11, 2024). However, given the energy needs of cloud computing and AI, which continue to expand, there is a growing imperative for coordinating energy and cloud investment.

In the PRC, the “Eastern Data Western Computing” (东数西算) plan is a multiagency national initiative to do just that. While the United States lacks a national strategy to coordinate cloud computing and energy use, instead relying on disconnected regional initiatives and private-sector led investment, the PRC's plan serves as an illustration of the potential benefits such coordination offers at national and local scales ([NDRC](#), February 22, 2022; [NCSTI](#), accessed February 26).

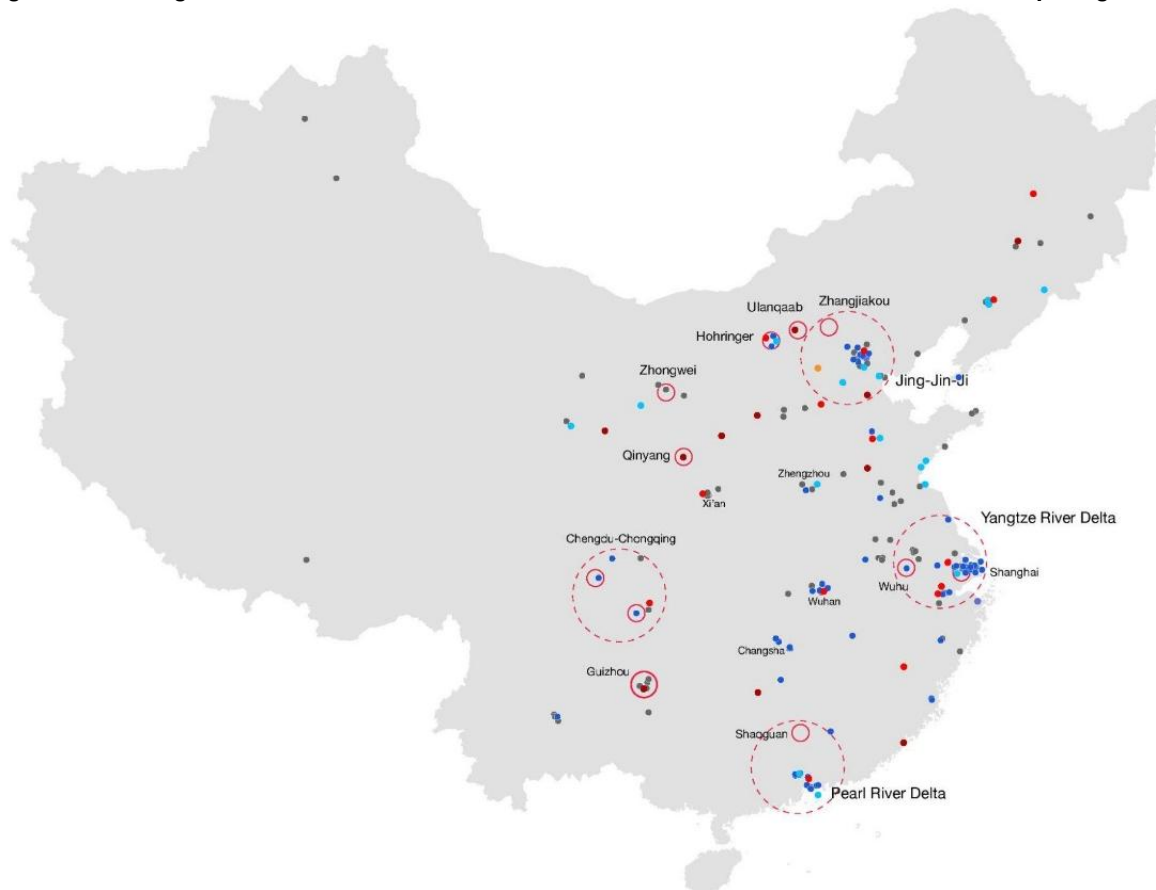
Political Backing Sees Guizhou Lead National Plan

The “Eastern Data Western Computing” plan has its origins in the efforts of Guizhou province to establish itself as an inland hub for cloud computing. The Gui'an New Area (贵安新区) was initially proposed in 2011 by Li Zhanshu (栗战书), then a key provincial leader and later a politburo standing committee member and President Xi Jinping's chief of staff. It was finally approved by the State Council in early 2014 ([Gui'an New Area](#), February 5; [Journal of Contemporary Asia](#), February 15, 2024). Around the same time, the Ministry of Industry and Information Technology (MIIT) released a national plan to optimize data center distribution, laying the groundwork for provincial initiatives ([MIIT](#), January 14, 2013). Guizhou's rise as a cloud computing hub was further reinforced by key personnel transfers. Chen Gang (陈刚), who had previously helped oversee Beijing's Zhongguancun high-tech district, was appointed Party Secretary of the provincial capital Guiyang, where he implemented policies to support the region's nascent cloud computing sector, while from 2012–2017, Chen Min'er (陈敏尔), a close Xi associate from Zhejiang Province, served first as Guizhou's governor and later as its party secretary ([People's Daily Online](#), March 6, 2014; [Guiyang Government](#), May 31, 2014). This political backing enabled the province to position itself as a national leader in cloud computing, capitalizing on its cool climate and abundant hydropower resources. By 2014, Guizhou formally launched its big data initiative to the tech industry with the “Guizhou-Beijing Big Data Industrial Development Promotional Conference,” held in Zhongguancun, where Chen Gang served ([Journal of Contemporary Asia](#), February 14, 2024). Since then, Gui'an New Area has attracted data centers from tech giants such as Tencent, Huawei, Apple's first data center in the PRC, China Mobile, China Telecom, and China Unicom.

Efforts to establish a national digital infrastructure framework accelerated in 2018. The central economic work study group introduced the concept of “new basic infrastructure” (新基建), followed by the National Development and Reform Commission's (NDRC) 2020 *Guidance on Accelerating the Construction of a National Integrated Big Data Center Collaborative Innovation System* (关于加快构建全国一体化大数据中心协同创新体系的指导意见) ([Oriental Outlook Weekly](#), April 26, 2020; [NDRC](#), December 28, 2020). These initiatives build on longstanding regional development strategies, such as the *Great Western Development* (西部大开发) campaign launched in 1999 to address economic disparities between western

provinces and coastal cities ([China Brief](#), March 28, 2002). In recent years, the PRC has intensified data center construction to enhance computing capacity and compete with the United States. This has culminated in the 2021 *Implementation Plan for the Computing Power Hub of the National Integrated Big Data Center Collaborative Innovation System* (全国一体化大数据中心协同创新体系算力枢纽实施方案). Issued by four national agencies—NDRC, the Central Cyberspace Affairs Commission, MIIT, and the National Energy Administration—this plan formally established the “East Data, West Computing” strategy, redistributing digital infrastructure as a strategic economic and geopolitical move ([NDRC](#), May 24, 2021).

Figure 1: Existing Data Centers and Planned Clusters Under the ‘Eastern Data Western Computing’ Plan



(Source: Author, based on information scraped from official sources)

The “Eastern Data Western Computing” plan aims to optimize the PRC’s computing network by incentivizing data center construction in energy-rich western regions, thus improving the resource efficiency of data centers by lowering power usage effectiveness ratios and leveraging cloud computing to stimulate economic growth in less developed provinces. [1] The plan promotes inland data center development alongside investments in high-speed fiber optic transmission, allowing remote regions to better integrate into the national computing network ([Huawei](#), March 2022). It designates ten “data center clusters” (数据中心集群) within eight “national hub nodes” (国家枢纽节点) encompassing both western provinces and key

metropolitan areas, including Guizhou, Inner Mongolia, Gansu, Ningxia, Chengdu-Chongqing, Zhangjiakou, Wuhu, and Shaoguan (See Figure 1) ([NDRC](#), May 24, 2021). By August 2024, the government had invested RMB 44 billion (\$6 billion) in the initiative, leveraging over RMB 200 billion (\$27 billion) in total investment, with publicly disclosed projects suggesting an estimated RMB 240 billion (\$33 billion) allocated to “Eastern Data Western Computing” clusters by the end of 2024 ([Xinhua](#), 2024).

The idea of moving data centers to inland regions initially seemed counterintuitive and at odds with market demand. The PRC’s data centers largely have been concentrated in metropolitan hubs along the eastern seaboard to minimize latency for real-time applications. However, remote data centers are suited for energy-intensive data functions that do not necessarily require “real-time” computation and ultra-low latency, such as financial transactions. According to the “Eastern Data Western Computing” plan, nodes such as Guizhou, Inner Mongolia, Gansu, and Ningxia that are “rich in renewable energy and have suitable climates” (可再生能源丰富、气候适宜) will become part of a “national base for non-real-time computing power” (面向全国的非实时性算力保障基地), performing functions such as “background processing, offline analysis, and storage backup” (后台加工、离线分析、存储备份) ([NDRC](#), May 24, 2021).

Plans Preempt AI Demand, Energy Supply Concerns

More recently, training AI models has also become an imperative for cloud computing companies, something for which remote data centers are also suited. Many PRC firms have built their own AI data centers featuring custom-made chips, such as Baidu AI Cloud’s Kunlun AI chip-powered data centers, Alibaba Cloud’s HPC AI clusters, and Huawei’s Ascend-powered AI computing centers. Others are finding other ways of getting around export bans on advanced chips through both licit and illicit means ([China Brief](#), December 6, 2024). Some have been successful. One private data center executive told me that his firm had established a subsidiary in Qinyang, one of the plan’s designated hubs, which was likely being used for AI model training with Nvidia chips—hardware restricted under U.S. export controls (Author interview in Beijing, 2024).

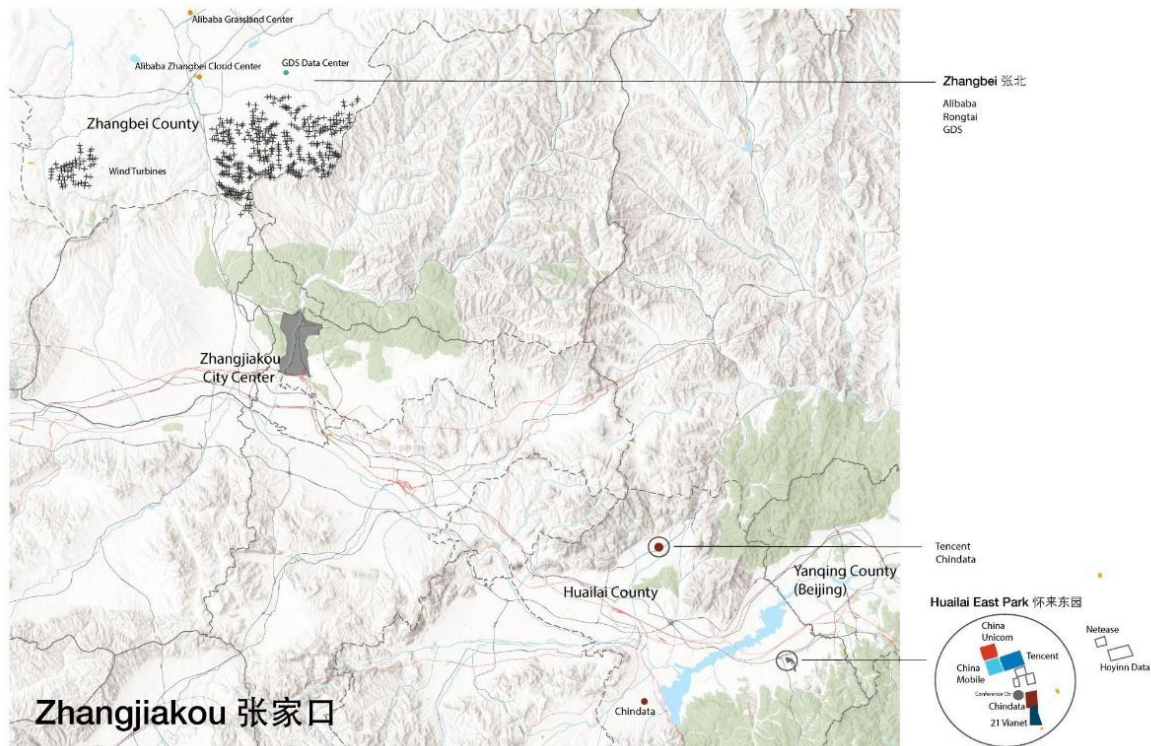
Ideas for optimizing data center location based on climate and energy concerns were circulating among researchers and officials under ministries like MIIT back in 2013 ([MIIT](#), January 14, 2013). Gui’an New Area became the first in a series of inland data center hubs whose development was accompanied by investment in renewable energy and other utility infrastructures like smart grids, but others have followed suit.

Gui’an New Area’s Energy Reform Pilot

The growth of data centers in Guizhou exemplifies how digital infrastructure development requires coordination between local and national governments, state-backed energy firms, and private technology companies. For local officials, cloud computing was not just a technological investment but a development strategy for one of the country’s poorest regions. To attract capital, the provincial government implemented tax incentives, including five-year exemptions for data centers and a reduced 15 percent corporate tax rate, while also subsidizing renewable energy integration. Recognizing the immense energy demands of large-scale data operations, Gui’an New Area was designated an energy reform pilot zone, where the local administrative committee partnered with Guizhou Power Grid (贵州电网), a subsidiary of China Southern Power Grid (中国南方电网), to create a deregulated energy market and provide a springboard for regional

energy company expansion. This initiative drew investments from power producers such as Huaneng (华能) and Guodian (国电), spurring the construction of new renewable power stations. By 2023, data centers consumed 60 percent of Gui'an New Area's electricity, with approximately 70 percent sourced from renewables, illustrating the region's prominent position in the evolving national cloud infrastructure ([NDRC](#), November 26, 2015).

Figure 2: Zhangjiakou Energy Infrastructures



(Source: Author, based on data collected from data companies and open infrastructure map, 2024)

Zhangjiakou's Renewable Energy Demonstration Zone

The geographic endowments of Zhangjiakou, a historic military garrison for Beijing (and one that still hosts the 82nd Group Army), make it ideal for wind and solar energy production. In July 2015, the State Council approved the establishment of the Zhangjiakou Renewable Energy Demonstration Zone, the country's first and only national-level renewable energy demonstration zone ([Irena](#), November 2019). A wind energy industrial ecosystem has emerged in the area, including the Hengzhi Science Park, which attracts turbine manufacturers and energy storage companies. The PRC's state-owned energy giants, including China Datang (中国大唐), China Three Gorges (中国三峡集团), and Huaneng, played a key role in developing large-scale renewable projects such as the Zhangbei Wind Farm and Zhangbei Solar PV Park. By 2020, Zhangbei County had built one of the country's most extensive renewable energy clusters, with 15 GW of installed wind power capacity and 6.3 GW of solar capacity accounting for an estimated 75 percent of the county's total energy production ([WWF & Shenzhen Institute](#), 2020).

Officials raised concerns about Zhangjiakou's limited water resources. Data centers require significant amounts of water for cooling in an arid region, and at the time they were consuming nearly 50 percent of the city's electricity, and projections indicated that demand would double to 14 TWh annually ([Irena](#), November 2019). Undeterred, authorities have built a new data center cluster in Zhangjiakou near the Guanting Reservoir, just across the border with Beijing (see Figure 2). Zhangjiakou's proximity to Beijing and its renewable energy potential have made it an attractive location for cloud computing firms. In 2016, Alibaba established a major data center in Zhangbei County, one of the northernmost parts of the city's sprawling jurisdiction. GDS (万国数据), a leading third-party data center operator, followed suit with a facility near Alibaba's campus.

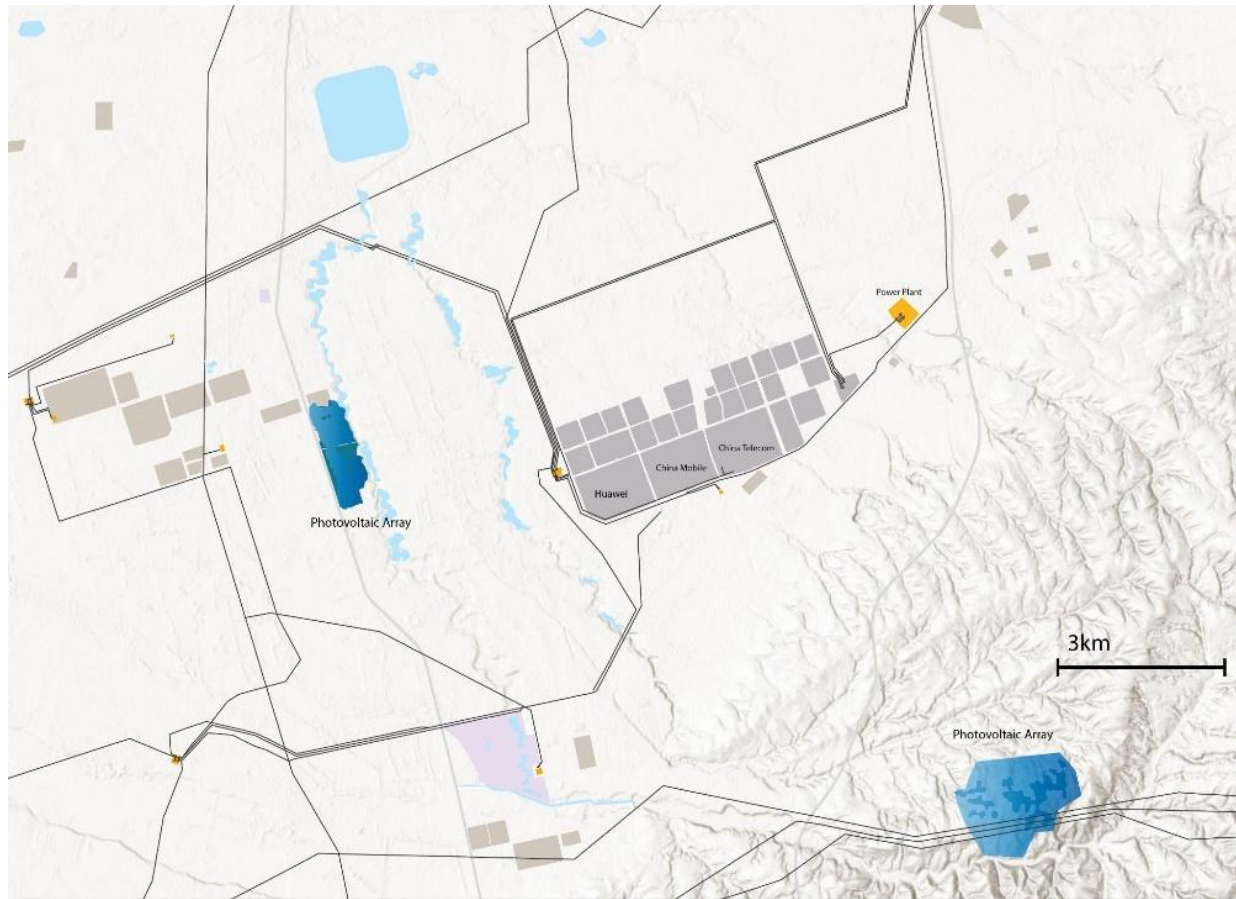
Zhangjiakou's role in digital infrastructure was further solidified in 2021, when the city was designated a key data center cluster serving the Beijing-Tianjin-Hebei ("Jing-Jin-Ji") region under the "Eastern Data Western Computing" plan ([China Brief](#), March 1, 2024; [Zhangjiakou News](#), accessed February 27). This inclusion reinforced the government's commitment to balancing Beijing's data demands with Zhangjiakou's renewable energy capacity. The city's importance was again elevated by its selection as a host location for the 2022 Winter Olympics. This spurred a wave of infrastructure investment, improving connectivity and facilities essential for data center operations. That same year, Zhangjiakou deepened its partnership with private-sector cloud operators with global connections. For example, Chindata, a data center company backed by U.S. private equity firm Bain Capital, recently signed a 10-year strategic cooperation agreement with Zhangjiakou's state-owned Construction and Investment Group ([Chindata](#), August 31, 2023). It has since established four facilities across multiple counties in Zhangjiakou, aligning with national sustainability priorities while expanding its footprint. Chindata also has a new, massive data center in nearby Datong, Shanxi Province. More recently, Huailai County—Zhangjiakou's closest county to Beijing—has emerged as a new focal point for data center investment, attracting major players such as Tencent, China Mobile, China Unicom, and China Telecom.

According to the 2024 *China Comprehensive Compute Index Report* (中国综合算力指数报告), published by the China Academy of Information and Communications Technology (中国信息通信研究院), Zhangjiakou's Huailai County is a "shining 'star'" (闪亮的“星”), leading the country in terms of compute ([Hebei Daily Client](#), February 25).

Hohhot

China Telecom began work in 2011 on a data center just south of the Inner Mongolian capital of Hohhot ([Hohhot Government](#), July 2, 2024). In 2016, Inner Mongolia unveiled a big data strategy for the autonomous region aiming to replicate Guizhou's efforts ([Inner Mongolia Daily](#), October 26, 2016). As with other data center hubs, the region has ample renewable energy potential in solar and wind as well as favorable cool and dry climate. The area is being branded as "China Cloud Valley" (中国云谷) and is part of a broader plan for a new area that aims to draw digital industries beyond data centers. To this end, China Mobile has opened a massive facility near China Telecom, and data centers are planned for national banks (Bank of China, Agricultural Bank of China, and China Construction Bank), as well as facilities for UCloud and Huawei (Xinhua, [October 20, 2023](#), [January 24](#); [UCloud](#), accessed February 26).

Figure 3: Hohhot Energy Infrastructure



(Source: Author, based on data from Open Infrastructure Map)

Conclusion

So far, the “Eastern Data Western Computing” plan’s outcomes have been mixed. Hub areas that were already home to some cloud operations (such as Guizhou, Inner Mongolia, and Zhangjiakou) have continued to attract steady investment. More remote areas like those in Gansu and Ningxia are still relatively under-established and may struggle to attract substantial investment beyond state-owned telecoms. Limitations on remote data centers include the costs of building additional fiber optic cable to speed transmission and limited local human capital of skilled engineers and technicians to man data centers. However, the scale of investment from national policies combined with subsidies and tax breaks from local governments, will likely spur at least some investment even in these remote hubs.

For now, the country’s overall computing power, measured both in the number of data centers, as well as the overall market share of cloud companies, lags behind that of the United States. Even if the full planned investment of the “Eastern Data Western Computing” data centers is completed, the PRC will likely remain behind. However, the PRC’s effort to coordinate renewable energy infrastructure and data center buildout is noteworthy. Its multiple benefits include sustaining cloud computing power, strengthening energy system

resilience, and fostering economic development opportunities in underinvested regions. For the United States to continue to lead in computing, the PRC approach contains useful lessons.

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PRC Dominance Over Global Port Infrastructure

By Jacob Mardell



The Port of Balboa in Panama, one of two owned by Hutchinson Port Holdings (Source: Wikipedia)

Executive Summary:

- Beijing's economic control of port operations at strategic chokepoints across the world, many of which are part of the Maritime Silk Road initiative, pose a threat to the United States and its allies.
- Two Chinese state-owned firms, COSCO and China Merchant Ports, control 12.6 percent of global throughput at ports around the world. Beijing could also exert significant influence on the third-largest Chinese player, privately-owned Hutchison Port Holdings, which works extensively with PRC state-owned enterprises and has participated in strategically significant projects.
- Hutchison also controls two ports on the Panama Canal. Under pressure from the United States, Panama's President Murillo announced his government will not renew the memorandum of understanding on the Maritime Silk Road signed in 2017.
- Leveraging the economic power state-owned shipping firms is part of Beijing's strategy to become a strong maritime power.

On February 2, President Murillo of Panama announced that his government will not renew the memorandum of understanding on the Maritime Silk Road signed in 2017 with the People's Republic of China (PRC). At a press conference that followed shortly after a meeting with U.S. Secretary of State Marco Rubio, Murillo said that Panama is going to study “the possibility of whether it can be completed sooner or not. I think it is due for renewal in one or two years,” he explained ([X/ECOtPanamá](#), February 2). [1] The Maritime Silk Road refers to the maritime portion of the PRC's One Belt One Road (一带一路) initiative. The PRC was quick to respond. Assistant Minister for Foreign Affairs Zhao Zhiyuan (赵志远) made solemn representations to the Panamanian government, saying that his country “deeply regrets” (对此深表遗憾) the announcement, and warning that Panama would be running counter to the expectations of the Chinese and Panamanian peoples by “driving backwards’ and sailing against the wind on ‘One Belt One Road’” (在“一带一路”上“开倒车”、行逆风船违逆中巴人民期待) ([FMPRC](#), February 8).

The flashpoint around the Panama Canal centers on Hutchison Port Holdings (和記港口), a private firm headquartered in Hong Kong that has operated the two of the canal's five ports since 1997. While this does not equate to U.S. President Donald Trump's assertion that the PRC controls the Panama Canal, the evolution of the PRC's maritime strategy in recent decades and Hutchison's moves to closer align with Beijing in the last few years reflect longstanding and valid concerns in the United States about Beijing's strategic investments in global port infrastructure ([White House](#), January 20; [The Wire China](#), February 9). Already, Panama's supreme court has agreed to consider a request filed by a lawyer to nullify the contract to the Chinese firm ([AFP](#), February 22).

Economics is Key to PRC Maritime Power

Becoming a “strong maritime power” (海洋强国) was set as a guiding ambition by former Chinese Communist Party (CCP) general secretary Hu Jintao in his report to the 18th National Congress in 2012, and Xi Jinping later incorporated this vision into his signature policies, including the “China dream” (中国梦) and the One Belt One Road (一带一路) initiative (People's Daily, [November 18, 2012](#), [November 20, 2017](#)).

The CCP's conception of maritime power, especially as put forward by Hu, is in large part about naval strength, but the economic dimension has become increasingly vital. According to Xi Jinping's Economic Thought, “an economically strong nation must be a strong maritime nation and a strong shipping nation” (经济强国必定是海洋强国、航运强国) ([Xi Jinping Economic Thought Research Center](#), April 19, 2024).

Port infrastructure is key to building this strength. As the world's largest trading nation, the network effects of the PRC's extensive control over maritime shipping infrastructure are invaluable. By securing ownership stakes and operational leases in port infrastructure, Chinese firms can streamline global operations and grow their influence over supply chains while providing greater market access and reduced shipping costs for other Chinese companies. After a terminal operating contract is signed with a Chinese firm, total trade with the PRC increases about 21 percent, according to a study by the Mercator Institute of China Studies, a German think tank. The study also notes that PRC firms buy more goods than they sell to host countries after operating agreements are signed and that much of the cost savings go to PRC firms ([MERICS](#), December 4, 2023).

The PRC has dramatically expanded its interests in maritime shipping infrastructure under the policy umbrella of One Belt One Road. Like many aspects of the One Belt One Road, this expansion preceded Xi Jinping's official announcement of the initiative in 2013 but has gathered steam over the past decade.

Counterintuitively, it is the "belt" part of the initiative's name that describes the continental portion, while the "21st Century Maritime Silk Road," announced by Xi Jinping at the Indonesian parliament in October 2013, is the portion that covers the seafaring element ([ASEAN-China Centre](#), October 3, 2013).

The commercial aspect of the PRC's maritime strategy is closely tied to key "national champion firms" (国家冠军企业). The policy of nurturing these firms through preferential access to capital and state support became institutionalized in the 2000s and is also a key objective of One Belt One Road ([The China Project](#), September 11, 2024). For instance, the city of Ningbo, Zhejiang Province, dubbed the "city of [national] champions" (冠军之城), explicitly links PRC industrial policy to One Belt One Road. Noting that its firms depend on external markets, an article by the city's customs office says, "Serving the construction of 'One Belt, One Road,' Ningbo has established friendships with 117 cities in 60 countries, and its 'circle of friends' continues to expand" (服务共建“一带一路”，已与 60 个国家 117 个城市建立友城关系，宁波“朋友圈”持续扩容). It also quotes a popular saying among local businesses: "Rely on policies, seize opportunities" (依靠政策，抓住机遇) ([Ningbo Customs](#), January 8).

Top Firms' Strategic Posture

Two players have been essential to establishing the PRC's overseas port empire, China Merchants Port Holdings Company Limited (CMP; 招商局港口控股) and COSCO Shipping Ports Limited (COSCO; 中远海运港口), the port subsidiary of China COSCO Shipping Corporation (中远海运集运). While CMP and COSCO operate as separate, commercially run companies in their day-to-day functions, they are ultimately controlled by the State-owned Assets Supervision and Administration Commission (SASAC) under the PRC State Council. This structure has two significant international consequences. First, these companies enjoy substantial advantages that would be considered highly irregular or even illegal in Western systems, such as wide-ranging state aid and an ecosystem of allied state-owned enterprises. Second, Beijing retains ultimate control over these national champions. On occasion, COSCO and CMP might resist interventions that run counter to commercial imperatives and Beijing realizes the risk of undermining these champions through overt influence. Nevertheless, SASAC holds the ultimate power to weaponize port operations if it so chooses, for example, by interfering in price setting or controlling capacity allocation.

According to the "Vision for Maritime Cooperation under the Belt and Road Initiative," issued in June 2017 by the National Development and Reform Commission (NDRC) and the State Oceanic Administration, the maritime silk road consists of three "blue passages." These passages go between the PRC to Africa and the Mediterranean via the Indian Ocean, to the South Pacific, and to Europe via the Arctic ([Xinhua](#), June 20, 2017).

PRC firms have established port operations across these major arteries and at strategic choke points such as the Malacca Strait, the Suez Canal, and the Panama Canal. These include 23 European ports; 13 North and Central American ports; 11 ports in the Middle East; 8 ports in Africa; 8 in Southeast Asia; and 4 each in South Asia, East Asia, and Australia ([MERICS](#), November 7, 2024). They have done so under One Belt One

Road, leveraging access to billions in state financing, securing operating concessions and then investing in expansion projects, or, alternatively, by winning expansion projects first and subsequently taking on the operational responsibilities. In some cases, they have also gained a foothold through larger acquisitions. The most notable of these is CMP's 2013 acquisition of a 49 percent stake in Terminal Link, a subsidiary of French shipping company CMA CGM ([CMA CGM](#), June 11, 2013). This deal provided CMP with interests in 15 container terminals across eight countries, and in 2019, CMA CGM and CMP reached an agreement for Terminal Link to acquire stakes in an additional 10 port terminals ([CMA CGM](#), December 20, 2019). In some cases, CMP and COSCO have also acquired equity stakes in the ports. These include in the ports of Piraeus in Greece, the Port of Rotterdam in the Netherlands, Chancay Port in Peru, Port of Abu Qir, Egypt, and Kuantan Port, Malaysia ([China Brief](#), March 14, 2024).

The world's seven largest firms now control 40 percent of global throughput, adjusted for equity, according to the latest Global Container Terminal Operators Annual Review and Forecast from the independent global maritime advisory and research organization Drewry. [2] Trailing Singapore's PSA International with 7.2 percent of global share, COSCO and CMP reported 6.4 percent and 6.2 percent, respectively, though due to their shared ownership they can be considered collectively ([Drewry](#), August 12, 2024). Combining these two firms means that SASAC indirectly controls 12.6 percent of global throughput. The degree of vertical integration in COSCO—the world's third largest operator and one of the largest container shipping companies—and in the broader ecosystem of PRC state-owned enterprises makes Beijing's control of global shipping and maritime infrastructure particularly formidable. This gives Beijing even greater leverage to shape global maritime trade flows.

Adding Hutchison's throughput to a collective Chinese total is difficult to justify—though such assessments may be increasingly reasonable. Although it is the third most significant PRC actor involved in overseas ports, as a private firm headquartered in Hong Kong it has been excluded from most analyses of Beijing's global port expansion. However, as the CCP expands its control over the national economy and erodes Hong Kong's independence, the distinctions between state-owned and private enterprises—and between Hong Kong and the mainland as separate jurisdictions—are becoming increasingly blurred ([China Brief](#), [January 19, 2024](#), [March 1, 2024](#)). Although Hutchison remains much more similar to a private Western firm than CMP or COSCO, Beijing could still exert significant influence if it chose to do so. Hutchison works extensively with PRC state-owned enterprises and has participated in strategically significant projects. For instance, it has collaborated with the Egyptian navy ([Hutchinson Ports Abu Qir](#), August 27, 2020). While Hutchison is in a different league to COSCO and CMP, it is reasonable to consider its assets in an assessment of PRC influence today.

The significance of the PRC's control over throughput also extends beyond shipping. Ports are critical nodes in global commodities supply chains, where PRC state-owned firms have entrenched positions. Entire supply chains, from extraction and processing to logistics and trade, are vertically integrated with PRC SOEs, banks, and trading houses, ensuring that control over ports translates into broader leverage over the global flow of resources, from iron ore to soy beans.

Conclusion

U.S. concern about the PRC's global port footprint tends to focus on the military potential of these interests ([DoD](#) February 5; [SOUTHCOM](#), February 20). To date, the PRC has only one confirmed overseas military base, in Djibouti. [3] By comparison, the United States has bases in dozens of countries around the world. Nevertheless, concerns about harder security dimensions are valid. Under the military-civil fusion development strategy, ports are strategic dual-use assets that serve both economic and defense objectives ([China Brief](#), April 14, 2023). In addition to this dual-use potential, there are legitimate reasons to suspect that commercial investments might provide footholds for a military presence ([China Brief](#), October 19, 2020).

The geopolitical consequences of the PRC's economic control poses an arguably greater threat, however. While the United States dominates global maritime security, there is a huge disparity in the other direction when it comes to influence over maritime trade. Unlike the PRC, which controls around 12.6 percent of global ports throughput through COSCO and CMP, the United States has no state-backed firms among the world's leading terminal operators. In terms of global port influence, the United States would likely rank behind not only the PRC but also the United Arab Emirates (DP World), France (CMA CGM/Terminal Link), and Singapore (PSA International).

The United States currently lacks the means to reduce the PRC's global port footprint, even within the Western Hemisphere. Within the United States itself, PRC firms continue to exercise property rights at five ports. The first Trump administration successfully removed PRC ownership of U.S. ports when it forced COSCO to divest its shares in the Long Beach Container Terminal, but contracts to operate the ports remain in PRC hands ([Freight Waves](#), July 8, 2018). In 2022, when COSCO's contract for another terminal at Long Beach came up for expiry in 2022, no other operator reportedly had the technical ability to replace COSCO ([MERICS](#), November 7, 2024). In the near term, European port operators that have expertise and global presence could erode some of Beijing's influence if paired with U.S. capital. For now, there may be little that President Trump can do to challenge Beijing's port presence—even in what he considers America's backyard.

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Notes

[1] Original: “Vamos a estudiar la posibilidad de si se puede terminar antes o no. Creo que le toca en uno o dos años la renovación.”

[2] Throughput refers to the amount of cargo or number of vessels that a port handles over a specific period of time. Adjusted for equity here means that, for example, a 50 percent stake in any given terminal would contribute 50 percent of total throughput.

[3] Despite concerns over PRC involvement renovating Cambodia's Ream Naval Base, it currently appears unlikely that the PRC will use it for military purposes ([Lowy Institute](#), December 4, 2024).

War Memorials put the Party Front and Center for 80th Anniversary

By Johanna M. Costigan



A ceremony commemorating the War of Resistance in Baoshan District, Shanghai, September 2024. (Source: Shanghai Baoshan District)

Executive Summary:

- The Chinese Communist Party (CCP) is using the 80th anniversary of the end of the Second World War to promote a version of history that centers itself to stoke patriotism among Chinese people.
- Official remembering of the war has changed over the last 80 years, with the contributions of the Nationalist and American forces highlighted when the Party seeks warmer relations with Taiwan and the United States.
- The Party relies on places such as the Songhu Memorial in Shanghai to weave local history into its preferred national war narrative.
- This year's commemorations will be promoted as part of a “red tourism” agenda, where the CCP has poured resources into tourist locations to integrate them with sites related to Party history.

In September 2024, local officials hosted an event honoring those who served in the Second Sino-Japanese War in Baoshan district on the outskirts of Shanghai. The occasion was the upcoming 80th anniversary of the end of the conflict. As a seventh grade student from a local school reportedly put it: “It is the heroic struggle and fearlessness of sacrifice of the revolutionary predecessors that have brought us our peaceful life now” (正是革命先辈的英勇奋斗和不畏牺牲换得了我们现在和平的生活。我们要努力学习，坚持奋斗，继承革命先辈的优良传统，为祖国建设贡献自己的一份力量) ([Shanghai Baoshan District](#), September 9, 2024). Her comment captures three priorities war memory serves for the Chinese Communist Party (CCP) today. First, Chinese people should internalize ideas about struggle on behalf of the nation; second, the CCP is the only historical actor of consequence; and third, the patriotic education campaigns that seek to inculcate these values are aimed at the People’s Republic of China’s (PRC) youth.

The September event was just the start of the 80th anniversary festivities in Baoshan district, which is home to the Shanghai Songhu Memorial Hall for the War of Resistance Against Japanese Aggression. The Songhu Memorial integrates the local history of the district—where Chinese soldiers fought and lost a battle against the invading Japanese army—into the national war narrative. It complements other major war memorials that have oscillated between painting a heroic portrait of Chinese resistance on the one hand and tragic loss at the hands of Japanese aggressors on the other. Official portrayals of China as simultaneous victor and victim allows the Party to portray itself as strong and defiant in the face of imperial invasion while provoking the urgent nationalism that devastating history is uniquely qualified to incite.

The Songhu Memorial is indicative of the ways in which the Party wants the war to be remembered today—which may be drifting further from the historical facts. Recent commemoration events marking the January 28 anniversary of the Battle of Baoshan skipped any mention of the Nationalist Party (KMT), which led China at the time under Chiang Kai-shek (蔣介石) and whose forces faced the brunt of the invading Japanese army. The 80th anniversary celebrations are an opportunity for the CCP to deliver the not-so-subtle message that the most pro-CCP version of history is conveniently both the most patriotic and the most correct.

History is Always Changing

The anniversary fanfare might seem oddly thorough considering the eight decades between the end of the war and today, not to mention the domestic upheaval China has endured in the interim. However, meticulous celebrations serve the purpose of conjuring a sense of national unity and, as a result, pride. Increasingly, the Party’s aim appears to be identifying China’s sacrifice, valor, and victory during the Second Sino-Japanese War with that of the Party itself. This fits with broader patriotic education imperatives that seek to elide the distinction between party and state ([China Brief](#), December 15, 2023). Last month, for example, the Songhu Memorial announced a new collection of war artifacts. These focused on reflecting the CCP’s “pivotal role” (中流砥柱作用) in the victory of the Chinese People’s War of Resistance Against Japanese Aggression and, also crucially, portraying a clear enemy through “important physical evidence of the crimes of aggression committed by the Japanese army” (侵华日军侵略罪行的重要实物佐证) ([WeChat/Shanghai Baoshan](#), January 27).

Minimizing the KMT’s role in the conflict has long been the norm in memorials created under the People’s Republic of China (PRC). In 2019, the exhibit largely skipped over wartime tensions between the Nationalists

and Communists and downplayed the KMT's dominant role in defending China (author visit, 2019). Chiang Kai-shek was mentioned, but only as a secondary figure to Mao Zedong. (At the time, Mao made use of patriotic sentiment stirred up by the Japanese invasion while exploiting the KMT's weakened state to boost support for the nascent CCP).

The KMT is similarly absent from this year's remembrances. Nationalist soldiers are not included among "all the revolutionary martyrs and compatriots who sacrificed their lives" (所有为中国人民抗日战争胜利献出生命的革命先烈和同胞) that the Memorial venerates, as reference to them is omitted completely ([Shanghai Observer](#), January 26). This omission is indicative of the current war narrative, which highlights "Chinese" efforts and does not parse between parties. A narrative centered on national identity allows the CCP to center itself in retellings of the nation's history, to the exclusion of all others.

The distortions in today's historical memory is partly a call back to the Mao-era depiction of the conflict. In the early years of the PRC, the need to erase the KMT from recent history was compelled by the civil war between the two political parties that broke out immediately following the end of the War of Resistance. As the scholar Parks M. Coble has written, in the aftermath of the Communist victory in 1949, "the Party mandated a historical narrative which privileged the revolution and the leadership of the Communist Party and consigned other players and memories to historical oblivion" ([The China Quarterly](#), June 2007).

A period of "new remembering" of the war, which emerged in the early-to-mid-1990s and has evolved since, is the exception to this rule. After nearly half a century of denial, the Party decided to allow more room for recognizing KMT contributions to the war. This shift was informed by the political priorities of the day, which included activities on both sides of the Taiwan Strait aimed at improving relations, as well as a post-Tiananmen imperative to bolster national pride—a mandate that also inspired the patriotic education campaign ([Modern Asian Studies](#), October 1996). The "new remembering" continued into the early Xi Jinping era. For instance, cultural products increasingly referred to Nationalist contributions to the war effort and, in 2013, remaining Nationalist veterans were finally given state pensions. However, this change was in part engineered to support the PRC's burgeoning claims to increased power in the region and simultaneously foment tensions with Japan ([Index on Censorship](#), March 2014).

Patriotism Meets A Securitized State

The 80th anniversary of the Allied victory this year presents officials with an opportunity to pull citizens into the CCP-centered, new "new remembering." The updated narrative complements other annual observations that also serve to improve popular awareness of the Party's national security priorities. These include National Security Day on April 15, which is oriented toward making national security a more embedded fixture of daily life, particularly for students, and "national defense education" (国防教育), which was a feature of the original patriotic education campaign. In 2019, the core features of patriotic education were updated to reflect Xi Jinping's contributions, and in September 2024, further amendments were made to the *National Defense Education Law* (国防教育法) by the standing committee of the National People's Congress (China Brief, [December 15, 2023](#); [April 26, 2024](#)). As an explainer on the recent revision to that law makes clear, the update requires that national defense education in schools "be integrated with the publicity and education of

military service so as to enhance students' awareness of performing military service in accordance with the law" ([China Justice Observer](#), October 31, 2024).

Regulatory and other changes likely are timed to align with significant anniversaries. Mirroring the *National Defense Education Law's* amendment ahead of this year's anniversary, the central government passed the *National Security Law* on the 70th anniversary in 2015—the same year that the PRC held its first Victory Day celebrating the defeat of Japan, which took place that September. It was the first major military parade celebrating an event other than National Day ([YouTube/CGTN](#), September 4, 2015).

Fostering public consciousness of national security—and tying the concept to patriotism—also encourages defense against the PRC's critics. These critics, according to depictions in state media, either want to suppress and contain the PRC or seek to instigate revolution and bring about regime change. Notably, wartime assistance provided by Allied powers—particularly the United States, which played a critical role in Japan's ultimate defeat—are rarely mentioned in official narratives of the war. The only exceptions to this are when the Party attempts to appeal to U.S. audiences, for example when Xi chooses to invoke the so-called “flying tigers,” the American volunteer fighter pilots who provided assistance in the China Burma India theater ([PRC Embassy to the United States](#), January 8). This is usually done when Beijing seeks to cultivate warmer ties with the United States.

Officials hope the combination of defensiveness and patriotism will imbue the public with confidence at a time of tension. National defense education, especially as it manifests in schools, is part of a broader effort to militarize Chinese society as CCP leadership seeks to brace citizens for an extended geopolitical contest with the U.S. and its allies ([China Brief](#), February 17, 2023).

In Baoshan, Local History Absorbed Into Daily Life

The Party under Xi has sought to militarize the PRC populus through propaganda, culture, and education ([China Brief](#), November 1, 2024). At the local level, the grand national narrative of Chinese wartime victory manifests through sites of “local resistance” (局部抗战) ([The Paper](#), January 27).

One way for schools to step up their patriotic education game appears to be building closer, if historically tenuous, bridges between their local districts and national historical narratives. Baoshan's public school district has started featuring interactive lessons highlighting the area's wartime history through “immersive performances and debates” (沉浸演绎、现场辩论). These are intended to get students invested in wartime history, which they have previously shown only an obligatory interest in, according to the vice principal of Baoshan Experimental School ([Xinmin Evening News](#), March 3, 2024).

In January, a lecture series called “Remembering the Anti-Japanese War on Both Sides of the Suzhou River,” (苏河两岸忆抗战) featuring academics from ten universities in Shanghai, kicked off as part of the city's anniversary commemorations. The series similarly taps into local history to further the narrative of national unity. For instance, the first event highlighted Shanghai as the birthplace of Chinese Communism and that among its many “red resources” (红色资源) is its wartime history ([Shanghai Observer](#), January 25).

Obscured in this telling is that Shanghai spent most of the war under Japanese occupation. Nevertheless, it is

portrayed both as a Communist stronghold and as at the frontlines when national sovereignty was challenged by a foreign invader.

These events are part of an attempt to weave the war into the fabric of people's daily lives. Part of that mission means altering the physical environment to integrate memorial sites into China's broader tourism infrastructure. For example, the Songhu Memorial is suggested as a stop during a fun day out in the district, as it is located by a river, next to a park, and surrounded by the old city. Tourists can enjoy all this as part of the recently renovated Baoshan Citywalk ([Shanghai Observer](#), January 27).

The PRC has poured resources into "red tourism" (红色旅游) in recent years as part of pervasive attempts to engineer public consciousness. The Songhu Memorial is a beneficiary of this and has partnered with state-owned telecoms giant China Mobile (中国移动) to provide its space for "red culture" education and party-building work for local companies ([Baoshan District Media Center](#), September 4, 2024). Red tourism's rise has been achieved in part by tying it to wider economic incentives. As the 2023 Red Tourism Development Report explains, red tourism "is not only an important channel for transmitting national memory and enhancing social identity, but also increasingly an important force driving local economic development" (不仅是传承国家记忆、增强社会认同的重要渠道, 也日益成为带动地方经济发展的重要力量). Authorities also encourage its integration with both rural revitalization and urban development ([Economic Daily](#), October 28, 2024).

Conclusion

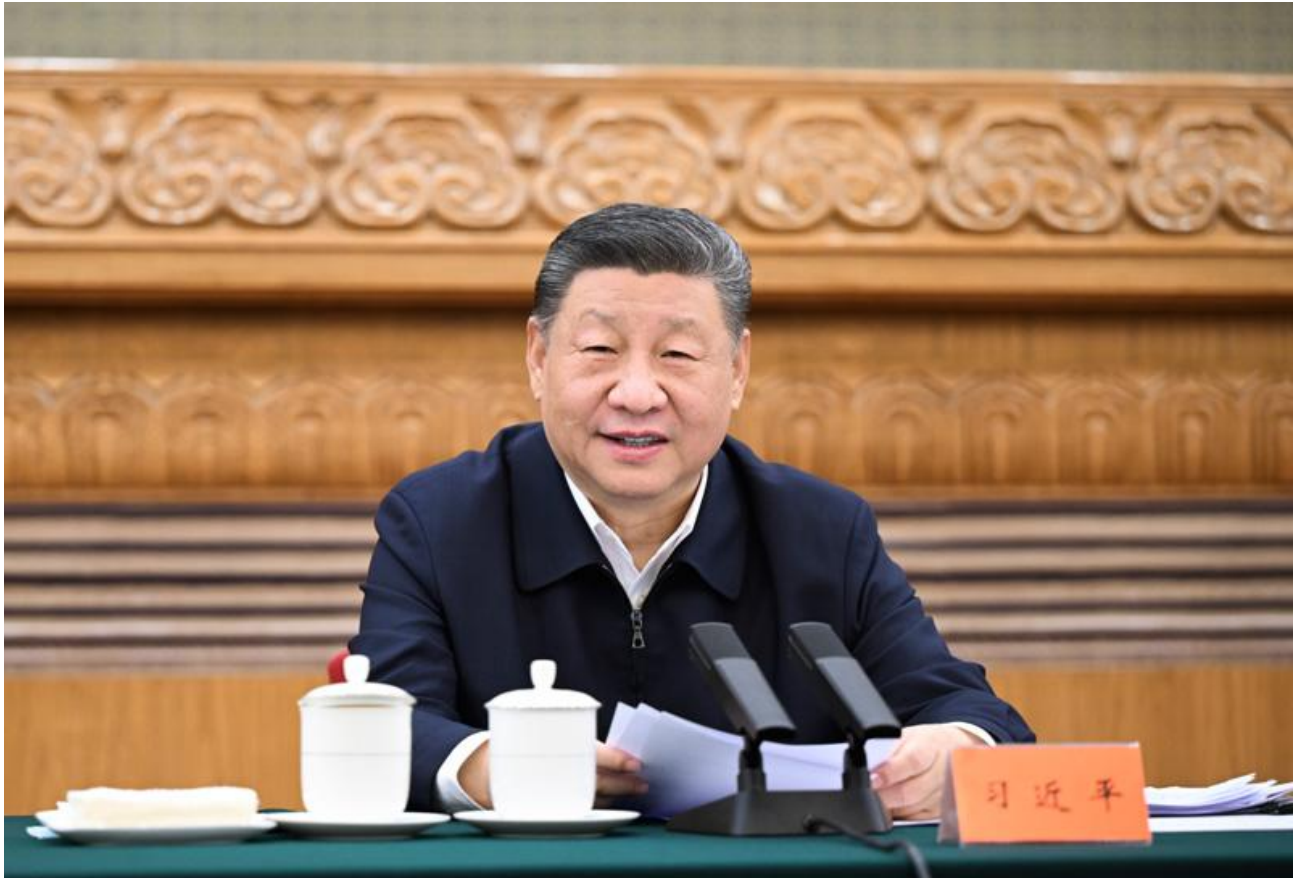
At a December meeting on PRC-Japan relations marking the 80th anniversary of the end of the war, Foreign Minister Wang Yi (王毅) remarked: "History, if not forgotten, can serve as a guide for the future" ([FMPRC](#), December 25). From his perspective, that future should ostensibly feature a public that absorbs official dispositions on national security, patriotic education, and the Party's self-aggrandizing narrative of the Second Sino-Japanese War. How history is understood and, ideally, felt by the public, and above all by the youth, is directly linked to its success in achieving national strategic objectives.

Baoshan's Songhu Memorial is currently undergoing a partial upgrading to "conform with the opening of commemoration activities" (为配合纪念活动的开展) and is set to open later this year ([Baoshan People's Government](#), December 2, 2024). It is apparently yet to open, but when it does, the exhibits likely will continue to reinforce the Party's pervasive narratives about its own centrality in the history of the war, as well as the centrality of militaristic values in the Party's conception of the PRC today.

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Xi Seeks to Woo Foreign and Domestic Business

By Willy Wo-Lap Lam



Xi Jinping giving a speech at the forum for private enterprises in February. (Source: Xinhua)

Executive Summary:

- President Xi Jinping unveiled the “2025 Action Plan to Stabilize Foreign Investment” and met with leading entrepreneurs for the first time in seven years, in an effort to reinvigorate the private sector and court foreign investment.
- The plan seeks foreign investment in sectors Beijing sees as strategic, such as biotechnology, telecommunications, education, and healthcare.
- Xi’s photo opportunity with industry leaders seems intended to show that the country’s industrial policies are bearing fruit for favored firms who, while nominally private, have deep ties to the party-state.

The leadership of the People's Republic of China (PRC) has taken advantage of U.S. President Donald Trump's relatively measured approach to the Chinese Communist Party (CCP) regime by announcing moves to resuscitate pro-market policies. Trump has raised the possibility of a spring tête-à-tête with his counterpart, CCP General Secretary and commander-in-chief Xi Jinping. Washington also is yet to object to the PRC playing some role in ongoing Ukraine peace talks and to boost its influence in the European Union in general ([Reuters](#), February 20; [Associated Press](#), February 25). Additionally, the new President has slapped only a 10 percent tariff on PRC imports—lower than the 25 percent imposed on goods from Canada and Mexico and well below the “60 percent or higher” omnibus rate for PRC exports to the United States that Trump had threatened while running for office ([The White House](#), February 1; [CNN](#), February 4, 2024; [USA Customs Clearance](#), February 10).

Plan to Attract Investment

In February, the PRC State Council unveiled a “2025 Action Plan to Stabilize Foreign Investment” (2025 年稳外资行动方案) ([Xinhua](#), February 10; [People's Daily](#), February 21). The plan aims to attract foreign capital and to persuade existing PRC-based firms to remain in the country. Its unveiling followed warning signs from the first two months of the year. The PRC Ministry of Commerce indicated in mid-February that only RMB 98 billion (\$13 billion) in foreign direct investment (FDI) was used in January 2025, a 13 percent drop from the same period in 2024. The anemic start to the new year came after a plunge in FDI of over 27 percent in all of 2024 to RMB 830 billion (\$110 billion)—the lowest figure since 2016 ([Global Times](#), February 19; [CNN](#), February 20).

The new Action Plan is geared toward encouraging investment in sectors including biotechnology, telecommunications, education, and healthcare. While close to 60,000 foreign-invested enterprises were established in the country last year, big-name multinationals and Western firms with cutting-edge technology are eschewing the PRC or downsizing their operations. This is in part due to efforts by the Western alliance—which includes the United States, Canada, Japan, South Korea, and Australia—to decouple the PRC's high-tech industries from global supply chains.

Key areas in the 20-point plan include pledges to allow foreign-invested enterprises to gain access to credit from domestic banks, to set up “investment companies” (投资性公司), and to form more joint ventures with domestic firms in strategic sectors. The incentives also comprise expanding showcase schemes to provide preferential policies to foreign-invested enterprises in certain sectors. Vaguely defined, “pilot free trade zones” (试验区) will open to accommodate the specific needs of multinationals. Particular attention is paid to the “orderly opening up of the biomedical sector” (推动生物医药领域有序开放). Certain agricultural sectors, such as animal husbandry, will also accept foreign capital for the first time since Deng announced his policy of reform and opening almost five decades ago.

Caveats are warranted, however, and could handicap this novel phase of opening up to outside investment. First, some of the pledges regarding market access for foreign-invested enterprises' market access are less generous even than those made upon the country's accession to the World Trade Organization in 2001. Those earlier pledges included allowing foreign companies to partake in financial sectors such as banking, insurance, and asset management. Foreign-invested enterprises were exempt from the adverse impact of

interest rate fluctuations in Chinese banks and were able to secure better interest rates from PRC financial institutions, as well as largely having immunity from foreign-exchange controls imposed by PRC banking authorities ([Brookings Institution](#), May 9, 2001; [China Brief](#), July 24, 2001; [IMF](#), September 2002).

Similar—and in some cases more generous—policies for foreign-invested enterprises were already applied within the 21 free trade zones set up in as many cities and administrative regions between 2013 and 2023. However, pledges that foreign investors in these zones would have access to liberalized foreign-exchange policies as well as more flexible interest-rate arrangements remain unfulfilled. Nor have promises that products from overseas firms based in these zones can have broader domestic distribution rights come to pass.

A group of experts under Shandong Province's commerce department has pinpointed four potential stumbling blocks to the plan's success. First, the free trade zones will not be immune to geopolitical risks. Second, policymakers cannot just rely on “top-level design” (顶层设计). While certain units and personalities at the top of the party have adopted a highly positive approach to the zones, ministerial and mid-level administrators often fail to implement policies in ways that enhance the innovative potential of the free trade zones. Third, the number of zones is too small to have sufficient positive spillover effects to the broader economy. This is especially the case in the more underdeveloped west, where there are only five across 12 provinces. Finally, the zones have failed to attract large sums of investment, something that is partially reflected by the fact that 19 of the 21 zones have not expanded since they were introduced ([FDI China](#), February 28, 2023; [Xinhua](#), August 2, 2023; [Shandong Pilot Free Trade Zone](#), September 20, 2023; [C.i. Process](#), January 3).

Xi Chairs Symposium With Business Leaders

Xi has also sought to reassure the business community by convening a “symposium” (座谈会) with leaders from the “private” (*minying*; 民营) sector ([Xinhua](#), February 17). The symposium was the first time in seven years that Xi has so explicitly courted such enterprises, though he did not specify what dispensations will be given in such key areas as securing affordable credit and government assistance in finding buyers in foreign countries. Xi did not signal any major policy shifts for the non-state sector, indicating that the country's development path will continue to rely on industrial policy funneling resources to strategic sectors and star enterprises, as well as strict guidance for key state-owned firms. Xi claimed that “in the new era and on the new journey, our country's social productivity will unceasingly increase” (新时代新征程，我国社会生产力将不断跃升) ([Xinhua](#), February 18).

While nominally private, most of the firms represented at the symposium continue to rely on close ties with the party-state apparatus, especially by benefitting from industrial policies and acquiescing to other requirements. Frequently, they will solicit investments from members of the CCP's big clans or receive preferential treatment when borrowing from state banks ([Hoover Institution](#), September 7, 2023; [CNA](#), September 6, 2024). For example, Huawei, which was singled out for praise by Xi, has deep ties to the party and the military (though its claims to be an “independent company” whose shares are owned by its employees). Also on hand was Jack Ma of Alibaba, as well as the owners and CEOs of other tech giants such as Tencent, Xiaomi, and Wang Chuanfu (王传福), the founder and CEO of BYD, best known for its

electric vehicles that outperformed Tesla on the world market in 2024 ([Sina Finance](#), January 7; [163](#), January 7; [Xi@hungjng69679118](#), February 17; [Huawei](#), n.d.).

Xi's photo op with these industry leaders seems intended to show that the country's industrial policies are bearing fruit for favored firms. However, it comes as Xi's team is working to ensure that these quasi-*minying* firms are under ever-tighter control by the Party. In recent years, authorities have enlarged the size and power of the party cells within these enterprises under the pretext of enhancing "party building" (党的建设). Most CEOs of these firms also double as secretaries of the policy-setting party cell of their units, other members of such cells are appointed by the CCP's Organization Department. These individuals can exercise powers similar to those of board directors in Western firms ([CSIS](#), January 31, 2023; [All-China Federation of Industry and Commerce](#), March 27, 2024; [People's Daily](#), February 21). Moreover, struggles in the broader economy are unlikely to persuade investors that the recent symposium signals any real change. Hundreds of apparently successful *minying* firms have been subject to harassment by police and tax collectors. At a time when local-level administrations are saddled with debt totaling more than RMB 60 trillion (\$8.2 trillion), public security and taxation departments are determined to force these firms to cough up profits and even, according to some reports, unpaid taxes going back decades ([Voice of America](#), November 5, 2024; [New York Times Chinese Edition](#), November 26, 2024).

Conclusion

The conservative Xi leadership is wary of being held hostage by multinationals, and so is unwilling to lower restrictions on their access to the PRC's domestic market. The ongoing technological slugfest between the PRC and a coalition of advanced economies, including the United States, Germany, the Netherlands, Japan, South Korea, and Taiwan, has contributed to rising nationalism in Chinese society. Some foreign countries have updated travel advisories warning their citizens of the dangers of doing business or traveling as tourists in the PRC ([University of Michigan](#), October 17, 2024; [U.S. Department of State](#), November 27, 2024). President Trump may have expressed eagerness to maintain channels of communication with President Xi, but Beijing's pledge of a new deal to the nation's non-state sectors and promises of further opening to multinationals and foreign investors are unlikely to boost the nation's spiraling economy.

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