

CONSOLIDATED MONTHLY REPORT: JUNE 2022

International Relations

1. **Philippines.** China's aggressive maritime behaviour continued with the Philippines lodging protests of "illegal fishing" and blocking of boats on a resupply mission near the Second Thomas shoal. Philippines also protested the presence of more than 100 Chinese militia vessels around Julian Felipe (Whitsun) Reef as also China Coast Guard's (CCG's) "harassment" of a joint Filipino – Taiwanese research ship in the South China Sea (SCS) in April. Notwithstanding these frictions, the Philippines and China signed an agreement to finance a bridge connecting Davao City and Samal Island in the southern Philippines.
2. **Cambodia.** Construction for the rehabilitation and expansion of the Ream Naval base, funded by China, commenced. Cambodia has refuted claims of the base being a Chinese military facility.
3. **Taiwan.** Chinese military pressure on Taiwan continues with the PLAN and the PLAAF undertaking joint exercises East and West of the island. Concurrently, economic pressure, in the form of suspension of grouper fish imports from Taiwan, citing violation of international norms, is also gradually increasing. China's claims of sovereignty over the Taiwan Strait has added one more element to the existing tensions, with the US stating that it is an international "waterway" and that its ships will continue transit through the Strait.
4. **Japan.** Incursion of Chinese vessels into the waters around the Senkaku Islands continue with the longest recorded one in a decade, of about 64 hours, by two CCG ships. The Japanese also remain wary about the increasing frequency of PLAN vessels transiting through the various straits between Japanese islands on their way to the Western Pacific and the deployment of long range PLAAF aircraft to this region.
5. **Russia.** President Xi Jinping (XJP) assured President Putin of "*supporting each other on their respective core interests concerning sovereignty and security*" in a phone call. In a similar vein, China has also warned against constantly providing weapons to Ukraine or imposing sanctions on Russia at the UN.
6. **Central Asia.** China's engagement with Central Asia witnessed the third China + Central Asia (C+C5) Foreign Ministers' Meeting in Nur-Sultan. This engagement received a fillip with the unanimous agreement to establish the heads of state meeting mechanism of C+C5. The meeting also generated a consensus on increasing connectivity through OBOR, coordinating positions on the situation in Afghanistan and implementation of the Chinese proposals of GDI and GSI, amongst others.¹
7. **Africa.** China's footprint in Africa saw addition of another dimension as it convened the first conference on 'China-Horn of Africa on Security, Governance and Development'. China indicated its willingness to mediate in the "*peaceful settlement of disputes, based on the will of the countries in this region*".

¹ OBOR – One Belt One Road, GDI – Global Development Initiative, GSI – Global Security Initiative.

8. **EU.** EU's ambivalent approach to China was evident in the German company, Merck KGaA, signing a contract to open a semiconductor base in the Chinese city of Zhangjiagang, even as the Italian PM vetoed a transfer of technology and software to a Chinese industrial robot maker. EU parliamentarians called for additional sanctions against Chinese officials linked with Xinjiang policies and to ban goods made from forced labour. The dependence of EU supply chains on China was also evident in the Dutch PM's statement that he opposed reconsidering trade relations with China over its policies towards its Uyghur minority and Hong Kong. China's engagement with the Central & East European Countries under the '16+1' is facing pressure with the Czech parliament foreign affairs committee passing a resolution calling for the country to quit the mechanism.

9. **USA.** US engagement of China included high level meetings between the Secretary of Defence and the Chinese Defence Minister at the Shangri-La Dialogue while the US NSA met Yang Jiechi in Luxembourg. The US's competition approach towards China has not gone down well with the Chinese who think that competition can still be avoided. The US's Uyghur Forced Labour Prevention Act came into effect banning American imports of most products from Xinjiang.

10. **Pacific Islands.** China's interest in the region is clearly visible as it attempts to hold a Foreign Ministers' meeting even as the Pacific Island Forum Summit is in progress. In a joint statement, President Biden and PM Ardern expressed concern over the security agreement between China and Solomon Islands.

11. **Multilateral Frameworks.** Shanghai Cooperation Organisation (SCO) has set up the first joint China – SCO development zone in Qingdao. The West's concern about China is evident in the G7 Leaders' Communiqué which stressed that there was no legal basis for China's expansive claims in the SCS and China should comply with the arbitral award of 2016. It also called on China to convince Russia to stop its military aggression in Ukraine while underscoring peace and stability in the Taiwan Strait.

Neighbourhood

12. **Afghanistan (Af).** A Chinese company has demanded revision of contract in the Aynak Logar copper mining project at Mes Ayank, Logar Province. China offered a USD 7.5 mn humanitarian assistance for the victims of the earthquake in Af.

13. **Pakistan (Pak).** A security review was undertaken for the Chinese nationals post the Karachi terror attack. Pak PM ordered release of USD 1.6 bn to Chinese power companies even as China agreed to refinance USD 2.3 bn worth of funds to Pak. The 7th CPEC media forum was jointly hosted in Islamabad. Pak was not invited for the High Level Dialogue on Global Development which was held at Beijing.

14. **Nepal.** China commended Nepal's decision to reject the US offer of participating in the State Partnership Program (SPP). Nepal's Himalayan Airlines and China's Air China resumed regular flight services post lifting of COVID-19 restrictions.

15. **Bangladesh (BD).** BD Investment Development Authority and BD China Chamber of Commerce and Industry signed an MoU to increase Chinese investment in BD. A proposal to extend the tenure of China funded Dhaka-Ashulia Elevated Expressway project until 2026 was approved even as BD clarified that the newly inaugurated Padma Bridge is entirely funded by the govt of BD and is not a part of China's OBOR.

16. **Sri Lanka (SL).** President Gotabaya Rajapaksa (GR) commented that China was shifting focus to Southeast Asia. SL granted tax holidays up to 40 years for investments in the China funded Colombo Port City project. China has pledged to donate medicines and surgical equipment worth USD 28 mn and an emergency humanitarian assistance of about USD 74 mn to SL.

Economy

17. **Internal**

- **Efforts to Revive Economy.** Shanghai authorities announced 50 measures to support the economy with focus on business resumption and employment stabilisation to fully recover from COVID-19. China's State Council also released a set of 33 measures to stabilise the economy, covering a wide range of mechanisms aimed at supporting businesses impacted by the COVID-19 pandemic. The State Administration of Foreign Exchange announced the expansion of a cross-border financing program for smaller high-tech firms in push for economic stabilisation.
- Chinese regulators released an action plan on boosting industrial energy efficiency, detailing major targets and tasks to optimise the energy structure so as to spur green transformation.
- XJP chaired the High-level Dialogue on Global Development on the theme "*Foster a Global Development Partnership for the New Era to Jointly Implement the 2030 Agenda for Sustainable Development*", where he put forward the plan to upgrade the South-South Cooperation Assistance Fund to a Global Development and South-South Cooperation Fund.

18. **External**

- **China-Germany.** Germany denied China investment guarantees over human rights issue in Xinjiang. This was the first time an investment guarantee has been refused on human rights ground.
- **Ukraine Crisis.** China's crude oil imports from Russia soared 55% (y-o-y) to a record level in May'22, displacing Saudi Arabia as the top supplier, as refiners cashed in on discounted supplies amid sanctions on Russia over its invasion of Ukraine.
- **China-Cambodia.** Cambodia and China's Jiangsu Province launched the "**Silk Road E-commerce**", with e-commerce as a new driving force for trade development and economic growth.
- **India-China.** US surpassed China to become India's top trading partner in FY 22 with total trade of USD 119 bn as compared to India – China trade of USD 115 bn. The Indian government has kept on hold, for at least a year, its decision to grant for-

eign manufacturers permission to feature in the approved list of solar photovoltaic models and manufacturers.

Internal

19. **Party.** Several provincial Party Congress meetings were held this month, to confirm their delegations to the 20th Party Congress to be held later in 2022. Close allies of XJP were elected provincial party chiefs and XJP was praised in official communiqués and called the "leader" (*Lingxiu*). The government has redoubled its emphasis on the Common Prosperity agenda with new regulations being introduced in technology and banking sectors.

20. **Security.** A leadership reshuffle is under way in the Central and local governments, with known XJP loyalists being appointed to key positions in Public Security, Propaganda, State Council etc. There was a sustained anti-corruption drive within the Party and govt as well as actions against human rights lawyers and foreign interference / espionage.

21. **Hong Kong (HK).** XJP visited HK from for the 25th anniversary of HK's handover to China amid major security and censorship actions. HK's Chief Executive vowed to continue the city's focus on national security and allegiance to the mainland. New textbooks have been sent to HK secondary schools, which teach that the city was not a British colony, but an occupied territory.

Military

22. New Equipment/ Induction.

- **Anti-Ballistic Missile Test (ABM).** China reportedly carried out a land-based mid - course ABM interception test within its own territory and was successful in accomplishing the stated test aims.
- **Third Aircraft Carrier.** PLAN launched its third aircraft carrier, Fujian, which is equipped with Electromagnetic Aircraft Launch System and has a displacement of 80,000 tonnes.
- **J-20 / J-11 Deployment.** PLAAF has positioned J-11 & J-20 aircraft at its Hotan air base.

23. Training & Misc.

- **Amphibious Training.** Three PLAN landing ships conducted beach landing of Landing Craft Air Cushion vessels and amphibious Infantry Fighting Vehicles in SCS. PLA also conducted amphibious landing training for officer cadets which included robots, drones, unmanned vehicles, amphibious armoured vehicles for carrying out assault on beach.
- **Maritime Exercise.** PLAN ships conducted a five day maritime training exercise off HK coast. The exercises included Anti Submarine Warfare (ASW), air defence, anti-terrorism and anti-piracy drills/ training.

- **ADIZ Incursion.** During the month 16 incidents were reported wherein 86 Chinese aircraft intruded into Taiwan's ADIZ. On two days, more than 20 aircraft, comprising fighters, bombers, electronic warfare, ASW and refueller aircraft, entered Taiwan's ADIZ.

Technology

24. China disclosed an AI-based anti-satellite technology which uses deception to hunt satellites. The Data Security Cooperation Initiative was passed by China and the five Central Asian countries (C+C5) at their third conference of foreign ministers. China has begun construction of its first nuclear-powered industrial steam supply project, which will use nuclear heat to convert desalinated seawater into clean, stable, and efficient industrial steam, thereby reducing energy consumption and carbon emissions.

Space

25. During the month, China conducted five launches and launched fourteen satellites. The three-stage engine of China's new manned-carrier rocket has successfully completed the country's first long-distance and multiple ignition tests. China plans to launch a space-based solar power plant in 2028, which will convert solar energy into microwaves / lasers and then transmit the energy beams to Earth / satellites.

Social Media

26. Social media witnessed major outcry about the plight of women in China after a group of men attacked and beat four female diners at a local restaurant. A Huanqiu report carrying interviews with unnamed Chinese businessmen in India, who claimed that targeting of Chinese companies in India had increased and that the business environment in India was 'awful', was widely shared. The "Second Anniversary of Galwan Valley Conflict" was a trending topic on social media and propaganda videos released by WTC and military channels on 'martyrs' Chen Hongjun, Chen Xiangrong and Qi Fabao were widely shared. Protests in India against the Agneepath scheme received wide coverage on social media with netizens commenting that the social fabric of India was being affected and that the Central govt was not able to roll out any meaningful reform.

Overall Assessment

27. Notwithstanding the lack of a concrete outcome in the *China-Horn of Africa on Security, Governance and Development*, the agreement to continue with this mechanism indicates an acceptance of China as an emerging player in the security sphere in this region. While some states are reluctant to accommodate China, countries like New Zealand, Australia, and the US are worried about the growing Chinese influence in the Pacific.

28. China is continuing with efforts to revive its economy which had suffered setbacks during COVID-19 pandemic and the Zero-COVID policy. It appears that, like Mao Zedong,

XJP could be aiming for the status of "Party Chairman" for longer period than others. The anti-corruption drive and the arrests in China seem to be with the aim of ensuring political security for the Party and eliminating potential threats to the state ahead of XJP's likely third term in power. With Common Prosperity being linked to XJP's core ideology, there is likely to be consistent focus on it.