



International Relations

1. **SE Asia.** China's attempts to consolidate its influence in SE Asia continue apace through the Lancang-Mekong Cooperation and the river patrols undertaken under the aegis of this mechanism. Indonesia and Philippines appear to be balancing between China and USA with the former participating with USA in Ex 'Garuda Shield' and the latter planning to conduct joint maritime patrols with the US in the region. Philippines appears to be changing its posture towards China as it asserted the arbitral award in the South China Sea during the 55th ASEAN Foreign Ministers' Meeting.
2. **Taiwan.** Pelosi's visit to Taiwan raised tensions with China undertaking large scale military exercises around Taiwan, including firing of missiles. China also imposed a number of economic coercion measures against Taiwan with inconsequential effects and suspended some institutional dialogues with the USA. The USA has also ramped up its engagement with Taiwan as this month alone has seen four visits by US politicians.
3. **Japan.** The firing of missiles by the PLA during the recent tensions with Taiwan, raised alarm in Japan since some of them landed in the Japanese EEZ. The issue was raised by Japan in the 9th High-Level Political Dialogue between the two countries, even as incursions by Chinese Coast Guard vessels continued in the waters around the Senkakus islands.
4. **Central Asia.** The Chinese proposal for a China-Kyrgyzstan-Uzbekistan railway appears to be gathering steam and even rolling into Afghanistan with Uzbekistan proposing a new "China-Kyrgyzstan-Uzbekistan-Afghanistan" transport corridor. The perceived political stability in Afghanistan and Chinese initiatives on this score with neighbouring countries appear to have provided the stimulus to this proposal.
5. **Africa.** The Chinese announcement of writing off 23 interest-free loans to 17 African countries, at a meeting of the Forum for Africa China Cooperation (FOCAC), appears aimed at allaying fears of a debt trap even as Zambia announced cancellation of USD 1.6 bn not-disbursed Chinese loans and suspension of related projects to stabilise its economy and to comply with IMF bailout conditions.
6. **EU.** The Pelosi visit has increased political acrimony with China condemning visits by European MPs to Taiwan even as the EU called Chinese actions as '*highly worrying developments that lead to destabilisation and risk escalation*'. China's engagement with Central and Eastern Europe (CEE), the so-called "16+1" saw a depletion of its ranks with Estonia and Latvia withdrawing from this grouping. Fears of surreptitious acquisition of high technology by China seem to have driven the UK government to block Hong Kong-based firm Super Orange from purchasing British electronic-design company Pulsic. Even though

EU concerns of Chinese actions in the Indo-Pacific which have been voiced in various national strategic documents continue to increasingly manifest in military presence, China remains attractive for Europe with investment from the EU into China rising 15% in the first half of 2022 compared to a year ago.

7. **USA**. American response to Chinese military actions, in the wake of the Pelosi's visit, has been rather muted though US military deployment in the region remains strong, in the form of an aircraft carrier group and two Amphibious Ready Groups. Two American naval ships also transited the Taiwan Strait which elicited a fairly routine and muted warning from the PLA's Eastern Theatre Command. US support for bolstering Taiwan's military continued with the administration seeking approval of the US Congress for further military sales. The US also continues measures to prevent Chinese access to technology as it added seven Chinese firms, including four research institutes under a Chinese space agency, two under a state-owned military technology firm and a satellite firm to its Entity List.

8. **Pacific Islands**. Reports of a Chinese company acquiring land in the Solomon Islands, which includes a natural deep-water harbour, and Huawei signing a deal to build 161 telecoms towers across the Solomon Islands indicates China's growing hold in this nation.

Neighbourhood

9. **Afghanistan**. China plans to establish an electricity production plant prior to Hajigak iron mine extraction in central Bamyan province even as it expressed willingness to start extraction work at Mes Aynak Mine. China has allowed 98% of the items exported by Afghanistan to be tax free.

10. **Pakistan (Pak)**. Pak reasserted its commitment on One China Policy (OCP) post Pelosi's visit to Taiwan. Pak PM Shehbaz and Chinese President Xi Jinping (XJP) are likely to meet on the sidelines of the SCO summit to be held in September. Pak Government announced that the CPEC authority would be abolished. CPEC's Board of Investors has submitted to the local chambers a list of 30 Chinese projects ready for investment in Pak. A delegation led by Gao Fei, DDG, China's Ministry of Public Security, visited Pak's National Counter Terrorism Authority's Headquarters to discuss cooperation on safeguarding Chinese nationals in CPEC projects. China provided humanitarian assistance for Pak flood victims.

11. **Nepal**. China appreciated Nepal's commitment to the OCP with respect to Pelosi's visit to Taiwan. Nepal's FM Narayan Khadka paid a two-day visit to China and held talks with his Chinese counterpart on various bilateral issues. China announced USD 116.8 mn grant to Nepal to invest in projects selected by Nepal for 2022. A Confucius institute was inaugurated at Tribhuvan University.

12. **Bangladesh (BD)**. Chinese FM Wang Yi signed multiple agreements during his two-day visit to Dhaka. The 8th China - BD friendship bridge in Pirojpur was opened to the public even as a report mentioned that BD is dissatisfied with quality of military equipment from China.

13. **Sri Lanka (SL)**. Chinese research vessel, Yuan Wang 5 was allowed to dock at Port of Hambantota despite India and the US expressing concerns on the docking. The Chinese Ambassador to SL wrote an article in the SL Guardian newspaper, indirectly criticising India using phrases like '*aggression faced by SL from its Northern neighbours*'. India's High Commission in Sri Lanka responded strongly to the Chinese Ambassador's remarks. Qingdao Seawin Biotech Group Co Ltd, the Chinese Fertiliser company, has taken back the bond worth USD 5 mn deposited by them in SL, as directed by a Chinese court.

14. **Maldives**. Maldives reiterated support for OCP. Maldives Media Council held discussions with Chinese Embassy at Male to facilitate journalism training for local reporters.

Economy

15. **Internal**

- Goldman Sachs and Nomura downgraded their forecasts for China's growth from 3.3% in 2022 to 2.8% and 3% respectively, citing weaker demand, uncertainties resulting from zero-COVID policy and an energy crunch.
- Foreign investment in China was up by 21.5% (y-o-y) to USD 123.9 bn in the first seven months of this year, with highest investments from S Korea (44.5%), US (36.3%) and Japan (27%) registering the fastest growths.
- Business magazine Hurun released its latest China cheetahs 2022 half-year report on 23 Aug 22, with 241 companies (set up after 2000 with current valuation between USD 300 mn and USD 500 mn) claiming spots by 30 June 22, increasing 19 from six months ago. These cheetahs come from 30 Chinese cities, mainly in Shanghai (54 cheetahs), Beijing (49 cheetahs), Shenzhen (30 cheetahs), as well as Hangzhou (30 cheetahs), that are engaged in biotech, healthtech, enterprise services and e-commerce industries.

16. **External**

- **China-Russia**. According to Society for Worldwide Interbank Financial Telecommunication, Russia was the third largest market for yuan payments in July 22 as bilateral trade remains normal despite US led western sanctions. Russian firms and banks were involved in almost 4% of international yuan payments by value in July 22. That was an increase from 1.4% the previous month and from zero in Feb 22 when the Russia-Ukraine conflict began.
- **China-US**. As per US official data, China's holdings of US Treasury debt reached USD 967.8 bn, a 12-year low, in June 22. The trend towards declining holdings since

May 22, indicate China's efforts towards diversification of its forex reserves toward assets denominated in other currencies. Amid escalating China-US tensions and ongoing US sanctions against Chinese corporations, five state-owned giants in China independently announced plans to delist their American depository shares from the New York Stock Exchange.

Internal

17. **20th Party Congress**. The Politburo of the Central Committee of CPC announced that the Seventh Plenary session of the 19th Central Committee would be held on 09 Oct 22 while the 20th Party Congress would be convened on 16 Oct 22 in Beijing.
18. **XJP in Liaoning**. XJP was on an inspection tour of Liaoning province, wherein he stressed on the promotion of Common Prosperity and overall revitalisation of the North-Eastern region.
19. **White Paper on Taiwan**. In the backdrop of Pelosi's visit to Taiwan, the Taiwan Affairs Office of the State Council and the State Council Information Office of the PRC published a white paper on Taiwan titled "*The Taiwan Question and China's Reunification in the New Era*".
20. **Central Commission for Discipline Inspection (CCDI)**. CCDI has launched investigations against top executives linked to the National Integrated Circuit Industry Investment Fund, China's largest chip investment fund for "*suspected serious violations of discipline and laws*".
21. **COVID - 19 in Tibet**. CPC authorities in Tibet announced lockdowns in parts of Lhasa and shut down the Potala Palace. More than 10 government officials in the city of Xigaze, Tibet have been fired over negligence for "*inadequate implementation of the novel coronavirus epidemic prevention and control work*."
22. **US Department report on Xinjiang**. US State Department released a report claiming that China is actively trying to rewrite the global narrative on Xinjiang through a variety of digital tools to try to discredit accusations of genocide and crimes against the Muslim Uyghurs who live in Xinjiang.

Military

23. **New Equipment/ Induction**
 - **Gyro-copters with Anti-tank Missiles**. PLA showcased its fleet of recently inducted gyro-copters equipped with anti-tank missile launchers and a small sensor turret.

- **Type 055 Destroyer Commissioned.** PLAN has commissioned Yan'an, a Type 055 Destroyer. This is the sixth ship that has been commissioned and is presently carrying out fleet integration exercises.
- **CH-4 with Upgraded Engine.** Newly inducted CH-4 drone fitted with upgraded domestic engine will reportedly have increased endurance, load carrying capacity and higher ceiling.

24. **Training & Misc**

- **PLA Recruitment.** The second half of yearly PLA recruitment cycle is underway across all provinces in China. The recruitment age limit for postgraduate students has reportedly been relaxed from 24 to 26 years.
- **Logistics Exercise with Drones.** 78th Group Army used drones in the logistics exercise wherein three drones transported rations for reconnaissance team personnel in the forward zone.
- **YU-20.** China's indigenous aerial tanker, YU-20, undertook aerial refueling exercises over sea with two J-16 fighter aircraft.
- **PLA Exercise.** PLA conducted a joint exercise simulating capture of Taiwan wherein PLA Ground Forces, PLAN, PLAAF, PLASSF and other support forces participated in six exercise zones around Taiwan. During the exercises PLARF launched missiles in NE & SW waters off Taiwan. Su-30, J-16, J-11, JH-7A fighters, H-6K bomber, Y-8 Anti-submarine aircraft and Y-20 tankers intruded past the median line and Taiwan's ADIZ to simulate attack against targets East of Taiwan. PLAN ships, including CBG, carried out blockade and practiced combat training, land attack and joint anti-submarine missions.
- **ADIZ Incursion.** 31 Aerial incursions by Chinese aircraft were reported during the month, wherein 868 aircraft intruded into Taiwan's ADIZ.

25. **Ex Vostok-2022.** China has despatched its troops and equipment from army, airforce and navy to participate in the Vostok-2022, a joint command and staff exercise being held in Russia. 50,000 troops from China, India, Belarus, Mongolia, Tajikistan and other countries are participating in the exercise.

Technology

26. Baidu launched Qianshi, a self-developed quantum computer, and a system to access it with any device. Biren Technology released a new 7-nanometre graphics processing unit chip that is capable of performing 1 quadrillion floating-point operations per second. Xiaomi debuted Cyberone, its humanoid robot prototype, marking Xiaomi's ambition to integrate AI in its product designs. In the midst of rising tensions between the US and China over technology, China hosted a three-day conference in Beijing focused at exploring the promising, but as-yet-untapped, metaverse sector.

Space

27. During the month, China conducted eight launches and launched 28 satellites. China's reusable suborbital spaceplane accomplished a vertical liftoff from Jiuquan Satellite Launch Centre. China's new commercial space carrier rocket, Smart Dragon-3 (SD-3), has finished ground tests.

Social Media

28. The nationalist sentiments in China reached a new high as Nancy Pelosi met Taiwanese President Tsai Ing-Wen. Chinese social media described Pelosi as an “*old lady*” and blamed Taipei for allegedly lobbying to invite Pelosi. The hashtag “The PLA Eastern Theater has started a series of joint military operations” was viewed 530 mn times. However, there was also a feeling that the response of China to Pelosi's visit was not adequate. PLA media tried to undermine India's first indigenously built aircraft carrier *INS Vikrant*'s capabilities through propaganda articles with one of the title of the articles as: “*Indian – made aircraft carriers may serve with ‘sickness’*”. A Chinese vlogger, Gu Zhixuan, made a video asking why India wants to feed the world when it is facing a food shortage. The vlog was viewed over 82,000 times on Weibo and 26,000 times on Youtube.

Overall Assessment

29. In SE Asia, concerns of countries like Indonesia and the Philippines are evident as they continue to balance between China and USA. The response to Pelosi's visit by USA and China seemed to be one of restraint. The loans written off by China, account for only 5% of the total loans provided by it to the African countries. China also seems to be using this move to entice African support for the Global Development Initiative (GDI) and the Global Security Initiative (GSI), both of which were mentioned in the joint statement of the FOCAC meeting.

30. XJP and Li Keqiang's visits to Liaoning and Shenzhen indicated the end of the Beidaihe meet of the Party elders. The downgrade of China's economy by Goldman Sachs and Nomura suggests lack of confidence in China's recent stimulus measures such as CNY 1 trillion (USD 140 bn) funds for infrastructure projects and central bank rate cuts to help in economic revival. Increase in foreign investments in China shows that the market there remains lucrative to foreign investments despite headwinds to economic growth.