



CENTRE FOR CONTEMPORARY CHINA STUDIES (CCCS)
CONSOLIDATED MONTHLY REPORT: SEPTEMBER 2022

International Relations

1. **South East Asia.** Efforts by fisheries scientists from China, Indonesia, Malaysia, Philippines and Vietnam to develop a Common Fisheries Resource Analysis (CFRA) in the South China Sea (SCS), indicates a movement towards cooperation, notwithstanding the territorial disputes. Nevertheless, irritants, in the form of harassment of fishermen by the Chinese Coast Guard (CCG) in the Natuna Sea, remain.
2. **Taiwan.** Continuing visits by US Congresspersons and Senators to Taiwan are a major friction point with China even as the US President stated that US forces would defend Taiwan if there was an “*unprecedented attack*”. A White House spokesperson later commented that “*US policy towards Taiwan had not changed*”. A joint transit through the Taiwan Strait by an American and Canadian warship has further added to the tensions even as China normalised PLA air and naval operations across the median line of the Strait with near-daily incursions.
3. **Japan.** Frictions in the East China Sea were visible when the Japanese Coast Guard rammed a Chinese boat which carried activists who had placed a Chinese flag on Uotsuri Island in the Senkakus. Chinese installation of a new oil production platform near the median line with Japan in the East China Sea, the first such since 2015, drew a strong protest from Tokyo.
4. **Central Asia.** The Shanghai Cooperation Organisation (SCO) Summit, held at Samarkand elicited the first post-pandemic foreign visit outside China, of President Xi Jinping (XJP). Before attending the Summit, XJP also paid State visits to Kazakhstan and Uzbekistan where he pushed forward the OBOR as also his proposals for the Global Security Initiative (GSI) and Global Development Initiative (GDI).
5. **West Asia.** China Institute of International Studies hosted the second Middle East Security Forum where China’s Foreign Minister Wang Yi put forward a proposal for a new “*common, comprehensive, cooperative and sustainable security architecture*” in the Middle East. XJP’s proposal for the GSI was also emphasised.
6. **Russia.** China’s engagement with Russia remains strong as ever with Yang Jiechi co-chairing the 17th Round of Strategic Security Consultation between China and Russia while Li Zhanshu, Chairman, China's National People's Congress (NPC) was on a goodwill visit to Russia. Military cooperation continued with a joint patrol undertaken by the two navies in the Western Pacific, as far as the Aleutian Islands, after the Vostok exercise.
7. **Africa.** China’s interest in the Horn of Africa (HoA) was evident when Xue Bing, its special envoy for the HoA, returned to the region after three months and visited Eritrea,

Djibouti and Sudan. The phenomenon of Africa's need for Chinese investment overriding political implications was once again evident when the new Kenyan President backtracked from his poll promises of calling for more scrutiny of Chinese investment and instead asked for further Chinese investment.

8. **EU.** EU's disenchantment with China continues as the EU Commission put forward a legislative proposal intended to reduce dependence on China for critical minerals and on Russia for oil and gas while also banning products involving forced labour from being sold in the EU market. Reports of Germany's economy ministry considering measures to do business with China less attractive to reduce its dependency further underline this sentiment. Fears of Chinese poaching of technology underscored the shutting down of two major research centres at the Imperial College (London), which were sponsored by Chinese aerospace and defence companies.

9. **USA.** A meeting between the Chinese Foreign Minister and the US Secretary of State on the side-lines of the 77th UN General Assembly produced the usual Chinese call for the US to stop "*distorting the one-China policy*". On the other hand, the US emphasised the "*need to maintain open lines of communication and responsibly manage the relationship*" even as it warned China of the "*implications if PRC were to provide support to Moscow's invasion of a sovereign state*". President Biden also signed an executive order to increase his government's powers to block Chinese investment in technology in the US and limit its access to private data on citizens.

10. **United Nations.** Wang Yi chaired a Ministerial Meeting of the Group of Friends of the GDI at the UN in New York. Foreign ministers of nearly 40 countries, permanent representatives of the group members to the UN, officials of various UN / other international organisations were present. A joint press statement, as also a list of "First-batch Projects of GDI Project Pool", was released.

Neighbourhood

11. **Afghanistan.** The first freight train on the trial run on the China-Afghan rail corridor arrived in Hairatan. At the G20 meeting, Wang Yi called for an end to all economic sanctions on Afghanistan.

12. **Pakistan (Pak).** XJP met Pak PM Sharif on the sidelines of the 22nd SCO Summit. A Chinese national was shot dead and two others were injured in a shooting incident in Karachi even as China rejected the reports of its abandoning the Neelum-Jhelum Hydropower Project due to security issues. Pak received a request from China to buy Pak Steel Mills Corporation while China pledged USD 43.5 mn for flood-affected people.

13. **Nepal.** Nepal President Bhandari attended an online GSI event organised by China. Li Zhanshu, Chairman, Standing Committee of China's NPC, visited Nepal with a 67 member delegation during which the two sides agreed to strengthen inter-parliamentary exchange and signed a six-point MoU on the OBOR. China opened the border crossing at

Tatopani even as Nepal decided to sell Chinese airplanes that have been grounded due to lack of spares from China.

14. **Myanmar**. Myanmar junta Chief, Min Aung Hlaing, discussed replacing US dollar with Chinese Yuan and Russian Rouble during his meeting with President Putin. China, Laos, Myanmar and Thailand launched 121st joint Mekong River patrol.

15. **Bangladesh (BD)**. The BD Bank recorded growth in the share of Yuan and reduction in the share of dollar in its reserve even as bilateral trade between the two countries exceeded USD 25 bn. BD is importing 36 F-7BGI fighter aircraft from China.

16. **Sri Lanka (SL)**. China supported SL during the interactive dialogue on the island nation in 51st UNHRC session. SL commenced re-negotiations with all its creditors, including China, to restructure its debt even as China donated state-of-the-art mobile laboratory buses worth over USD 1.8 mn to SL. A Chinese firm's offer to develop sea cucumber farming in Jaffna and Puttalam districts reportedly witnessed protests by locals.

Economy

17. **Internal**

- Economic indicators for Aug 22 showed mixed performance. While China's economy recovered with upbeat retail sales and industrial production, its growth momentum continued to weaken with slowdown in exports, fall in the property market (by 14% in Aug 22 as compared to 12% decline in July 22) and fresh COVID-19 outbreaks.
- Recent measures for economic revival include efforts to boost consumption by reducing savings rate by seven largest Chinese banks.
- According to the October update of the World Bank's report on the economic prospects for East Asia and the Pacific, the Bank has reduced its 2022 growth prognosis for China from its April forecast of 5% to 2.8%.

18. **External**

- **China-USA**. Defying trade decoupling, China-US trade grew by 10.1% in Jan-Aug'22, reaching USD 480 bn. Despite the decoupling push, Microsoft has announced plans to expand recruitment and upgrade its campuses in China.
- **China-EU**. According to a recent analysis, during 2018-2021, European investment in China has become more concentrated with a few large corporations (Volkswagen, BMW and Daimler), increasing their stakes and hardly any new players attempting to enter the market.
- **China-Australia**. In a rare instance of China-Australian cooperation in the midst of tense bilateral relations, China Baowu Steel Group Co, a state-owned iron and steel company in China, announced USD 2 bn plan for a JV with Rio Tinto to develop an iron ore project in Western Australia.

- **China-Laos-Kazakhstan.** People's Bank of China announced signing of cooperation memorandum with the National Bank of the Republic of Kazakhstan and the Bank of the Lao PDR to establish Chinese yuan clearing arrangements.

Internal

19. **20th Party Congress.** Preparations for China's 20th Party Congress, due this month (16 Oct 22) are in full swing with the list of 2,296 delegates elected to attend the same having been published. **XJP is set to win a third term as CPC General Secretary and Chairman of the Central Military Commission.**

20. **CPC Regulations.** The CPC has updated its 2015 regulations for promotion and dismissal of key party members wherein, vague stances on ideological issues and mediocre performance in major tasks have been identified as grounds for demotion or dismissal.

21. **Public Security Shakedown.** Seven former senior law enforcement officials have been convicted last month, including a vice-minister for public security (Sun Lijun) and a justice minister (Fu Zhenghua).

22. **Tibet & Xinjiang.** Both regions were placed under strict zero-COVID lockdowns and there were reports of deaths by suicide and due to starvation. A report about Chinese authorities collecting DNA samples of Tibetans en masse attracted significant attention and condemnation. Authorities publicly apologised for mishandling the lockdown measures in a sign that China seeks to separate zero-COVID policy from its ongoing security crackdown on ethnic minorities.

23. **Hong Kong (HK).** HK government announced ending its strict quarantine measures for foreign visitors and is likely to roll out new business-friendly policies to restore its economic status.

Military

24. New Equipment/ Induction

- **Underwater Communication.** Scientists of Harbin Engineering University conducted an underwater communication test in SCS at a depth of 200m achieving data transmission rate of 200 bits per second.
- **First Dedicated Drone Squadron.** PLAAF officially disclosed information about a UAV squadron based at northwestern deserts of China. In a released video it was revealed that GJ-2 drones, being used by the squadron, were reported to have conducted combat training missions over long ranges.
- **Solar- Powered Drone.** China's solar power drone Qimingxing-50 successfully completed its maiden flight. It is designed for very long endurance near space operations for missions like high altitude surveillance, aerial mapping, communication relay etc.

25. Training & Misc

- **Confrontation Training in Plateau.** An undisclosed brigade under the Western Theatre Command in the plateau region, carried out joint training with combat support units to practice air to ground firepower coordination.
- **Rescue and Relief Operations.** Combat and combat support units of 77th Group Army (Western Theatre Command) undertook earthquake relief operations in the Luding County of Sichuan where an earthquake of magnitude 6.8 struck on 05 Sep 22.
- **Beaching/ Landing Exercise.** The 79th Group Army (Northern Theatre Command) conducted an exercise to practice joint / integrated operations including troop embarkation / disembarkation on an undisclosed island. Sources indicate that PLA Ground Forces, PLAN and PLAAF participated in the exercise.
- **Assault Craft From Civilian Ferries.** The PLAN held an exercise to validate use of large civilian ferries to carry amphibious assault craft and transfer them to amphibious landing craft amid sea.
- **ADIZ Incursion.** 29 aerial incursions by Chinese aircraft were reported during the month, wherein a total of 579 aircraft intruded into Taiwan's ADIZ. Almost all the air incursions were accompanied by PLAN / CCG ships also crossing the median. PLA used CH-4 UAV for the first time following the WZ-7, the BZK-007, the BZK-005, the KVD-001 and the TB-001 for its air patrols near Taiwan

Technology

26. Huawei announced its new flagship smartphone that will allow users to communicate with each other using BeiDou, bypassing mobile networks. The Chinese government has approved the construction of a large pulsed-power plant with plans to generate nuclear fusion energy by 2028.

Space

27. During the month China conducted eight launches and launched fourteen satellites. China tested a new rocket engine for launching LM-9 rockets and also developed a reusable engine model which uses liquid oxygen kerosene. Chinese space scientists are teaming up with researchers from US, Russia, Brazil, Japan and Finland to develop shoebox-size satellites to study major threats to the earth like climate change, cosmic radiation etc.

Social Media

28. Public criticism of Zero-COVID measures emerging from several Chinese cities including from Tibet and Xinjiang dominated the Chinese social media. Chinese netizens' support for Russia's Ukraine operations seems to be waning. The World Health Organisation Chief's comment that the end of the pandemic was within reach and Chinese commentator Hu Xijin's comment that Chinese epidemic experts should conduct studies

about pros and cons of Zero-COVID policy sparked lively online debate after which many posts were removed.

Overall Assessment

29. China's ambitions to be a security provider in the West Asia region seems to be translating into action when Wang Yi proposed the new security architecture. GDI and GSI are being increasingly spoken about by the Chinese. Microsoft's plans in China follow a series of recent moves and plans of major US businesses, including chipmaker Nvidia, to expand their presence in the Chinese market.

30. Achieving high underwater data transmission speed would allow PLA submarines and drones to communicate and transfer data. Updation of the 2015 regulation for promotion and dismissal of party members is with the aim of tightening party discipline and eliminating incompetent and potentially disloyal officials.