



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

**International Relations**

1. **South East Asia.** China's engagement with the ASEAN remains strong as seen in the recently conducted 21<sup>st</sup> ASEAN - China Transport Ministers Meeting and the 2<sup>nd</sup> ASEAN - China Cyber Dialogue. Even the Code of Conduct in the South China Sea (SCS) seems to be making progress, albeit slow, with the two sides working on the second draft. China's economic engagement was on the rise in the region, especially in Indonesia, which rejected a motion against China at the UN to hold a debate on alleged rights abuses against Uyghur and other ethnic minorities in Xinjiang.
2. **Taiwan.** Even as daily operations of PLA ships and aircraft around Taiwan have continued, Taiwanese military conducted '*Cheng Chiang*' exercise, which simulated a response to Chinese forces attempting a landing on outlying islands. This comes amid statements by the US military hierarchy that the US military must be prepared for the possibility of a Chinese invasion of Taiwan before 2024. Western engagement with Taiwan continued, through visits by parliamentary delegations from US, Germany, Japan, and Canada. Visits by the Heads of State from Palau and Eswatini emphasised its diplomatic relations with these countries.
3. **Japan.** Continuing frictions between China and Japan were clearly seen in the Chinese protest against the Japanese PM's ritual offering to the Yasukuni Shrine and to perceived Japanese interference in the operation of a Taiwanese scientific research ship in waters east of Taiwan. China stated that **Chinese research institutions including those from the island (Taiwan) have every right to conduct scientific research activities in the waters not demarcated so far.** In turn, Japan lodged protests against perceptions of Chinese extraction of natural gas in a contested area of the East China Sea. **Japan and Australia signed a new Joint Declaration on Security Cooperation**, agreeing to deepen trilateral security relations with the US and to take action against countries violating international rules and norms. Japan is reportedly planning to establish Joint Theatre commands as a measure against any potential crisis in Taiwan Straits..
4. **Russia.** China abstained from voting on a draft resolution at the UN condemning the "*Russian referenda in four territories in Ukraine and their joining the Russian Federation*" while calling for de-escalation of conflict in Ukraine, after the Crimea bridge attack. China has publicly not clarified whether it recognises the referendums in eastern Ukraine. Nevertheless Chinese and Russian cooperation in space continues unabated with new ground stations being built for further integration of the Beidou and GLONASS systems.
5. **Central Asia.** Chinese Vice President Wang Qishan met Kazakh President and participated in the 6<sup>th</sup> Summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA), where he urged the CICA participants to implement initiatives like

the Global Security Initiative and the Global Development Initiative, as well as to speed up delivery of the UN 2030 Agenda for Sustainable Development.

6. **EU.** Concerns over China's acquisition of stakes in European ports and consequent control over maritime logistics chains were evident in the opposition to Germany allowing a 24.9% stake for the China Ocean Shipping Company (COSCO) in a terminal at Hamburg port. Despite a call by the EU foreign policy chief Josep Borrell for recognising China as a competitor and reducing EU's economic dependency, a survey of businesses operating in the EU highlighted concerns about the 'wall' being put up around the bloc's hi-tech and telecom sector. EU remains worried over Chinese '*wolf warrior*' diplomacy with the UK warning China not to invoke immunity for any officials charged with assaulting a Hong Kong protester outside the Chinese consulate in Manchester. A report of **unofficial Chinese 'police stations'** in Europe has sparked concerns leading to investigations into the issue in Italy, Portugal and Netherlands.

7. **US.** US effort to deny China technology continued with new restrictions that will make it extremely hard for Chinese companies to obtain or manufacture advanced computer chips and will slow their progress in AI.

8. **Pacific Islands.** Consequent to the recent security agreement signed with China, the Solomon Islands has deputed more than 30 police officers to China for training.

### **Neighbourhood**

9. **Afghanistan (Afg).** Chinese ambassador Wang Yu has indicated that China would resume work on its unfinished projects in Afghanistan even as the air trade corridor between the two countries resumed exporting pine nuts to China after almost a year.

10. **Pakistan (Pak).** Ahead of Pak PM's visit to China in Nov 22, both countries have agreed to go ahead with the delayed Karachi – Peshawar rail line and have also decided to launch three new corridors - agriculture, health and science and technology corridor. Pakistan opposed UNHRC debate on Uyghur Muslims while China blocked a UN proposal on listing of Pakistan-based terrorist Talha Saeed, for the fifth time this year. China has reportedly pushed Gulf nations to deport Baloch insurgents to Pak. 11 Chinese experts on disaster management visited Pak while a Chinese national was killed by an armed assailant in Karachi.

11. **Nepal.** Huawei Technologies Nepal Co Pvt Ltd hosted the 2022 edition of the '*Seeds for the Future*' at Kathmandu. China has funded a local think tank for a study on the motivation behind Nepali youth joining the Gorkha Regiments in the Indian Army.

12. **Bangladesh (BD).** M/s Jinqiu Global Textile BD Ltd, a China-BD JV, will establish a garments factory in Ishwardi with an investment of USD 15.63 mn and another China-based company- Intex Link Garments (BD) Ltd will set up a readymade garment factory in Chattogram with an investment of USD 9.58 mn. China Gezhouba Group

Corporation, the company in charge of the Bus Rapid Transit project in Uttara, was black listed after a girder collapse in its project claimed five lives.

13. **Myanmar.** The National Unity Consultative Council (NUCC) has expressed intent to work with China. A Chinese-backed USD 180 mn, gas-fired 135-MW power plant was operationalised in the Kyaukphyu SEZ. Myanmar Air Force has placed an order for FTC-2000G fighter jets from China.

14. **Sri Lanka (SL).** SL started debt restructuring discussions with China. A major Chinese cargo airline operator has expressed interest in using SL as a cargo hub. 500 metric tonnes of rice was donated by China to SL even as a Chinese vessel assisted in the salvage operations of the X-Press Pearl vessel that sank in the SL waters.

## **Economy**

### 15. **Internal**

- China's economy grew at the rate of 3.9% (y-o-y) in Q3'22 as compared to a negligible growth of 0.4% (y-o-y) in Q2'22 primarily driven by the manufacturing sector.
- In continuation with previous measures to stimulate the economy, China has issued 15 measures to facilitate the implementation of foreign-invested projects. A focus on encouraging investment in the high technology sector was also emphasised in light of the recent US measures against China.
- The 20<sup>th</sup> Party Congress work report emphasised expanding measures for employment, transition to a greener / low-carbon development and the need to accelerate adoption of a digital economy.
- The IMF downgraded its forecast for China's economic growth for 2022 marginally from its April forecast of 3.3% to 3.2%. The main headwinds identified were China's COVID-19 curbs, persistent property crisis and a slowing global economy.

### 16. **External**

- **China-US.** The US export control measures, aimed at blocking export of certain semiconductor goods to China if they are using US technology irrespective of where the goods are produced in the world, were criticised by China's Ministry of Commerce and termed as a violation of international trading rules.
- **China-EU.** A survey by the China Chamber of Commerce to the EU and the global consultancy Roland Berger, covering 150 Chinese enterprises in the EU found that 53% of respondents believed the business environment had deteriorated in the 12-month period preceding Aug 22. Geopolitical tensions, COVID-19 pandemic and supply chain disruptions were identified as the main causes.
- **China-Rwanda.** Rwanda's biggest commercial lender Bank of Kigali and Ant Group, launched the Rwanda to China instant remittance service to help transfer funds between the two countries at lower cost that will help SMEs and Chinese nationals operating in Rwanda.

## **Internal**

17. **National Day Celebrations.** The PRC celebrated its 73<sup>rd</sup> National Day with a week-long “Golden week holiday.” The State Council held a reception for the Politburo Standing Committee (PBSC) including President Xi Jinping (XJP), which was addressed by Li Keqiang (LKQ). LKQ called for the country to rally around XJP as the core of the CPC and emphasised the importance of XJP Thought.
18. **7<sup>th</sup> Plenum of the 19<sup>th</sup> Party Congress.** The 19<sup>th</sup> Central Committee held its 7<sup>th</sup> and final Plenary Session during the month wherein, the 7<sup>th</sup> Plenum approved XJP’s Work Report and the draft of unspecified amendments to the CCP constitution. The communiqué passed at the end of the Plenum emphasised the central nature of XJP to the Party, while admitting that the CPC had faced some challenges over the last five years. It also approved the Central Commission for Discipline Inspection work report of the 19<sup>th</sup> National Party Congress.
19. **20<sup>th</sup> National Party Congress (NPC).** Between 16-22 October, the CPC convened the quinquennial NPC where XJP delivered the Government Work Report to the new Central Committee members. The new 24-member Politburo was also revealed at the Congress which led to rumours about the dropping of Hu Chunhua who has now been demoted to serving on the Central Committee. An interesting development was that former General Secretary, Hu Jintao (HJT) was ushered out of the Great Hall of People on the pretext of ill-health after he attempted to read the dossier in front of him.
20. **1<sup>st</sup> Plenum of the 20<sup>th</sup> NPC.** The 1<sup>st</sup> Plenum of the 20<sup>th</sup> NPC was organised on 23 October wherein the new PBSC, which included XJP, Li Qiang, Zhao Leji, Wang Huning, Cai Qi, Ding Xuexiang, and Li Xi, were introduced. Li Qiang, the former Shanghai Party Chief, is likely to take over from LKQ as Premier in March 2023.
21. **Trip to Yanan.** At the end of the 20<sup>th</sup> Party Congress, XJP led the new PBSC on a trip to Yanan, wherein he hailed the historical visit and stressed on the need for “self-revolution” within the Party.
22. **Tibet.** Multiple videos emerged on Chinese social media showing hundreds of Tibetans in Lhasa protesting against the quarantine rules set by Chinese authorities.
23. **Hong Kong.** Chief Executive John Lee ka-chiu delivered his first policy address and announced policies to attract talent and enterprises, build more affordable homes, improve healthcare, reform the governing system, and seize development opportunities. However, he did not announce any concrete plans on COVID-19 or a national security law for Hong Kong.

## Military

### 24. New Equipment/ Induction

- **New Main Battle Tank.** China's new main battle tank could soon be ready for service. The new tank, with a crew of two, is believed to have improved mobility, reduced weight, stealth and enhanced strike capability.
- **AI For Missile Launchers.** China is using AI to develop missile launchers which would be able to evade radar / infra red detection from satellites, radar and drones. The technique is currently being tested on its Dongfeng series of road-mobile missiles.
- **Four Engine Freight Drone.** China's first four engine freight drone (Twin-Tailed Scorpion D) has completed its maiden flight. The drone can carry heavier and larger payloads (1.5 ton), provides enhanced power support, and offers higher system reliability and safety.

### 25. Training & Misc

- **PLA Aircrew Training.** Reports of China utilising military pilots from the US, Australia, Canada and the UK have prompted investigations in these countries with one US pilot being held in Australia.
- **Operational Readiness Assessment (ORA) Exercise.** PLAN conducted an ORA exercise for an amphibious transport group consisting of two Type 075 amphibious assault ships (*Hainan* and *Guangxi*) in SCS this month. The ships undertook landing, replenishment and helicopter operations as part of the exercise.
- **J-20 In Manned Unmanned-Teaming Role.** China Central TV aired an animated video in which a twin-seat J-20 fighter was shown controlling several stealth attack drones resembling the GJ-11 drone.
- **Equipment for Pakistan Air Force (PAF).** PAF has purchased six YLC-18A radars from China. Co-production of this radar is likely to commence in Pak in the near future.
- **ADIZ Incursion.** 30 aerial incursions by Chinese aircraft were reported during the month, wherein a total of 425 aircraft intruded into Taiwan's ADIZ. In addition to PLA aircraft, on an average three / four PLAN ships were observed off the Taiwan coast during the entire month.

## Technology

26. XJP pledged to develop strategically important technology and accelerate technology self-reliance for China in his opening speech of the 20<sup>th</sup> NPC. China faced a new set of ban on chips by the US Commerce Department restricting US firms' export of advanced semiconductors and tools for logic and memory chip production that can be used for supercomputing and AI. Chinese concerns were palpable with the Ministry of Industry and Information Technology (MIIT) convening emergency meetings with leading semiconductor companies, seeking to assess the damage from these restrictions. The MIIT released the first international standard for autonomous driving which has been compiled by experts from 20 countries.

## **Space**

27. During the month China conducted six launches and launched seven satellites. China also launched the last module to finish the construction of its Tiangong space station and an Advanced Space-borne Solar Observatory for its sun monitoring mission.

## **Social Media**

28. Rumours of a military coup surfaced ahead of the 20<sup>th</sup> NPC but were quickly censored on Chinese social media. Prior to the 20<sup>th</sup> NPC, two protestors hung banners on a Beijing highway to protest against the Party Congress and XJP. While the protestors quickly disappeared, Chinese censors permanently banned the social media accounts of anyone who had shared the images of the banners. After the incident of HJT's unceremonious exit from the Closing Ceremony of the NPC, the censors provided only a limited keyword search for his name on the internet.

## **Overall Assessment**

29. Opposition to the UNHRC debate on persecution of minorities in Xinjiang region by countries like Indonesia is an excellent example of how China has been using economic leverage to get countries to tow its line at such multi-national agencies. Germany allowing a 24.9% stake to COSCO in a terminal at Hamburg port, despite opposition from other EU countries, displays how difficult it is for countries to follow a foreign policy which is not aligned to their economic interests. Reports of foreign aircrew being involved in training PLA pilots, while still being analysed, point to the well thought out and executed Chinese plan to gain access to Western aviation practices and address its own flying instructor shortage.

30. The US semi-conductor export control measures will restrict China's access to high end semiconductor chips, which in turn is likely to have an adverse effect on China's progress in niche technology areas and the utilisation of these chips in military related R&D and Civil Military Fusion. While China's economy has seen an improvement in the third quarter, however, the economy continues to face risk due to the ongoing property crisis, low domestic demand and slow growth in exports. The new PBSC consists exclusively of loyalists who have served with XJP in Fujian, Zhejiang, Shanghai and Beijing. There is no clarity on a successor to XJP however it is evident that XJP has consolidated power into himself. XJP's visit to Yanan alongwith the new PSBC was reminiscent of the trip that Mao Zedong took at the end of the 7<sup>th</sup> Party Congress.