



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

International Relations

1. **South East Asia.** China's engagement with Indonesia is gradually strengthening with the two Presidents affirming a '*Cooperation Plan on Jointly Promoting Cooperation within the Framework of the Belt and Road Initiative and the Global Maritime Fulcrum*' at their Summit meeting. Even as China seeks to ameliorate Indonesia's security concerns, as evinced in the visit of the PLAN hospital ship, *Peace Ark*, to Indonesia, the Commander of the Indonesian National Armed Forces is seeking more and wider joint military drills with other countries in the Indo-Pacific region, most likely because of Chinese maritime military aggression. Another country with whom China is deepening its engagement is Singapore, which has recently signed 19 agreements with China for cooperation in fields ranging from green financing to digitisation to innovation. While China's relations with Thailand have been steady, the deal for purchase of Chinese submarines is facing headwinds with Thailand not entirely convinced of the offer of Chinese diesel engines (as a replacement for the planned German equipment) and is reportedly in talks with Pakistan for same.
2. **Japan.** PLAN and Chinese Coast Guard ships continued their incursion into Japanese territorial waters around the Senkaku islands, prompting the Japanese to adopt a more muscular foreign policy wherein it has voiced support for AUKUS and has offered to host Australian nuclear submarines in the future.
3. **Russia.** Chinese and Russian militaries undertook a joint air patrol in the Western Pacific. Chinese and Russian bombers were escorted by Russian fighters with the two sides operating from each others' air bases.
4. **Europe.** European divergences with the US over the approach towards China are coming to the fore, with the EU foreign affairs chief Joseph Borrell insisting that the EU will not follow the US's toughest policies on China. Germany's economy minister is looking for ways to tighten restrictions on non-European investment in the country's critical infrastructure even as the government blocked the sale of a semi-conductor factory to a Chinese-owned company. German chemical company and world's largest chemical producer, BASF, is building an integrated plant in Guangdong which is likely to be completed by 2030. Ukraine is reportedly looking at invoking wartime laws to take control of Motor Sich, an aircraft engine manufacturer, which is majority-owned by Chinese companies.
5. **US.** The Biden - Xi Jinping (XJP) meeting on the sidelines of the G20 Summit in Bali went along on expected lines with no major outcome other than the resumption of communication lines between the two countries. Military tensions between the two remain with the USN conducting another Freedom of Navigation Operation in the Spratlys amidst a vociferous Chinese protest. The recent ban on approvals of new telecommunications

equipment from Huawei and ZTE, on ground of "*unacceptable risk*" to US national security, is another step towards denial of technology to China.

6. **Canada.** Canada has adopted an Indo-Pacific strategy wherein it has put the China challenge square and centre, leading to an expected disapproval by the Chinese. It has also ordered the divestiture of Chinese investments in three Canadian critical mineral companies citing threats to its national security and critical minerals supply chains.

7. **Australia.** Australia will be hosting six US B-52 bombers near Darwin as part of a strategy that increases air bases available to the USAF in the region.

8. **Pacific Islands.** China hosted a virtual meeting of senior police officers and diplomats from six Pacific countries.

9. **Other Issues**

(a) Concerns about Chinese 'police stations' highlighted in a report by a Spanish NGO in September 2022, has elicited investigations by the US and the Netherlands, among other countries.

(b) The China International Development Cooperation Agency (CIDCA) conducted a virtual '*China-Indian Ocean Region Forum on Development Cooperation*' and claimed participation from "high-level representatives" of 19 countries. However, Australia and Maldives, which were named as having attended the summit, issued official denials of such participation.

Neighbourhood

10. **Afghanistan (Afg).** Afg's acting Minister of Mines and Petroleum, Shahabuddin Delawar, met investors from China to discuss trade issues. The fourth meeting of the '*Moscow Format Consultations on Afghanistan*' was held in Russia in which China participated.

11. **Pakistan (Pak).** Pak PM Shehbaz Sharif made his maiden two day visit to Beijing where CPEC revitalisation and its extension to Afg, along with rolling over of bilateral debt, were discussed. Pak-China agreed to launch ML- 1, a high-speed rail project, costing USD 9.85 bn. China is expected to provide Pak with SLC-18, an anti-satellite radar even as the China-Pak Joint Research Centre on Earth Sciences and Tianqi Lithium Co. announced collaboration on the research and application of lithium resources in Pak.

12. **Nepal.** The Nepal Army awarded the contract of the Kathmandu-Terai Fast Track road project to a Chinese company. Nepal and China signed an agreement for the utilisation of USD 111.2 mn in Chinese grants for various projects selected by Nepal.

13. **Myanmar.** China opened a direct shipping route linking the new Beibu Gulf Port to Yangon. China-Myanmar border towns have reportedly lost trade in various goods, especially watermelon, due to China's Zero-Covid policy.

14 **Bangladesh (BD).** BD China Silk Road Forum conducted a seminar on the 20th National Congress of the Communist Party of China (CPC), where the Chinese Ambassador to BD addressed the gathering. BD and China are collaborating on a currency swap arrangement to facilitate bilateral trade.

15. **Sri Lanka (SL).** China donated 10.6 mn litres of diesel to farmers and fishermen in remote areas of SL. SL attended the Indian Ocean meet organised by China even as the latter has postponed the debt restructuring talks for now.

Economy

16. **Internal**

(a) **Encouraging FDI.** China has expanded the 2022 list of sectors from 480 to 519 for foreign investment with major thrust on high-end technology such as key components related to autonomous driving and air – ground support equipment.

(b) **Real Estate Sector.** In continuation with supporting the real estate sector, China has issued a package of 16 measures that provides an extended credit line and has pledged at least USD 162 bn in fresh credit to property developers.

(c) **Impact of COVID19 Protests.** The ongoing protests have impacted industrial activity in China. For example, Apple may face production shortfall of 6 mn iPhone-14 Pro owing to various issues, including local Covid-19 lockdown and violent riots.

17. **External**

(a) **Pakistan.** China and Pakistan signed a MoU to set up Yuan clearing arrangements in Pakistan enabling use of Yuan for cross-border transactions.

(b) **EU.** Chinese firms have raised eight times more funds in EU markets than the US as of Oct'22 indicating that Chinese firms are relocating to EU after US measures to restrict access to the US stock market. However, EU policy makers have also approved new rules and procedures that aim to curb investments from China in acquisitions of EU firms and participating in public contracts. The attempted acquisition of a German Chip making company, ELMOS by China by using a Swedish Subsidiary, would have perhaps gone unnoticed in laxer times.

(c) **US.** A study by Barclays released in Nov'22 found that US restrictions on China's semiconductor industry could cost up to 0.6% of China's GDP. Though US has urged its allies to follow its lead in restricting China's access to advanced semiconductors / related technology, some countries like South Korea, Japan and the Netherlands have shown resistance to this.

(d) **Less Developed Countries (LDC).** China will grant zero-tariff treatment on 98% of taxable products from 10 LDCs - Afghanistan, Benin, Burkina Faso, Guinea-Bissau, Lesotho, Malawi, Sao Tome and Principe, Tanzania, Uganda and Zambia.

Internal

18. **CPC.** On 30 Nov, former Chinese President, Jiang Zemin, aged 96, died in Shanghai. He was the General Secretary of the CPC from 1989 to 2002.

19. **Zero-Covid Policy.** As per reports, the Chinese government's strict Zero-Covid policy has sparked expressions of discontent and protests in several parts of the country including Beijing, Shanghai, Shenzhen, Dalian and Tibet. In Beijing's Tsinghua University, which is XJP's alma mater, students gathered and chanted "*democracy, the rule of law and freedom of expression*" protesting against the Covid restrictions. On 23 Nov, violent clashes broke out between workers and company security staff in the world's largest iPhone factory, operated by Foxconn Technology Group in Zhengzhou.

20. **Anti - Corruption Campaign.** Fu Zhongwei, Director, Standing Committee of the Shenyang Municipal People's Congress, was investigated by the CPC Central Commission for Discipline Inspection and the National Supervisory Commission. Liu Yanping, China's former anti-corruption chief at the Ministry of State Security, has pleaded guilty to charges of accepting more than USD 33 mn in bribes and is likely to be sentenced soon.

21. **Xinjiang.** 10 people were killed and nine injured in a fire at a residential building in Urumqi. Interestingly, this incident found support in the Shanghai protests. Many reports blame obstacles caused by Zero-Covid measures for the tragedy, but officials have denied the allegations.

Military

22. **New Equipment/ Induction**

(a) **Submarine Launched Ballistic Missile(SLBM).** The US Pacific Fleet Commander has claimed that JL-3 SLBMs, with a reported range of 10,000 km, have been deployed onboard the Jin class submarines.

(b) **YJ-21.** China unveiled its ship-borne Hypersonic Anti-Ship Missile 'YJ-21' at the biennial Zhuhai Air Show. The missile has an approx range of 1000 to 1500 km and a terminal velocity of approx Mach 10.

(c) **J-20s.** China is using pulsating production lines (an aircraft assembly method applied in the final stage of assembly) to deliver J-20 fighters at a faster rate. This method is being used in both military and commercial aircraft production in China.

23. **ADIZ Incursion.** 29 aerial incursions by Chinese aircraft were reported during the month, wherein a total of 463 aircraft intruded into Taiwan's ADIZ. In addition to PLA aircraft, on a daily average three / four PLAN ships were observed off Taiwan during the entire month.

Technology

24. Chinese scientists have developed a quantum engine that uses a single atom as a motor which in future might be capable of driving nano-robots inside a human body. Huawei, in collaboration with the Arab ICT Organisation, hosted the first Africa 5G Summit

in Bangkok with the aim to build a communication platform between Africa and the leading 5G markets. China organised the annual WIC in Wuzhen on the theme “*Towards a Shared Digital Future in a Connected World -- Building a Community with a Shared Future in Cyberspace*”. China’s Ministry of Industry and Information Technology, with support from the China Semiconductor Industry Association, hosted the World Conference on Integrated Circuits.

Space

25. During the month China conducted seven launches and launched eight satellites, one cargo spacecraft and one manned space craft. China is developing a new system that uses nuclear energy to address the moon station’s long-term, high-power energy demands, which is expected to complete by 2028. Chinese aerospace scientists have developed and tested de-orbiting sail to manage space debris. A Chinese company is planning to build a commercial remote sensing satellite system consisting of 28 satellites with various payloads.

Social Media

26. Social media posts and videos showed hundreds of migrant workers breaking through lockdown barriers and fighting with local health authorities in Guangzhou and Zhengzhou. Reports, that a baby, died due to lack of medical care that had been delayed by Covid restrictions prompted a huge outcry online. More than 9,000 Weibo users responded to the original report by China News Weekly but were soon censored.

Overall Assessment

27. One fallout of the China – Thailand submarine deal is the potential for increased closeness between Thailand and Pakistan, since Pakistan is acquiring similar submarines with the same Chinese engines. While EU’s stance against China has been prompted by its economic concerns, especially those of Germany and the Netherlands, Germany itself appears divided over its approach to China. China’s effort to increase its presence in the security domain in the Pacific region is evident in the hosting of a virtual meeting of senior police officers and diplomats from six Pacific countries. The conduct of the virtual seminar by CIDCA is important when considered with the earlier Chinese proposals for a forum on the development of Indian Ocean island countries and the establishment of a Middle East trust mechanism, for issues such as ensuring the safety of oil facilities and shipping lanes.

28. Use of Yuan for clearing arrangement between China and Pakistan is just follow-on of the currency swap agreement the two countries have had since 2011. China’s attempts to internationalise use of Yuan is evident from its attempts to increase trade using Yuan in Pak and BD. The fatigue in local population in China with the Zero – Covid measures is now apparent in the widespread protests across the country, which in many cases is turning violent. It would be interesting to see how far the Chinese government will allow these to continue, before taking steps to stop them.