



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

International Relations

1. **South East Asia.** Singapore's cooperation with China continues with the 7th anniversary of the China-Singapore Demonstration Initiative on Strategic Connectivity witnessing a slew of events. Even as the Philippines President is visiting China in early January 2023, maritime frictions between the two remain high with Philippines accusing China of using its maritime militia for carrying out landfill work at four reefs around the Spratly Islands. China's support to Myanmar continued with the launch of the Lancang Mekong Cooperation (LMC) Warehouse and Awareness Center and a coordination center for safe navigation on the Mekong River in Myanmar.
2. **Japan.** Japan is witnessing an internal debate on the pros and cons of disengaging from China even as it has agreed with the US, along with Netherlands, for tightening controls over exports of advanced chip-making machinery to China. Maritime tensions between Japan and China remain high with the Chinese aircraft carrier group purportedly undertaking exercises simulating attacks on the Nansei island chain even as Chinese Coast Guard vessels continue their intrusions into Japanese waters.
3. **Russia.** President Xi Jinping (XJP) is reported to have offered to play a role to mediate with Russia to end the Ukraine war during the recent visit of former Russian president Dmitry Medvedev, as the two sides agreed to continue advancing their strategic partnership.
4. **West Asia.** XJP visited Saudi Arabia, where, apart from bilateral discussions, he also co-chaired a meeting of the Gulf Cooperation Council and the Arab-China Summit. XJP pushed forward the implementation of the One Belt One Road initiative, the Global Development Initiative and proposed participation of the region in the Global Security Initiative.
5. **Africa.** PLA's support base in Djibouti held the third "*Horn of East Africa*" medical forum while China funded the construction of the permanent headquarters of the Economic Community of West African States in Nigeria. Chinese manufacturers clinched deals worth more than USD 400 mn with African entrepreneurs during this year's China Homelife expo in South Africa.
6. **Europe.** EU is pushing forward two WTO suits against China – one over alleged economic coercion of Lithuania and the other of using domestic courts to undermine intellectual property laws. Meanwhile, a stock link-up between China and Germany is likely which can be a major step toward enhancing China – Europe capital market connectivity. Concerns over China, however, remain, with Italy stopping joint patrols with Chinese police, in the wake of a report on "*unofficial*" Chinese police stations. Pope Francis appears to

have acknowledged the failure of his effort to reconcile Roman Catholic Church authority with China with the Vatican issuing a statement expressing “*surprise and regret*” over the ‘installation ceremony’ of Bishop John Peng Weizhao of Yujiang as auxiliary bishop of Jiangxi, “*a diocese not recognised by the Holy See*”.

7. **US.** US’s attempt to tighten the technology strangulation of China saw three dozen Chinese companies being placed on a trade blacklist. China countered these actions by filing a complaint against the US at the WTO. Nevertheless, US business continues to engage the Chinese with the Ford Motor Co and China's Contemporary Amperex Technology Co Ltd (CATL) considering building a battery plant to reap tax benefits without treading on Sino-US political sensitivities.

8. **Canada.** Concerns over reports of Chinese police stations in Toronto area forced Canada to summon the Chinese ambassador. Similar concerns have also led to the review of a contract awarded to Sinclair Technologies by the Canadian government, given its parent organisation's ties to the Chinese government.

9. **Australia.** The recent visit of Australia's Foreign Minister Penny Wong to China, the first in more than three years, appears to be an attempt to improve bilateral relations with the Minister stating that the “*dialogue itself*” is a mark of success.

Neighbourhood

10. **Afghanistan (Afg).** A blast claimed by IS (K) at a hotel in Kabul injured five Chinese forcing the Chinese there to consider leaving Afg.

11. **Pakistan (Pak).** Pak PM Shahbaz Sharif visited the Chinese Embassy at Islamabad to offer condolences on demise of the former Chinese President Jiang Zemin. The first 660 MW unit of Shanghai Electric, part of 1,320 MW Thar coal-based power plant, was connected to Pak’s national grid. Pak conceded to China’s demand of opening revolving bank account to partially save Chinese power plants from circular debt. The blockade of Gwadar-East Bay Expressway by the ‘Haq Do Tehreek’ movement continued against the Pak Government on multiple issues, including Chinese presence in the area. Pak was touted as the most influenced country by China, as per a study by DoubleThink labs, a Taiwan based research organisation.

12. **Nepal.** Acting Chinese Ambassador to Nepal Wang Xin held discussions with Pushp Kumar Dahal, prior to the formation of new government. China sent a team of experts to conduct feasibility study of cross border railway line, a day after the formation of the new government. China allowed Nepalese cargo trucks through Rasuwagadhi border into China, after over a 31 month unannounced blockade.

13. **Myanmar.** China’s new special envoy to Myanmar Deng Xijun met members of seven Ethnic Armed Groups (EAGs) while Chinese diplomat held meetings with Union Solidarity and Democratic Party (USDP) after the junta announced intention to hold polls.

The EAGs clarified that the interactions were only to exchange pleasantries and meet the new envoy. China announced plans to build Myitkyina Economic Development Zone on 4700 acres of land in Kachin state, bordering India's Arunachal Pradesh. Myanmar's military regime has taken delivery of six Chinese built FTC-2000G fighter jets.

14. **Bangladesh (BD)**. China was BD's largest FDI source in FY 2021-22, with a gross inflow of USD 940 mn. China sent its naval guided-missile destroyer, Changsha, to BD to participate in the International Fleet Review. China Railway Design Corporation proposed to implement Dhaka – Chattogram High Speed Railway Project by forming a firm with 80% share to China.

15. **Sri Lanka (SL)**. China remained non committal on the restructuring of the loans to SL. The Chinese embassy donated USD 14000 for the development of the National Cadet Corps and, organised a BRI seminar which witnessed widespread participation by SL academic and business community. The SL Ministry of Irrigation suspended a contract given to a Chinese joint venture to build two reservoirs in North Western SL.

16. **Maldives**. The Chinese embassy continued its events to mark the 50th anniversary of bilateral relations in form of a friendship run and broadcasting a three episode documentary on TV. China Harbour Engineering Company has reportedly won Thilafalhu dredging project.

Economy

17. **Internal**

(a) China's latest economic data for Nov'22 indicated a downward trend with indicators such as retail sales and property investment registering a negative growth of 5.9% and 20% respectively on a year-on-year basis. Youth unemployment remained high at 17.1%.

(b) China's Central Economic Work Conference (CEWC) held during the month focused on consumption revival and supporting the private sector. However, surge in Covid cases and weak consumer / business confidence remained key challenges for China's economic growth.

(c) The World Bank in Dec'22 has reduced its growth projections for China from its Sep'22 projections of 2.8% and 4.5% in 2022 and 2023, respectively, to 2.7% and 4.3% for the same period.

18. **External**. Chinese stock delisting threat on New York Exchange has eased with the US getting access to audit documents of companies in China and Hong Kong for the first time. US's efforts towards blacklisting Chinese tech companies have edged up with the US government adding 36 companies in the entity list that includes firms like Yangtze Memory Technology Company, Shanghai Micro Electronics and others. China has filed a lawsuit against the US at WTO over chip export control measures in Dec'22.

Internal

19. **Party.** Politburo Standing Committee member Li Qiang, likely to succeed Li Keqiang as Premier in 2023, made his first public appearance representing the State Council. XJP and Politburo members attended the CEWC and the annual Central Rural Work Conference. XJP addressed the country on New Year's Eve wherein he reiterated the resolutions made in the 20th Party Congress.

20. **Covid.** China eased most of its Covid restrictions after a spate of anti-lockdown protests in late Nov'22. Subsequent reports have shown a rapid surge in new Covid cases following which health facilities in several Chinese cities have been under severe strain. The National Health Commission is counting only respiratory failure-related deaths in the official Covid toll and stopped publishing the daily Covid casualty figures on 25 Dec. China relaxed the quarantine requirements for inbound travelers and also removed restrictions on international flights. State media, senior CPC leaders and health officials have justified the relaxations on the grounds that the current Covid's Omicron variant was less potent and XJP's Dynamic Zero Covid policy had achieved its goals by containing its early spread.

21. **Tibet.** The US Senate tabled the latest bipartisan Tibet policy bill titled "*Promoting a Resolution to Tibet-China Conflict*" in the US Senate while the US Congress passed the budget 2023 which has a provision of USD 11 mn for programmes in India and Nepal to promote and preserve Tibetan culture and language and strengthen the capacity of Central Tibetan Administration. Two senior Chinese officials were sanctioned by the US over alleged serious human rights abuse in Tibet and in retaliation, the Chinese Foreign Ministry announced counter-sanctions on two US citizens. China has passed a draft law on ecological protection of the Tibetan plateau at the 38th session of the National People's Congress (NPC) that does not stop mining but could displace more Tibetan nomads from their habitual landscapes.

22. **Xinjiang.** A new US bill, Uyghur Policy Act, provides for appointment of experts to monitor rights abuses in Xinjiang region and new tools to hold China accountable for its persecution of ethnic Uyghurs. The US Senate Finance Committee questioned eight major automakers about their Chinese supply chains' links with forced labour in Xinjiang.

23. **Hong Kong (HK).** 36 candidates (21 new and 15 incumbent) were elected to represent HK in the NPC. HK's sole delegate to the NPC Standing Committee stated that HK's national security cases can be handed over to mainland Chinese courts if China decides to ban overseas lawyers and defendants are unable to hire local practitioners. HK's Chief Executive John Lee claimed that the city aims to start reopening its borders with the Chinese mainland before mid-January 2023.

Military

24. **New Equipment/ Induction**

- (a) **Induction of CH-4.** CH-4, Unmanned Aerial Vehicles are reported to have been inducted in the Xinjiang Military District.
- (b) **Catamaran Drone Mini Carrier.** PLAN has inducted a catamaran drone mini carrier for training of PLA personnel on simulated swarm drone, anti-ship missile and electronic warfare attacks.
- (c) **WS-10C Aero Engines.** PLANAF is fitting the J-15 carrier borne aircraft with indigenously built WS-10C engines. The availability of the new engine would help increase the production of J-15 aircraft.

25. **Training, Exercises & Misc**

- (a) **Carrier Battle Group Exercise.** PLAN Carrier Battle Group consisting of aircraft carrier Liaoning and five other ships were deployed in the Philippine Sea where they also simulated attacks on Japan's Nansei Islands. 71 aircraft were deployed from mainland during the exercise while J-15s (fitted with air to air missiles) and other aircraft were deployed from carrier and conducted more than 300 sorties in 20 days.
- (b) **Maritime Cooperation - 2022.** Russian Navy and PLAN exercised in the East China Sea (ECS) wherein 10 ships, a submarine, air early warning and maritime patrol aircraft participated in the exercise which focused on breakdown drills, manoeuvres, joint blockade, joint air defense and joint anti-submarine warfare operations.
- (c) **Far Sea Exercise.** A PLAN flotilla consisting of three ships sailed from East China Sea and entered West Pacific Ocean through Osumi Strait. The flotilla exercised anti-submarine warfare operations, manoeuvres, and weapon firing.
- (d) **ADIZ Incursion.** 447 aircraft intruded into Taiwan's ADIZ during the month. The intrusions, which were on all days, were accompanied by ships entering Taiwan's territorial waters simultaneously. A record 71 aircraft undertook mock operations near Taiwan on 26 Dec which is the highest number of combat aircraft post US approval of increased military aid to Taiwan recently.
- (e) **RC-135 Intercept.** Military tensions between US and China remain high with the former publicising a PLA N J-11 fighter pilot's intercept of a USAF RC-135 aircraft over the South China Sea as an "*unsafe manoeuvre*".

26. **Defence Engagement/ Cooperation**

- (a) **China-Japan.** China and Japan are likely to establish a defence hotline in 7arly 2023 to avert any escalation between the two forces.
- (b) **China-Thailand.** The sea trials of Thailand's Type 071E Landing Platform Dock have been completed at Shanghai. The ship, ordered under the China – Thaliand defence cooperation agreement in 2019, is likely to be delivered to the Royal Thai Navy in 2023.

Technology

- 27. A Chinese company has released three 'Quantops' or portable quantum computers which feature a fully integrated quantum computing system. Pan Jianwei, China's "*Father*

of Quantum”, and his team have made breakthrough in fields which could offer multiple research opportunities for quantum chemistry.

Space

28. China conducted seven launches and launched 21 satellites. China successfully launched satellites using the new SD-3 and Kuazhiou – 11 Y2 carrier rockets. China’s space station Tiangong entered the first phase of application and development after completing the construction stage.

Social Media

29. Chinese social media users discussed the complex factors that would influence India’s ability to rise economically in the 21st century. A recent article in Foreign Affairs by Arvind Subramanian and Josh Felman titled ‘*Why India can’t Replace China*’ was translated into Chinese and read over 220,362 times on the opinion and news platform, Guancha. Thousands of Weibo users criticised the removal of a video made by local outlet Netease News that collated real – life stories from 2022 that had highlighted the difficulties ordinary Chinese faced as a result of the erstwhile Zero – Covid policy.

Overall Assessment

30. The importance of South East Asia, for China, is clearly visible in the focus on the LMC. The Chinese footprint in Africa continues to spread with initiatives across the spectrum. Meeting of Chinese envoy / embassy officials with the EAG and USDP, though claimed by the EAGs to be only for exchanging pleasantries / meeting the new envoy, is an indication of China’s efforts to exert its influence in Myanmar’s politics. The recent shift in China’s Zero Covid policy indicates its priority towards economic revival. The strong anti quarantine protests forced the government to ease off the Zero-Covid protocols, but the sudden opening up has, as expected, resulted in a sudden surge of Covid cases that has overwhelmed the existing medical infrastructure.

31. US getting access to audit documents of companies in China and HK is expected to reduce the delisting chances for companies like Alibaba and JD.com. PLAN carried out several concurrent exercises in the latter half of December 2022 which is an indication of the increased capability of the PLAN for operations beyond the first Island Chain i.e blue waters of “distant seas”. In 2022, China conducted 64 launches (includes two failures) and launched 169 satellites.