



CENTRE FOR CONTEMPORARY CHINA STUDIES (CCCS)
CONSOLIDATED MONTHLY REPORT: JANUARY 2023

International Relations

1. **South East Asia.** The visit of the Philippines President to China led to a slew of agreements including on the One Belt One Road and a number of loans. While there was also an agreement on resumption of oil exploration in the South China Sea (SCS), this is unlikely to fructify considering the recent verdict of the Philippines' Supreme Court declaring an earlier Tripartite Agreement for Joint Marine Seismic Undertaking with Vietnam and China in the SCS unconstitutional. Notwithstanding, Chinese government vessels continue to harass Filipino fishermen around contested features in the SCS. Similar Chinese maritime actions also continued in the Natuna Sea with the Chinese Coast Guard (CCG) intruding into the Indonesian EEZ even as Indonesia approved the first phase of its development of the Tuna offshore gas field. CCG also intruded into the Malaysian EEZ, albeit, without any protest from Malaysia.
2. **Taiwan.** Parliamentary delegations from South Korea, Tuvalu, Lithuania, Germany and Japan visited Taiwan amidst military and diplomatic opposition from China. The Japanese outreach to Taiwan saw the resumption of talks of the Taiwan – Japan Fishery Committee on issues related to their overlapping EEZs.
3. **Japan.** Japan's concerns about China's ambitions were evident as the Japanese PM highlighted that relations with **China posed the most “central challenge” for both Japan and the US** and it was absolutely imperative for Japan, the US, and Europe to stand united in managing their relationships with China. These concerns are also driving the Japanese effort to expand military bases in Yonaguni and Mageshima islands in the proximity of Taiwan.
4. **Africa.** The new Chinese Foreign Minister, Qin Gang, made his first visit to Africa covering five countries Ethiopia, Gabon, Angola, Benin and Egypt. Even as China seeks to expand its engagement with Africa, it received a setback in **Uganda which terminated its contract with Chinese firm for building a railway line**, citing delays. The Democratic Republic of Congo President also criticised a USD 6.2 bn minerals-for-infrastructure contract with China for the DRC not having benefited from the deal. Nevertheless cooperation with South Africa seems robust with the second edition of a joint naval exercise between South Africa, Russia and China expected to commence in early February.
5. **Europe.** Europe's worries about China in the technology domain seem to have driven the recent agreement between the Netherlands, the US and Japan to restrict exports of some advanced chip making machinery to China.
6. **US.** The US continues to tighten the technology strangulation of China with Macau being included in the list of US technology export restrictions on China. The US

administration has also halted supply of licenses to US companies to export to Huawei. Meanwhile, the Chinese Vice-Premier Liu He met US Treasury Secretary Janet Yellen in Switzerland though there was no appreciable progress in the ongoing trade negotiations. These challenges and others are also likely to figure prominently in the visit of the US Secretary of State to China in early February.

7. **Australia.** The recent visit of Australia's Foreign Minister Penny Wong to China, the first in more than three years, appears to have halted the decline in the bilateral relationship with China lifting the existing ban on import of Australian coal.

8. **Pacific Islands.** Fiji's Prime Minister has **ended the MoU between Fiji and China**, which allowed deployment of Chinese policemen in Fiji, and training of Fijian policemen in China citing differences in the political systems of the two countries.

Neighbourhood

9. **Afghanistan (Afg).** Chinese FM urged Taliban to take strong measures to ensure safety of Chinese personnel in Afg. China is reportedly providing modern weaponry, including UAVs, to the Taliban. Chinese nationals were reportedly caught by Taliban, while smuggling Lithium.

10. **Pakistan (Pak).** China praised Pak's anti-terror record in the wake of UN sanctioning Abdul Makki. **Pak received 70 new freight wagons from China.** While Maulana Hidayat ur Rehman warned Chinese nationals to leave the Gwadar port area, former caretaker CM of Baluchistan informed that President Xi Jinping (XJP) will inaugurate the Gwadar airport during his upcoming visit to Pakistan. Chinese engineers suspended work on hydro power projects in Swat and Shangla districts amid security concerns. Pak reportedly made a request to China for information on 22 targets in India through SUPARCO. China pledged additional aid of USD 100 mn for flood victims in Pak and the two countries signed an MoU on ocean space planning.

11. **Nepal.** Nepal rejected China's attempt to term the recently inaugurated Pokhara airport as an OBOR project. China closed the Rasuwagadhi - Kerung border citing security reasons even as it proposed a meeting with Nepal in February for cross border power line project.

12. **Bangladesh (BD).** A CPC delegation visited BD to share the spirit of the 20th Party Congress. China agreed to fund a USD 400 mn project for upgrading the Mongla port. **BD has reportedly ordered four commercial ships from China.**

13. **Sri Lanka (SL).** China's EXIM Bank agreed to give only a two-year moratorium to its debt against IMF's requirement of 15 years. Chinese Embassy's Chargé d'Affaires' expressed disappointment on Tamil National Alliance's third rejection to his offer for meeting. China opposed a proposed visit by the Dalai Lama to SL.

14. **Bhutan.** Bhutanese and Chinese officials met at Kunming in the 11th round of Expert Group Meeting and agreed to “*push forward*” three-step roadmap on border negotiations.

Economy

15. **Internal**

(a) China’s GDP grew 3% (y-o-y) in 2022, missing the government target by 2.5 percentage points. The growth was the second-lowest rate since 1976, barring the COVID year (2020) growth of 2.2% (y-o-y).

(b) China’s growth projections for 2023 by the World Bank, the UN and the IMF are 4.3% (y-o-y), 4.8% (y-o-y) and 5.2% (y-o-y) respectively.

(c) China is expected to ease its “*three red lines*” policy on a pilot basis for 30 property firms as part of its **USD 67 bn package to help the struggling real estate sector**. China introduced a new credit policy to promote urban housing sales and issued 15 measures to further stabilise growth of small and medium-sized enterprises.

16. **External**

(a) **China - USA.** After banning China based TikTok app on all federal government devices last month, TikTok CEO is to testify before the US Energy and Commerce Committee in Mar 23.

(b) **China - Australia.** In a move to shift from its unofficial ban on coal trade with Australia in 2020, China has reportedly allowed three central government-backed utilities and its top steelmaker, Baowu Steel Group, to resume coal imports from Australia. Additionally, Chinese Tianqi Lithium Corp offered a deal of more than USD 90 mn to buy Australian lithium developer Essential Metals (ESS).

(c) **China – Afghanistan.** CAPEIC, a subsidiary firm of China National Petroleum Corporation, has signed a USD 540 mn oil and gas deal in Afghanistan. It is the first major deal since the takeover by Taliban in 2021.

Internal

17. **Xi Jinping.** XJP was elected Deputy of the 14th National People’s Congress (NPC) by a unanimous vote at the first session of the 14th Jiangsu Provincial People’s Congress. This is in **preparation for the upcoming “Two Sessions”** (NPC and CPPCC meetings) in early Mar 23.

18. **Central Commission for Discipline Inspection(CCDI).** Leading CPC members met to study an important speech delivered by XJP at the Second Plenary Session of the 20th CPC CCDI. XJP's speech at the plenum provides fundamental guidance for Party building in the new era and guides leading Party members in both thought and practice.

19. New CPC Appointments

- Former Foreign Minister Wang Yi has been appointed as head of the CPC's Central Foreign Affairs Commission. Wang Yi has been succeeded as Foreign Minister by Qin Gang, former Chinese ambassador to the USA.
- Vice-Premier Hu Chunhua has been appointed to the 14th Chinese People's Political Consultative Conference.
- Yin Yong has been elected as the Mayor of Beijing.
- Chinese Vice Premier Han Zheng is expected to take over as Vice President of PRC during the Two Sessions in Mar 23.

20. **WHO on COVID in China.** WHO called on China to share more information about its surge in Covid-19 cases with China reporting almost 60,000 deaths, since early December, after complaints of failing to release data. As per some reports, the number of deaths was highly under reported.

21. **Demographic Policy.** As per data from the National Bureau of Statistics, Chinese mainland population recorded negative growth for the first time in 61 years, decreasing by almost 850,000 in 2022. The **Chinese government has introduced new monetary incentives for married couples to reproduce more babies.**

22. **Zero Covid Policy.** As per Chinese online platform - Sina Weibo, angry relatives of people who have died due to Covid-induced complications were reportedly expressing discontent on Chinese social media as the **Chinese government had not listed Covid-19 as the primary cause on many official death certificates.** This also highlights the cause of under reporting of death numbers by the Chinese authorities.

Military

23. New Equipment/ Induction

- (a) **AI Ship Induction.** China's first AI controlled research drone carrier, Zhuhaiyun has been commissioned.
- (b) **Type 055 Destroyer.** PLAN commissioned its seventh Type 055 Destroyer *Zunyi*. The ship is likely to achieve initial operational capability by end 2023.
- (c) **Y-20.** The Y-20 strategic transport aircraft is likely to get a more powerful engine which will boost its payload carrying capacity and range. It is also expected to have more variants like an early warning variant, a command and control aircraft, a long-range electronic warfare aircraft, and a drone carrier variant.
- (d) **WZ-7.** Japan reported spotting a WZ-7 drone flying between the islands of Okinawa and Miyakojima in southwestern Japan for the first time.

24. Training, Exercises & Misc

- (a) **CH - 4 UAV.** A video indicated that the PLA Army deployed CH-4 UAVs for the first time as a part of brigade level exercise.

(b) **Recruitment.** China will conduct two rounds of military recruitment in 2023. The first phase will start from 15 Feb until 31 Mar, while the second phase will be from 15 Aug to 30 Sep.

(c) **Promotion.** Zhao Lijian has been posted as the second-ranked official in China's Department of Boundary and Ocean Affairs, which deals with border issues including the India - China boundary.

(d) **'Shandong' Carrier Battle Group (CBG).** PLAN CBG consisting of aircraft carrier *Shandong*, a Type 055 destroyer and three other destroyers was deployed in SCS in mid Jan 23.

(e) **Inexperienced Aircrew.** According to reports, foreign spy aircraft sorties have increased over the East and South China Sea and the Yellow Sea which has forced the PLA to deploy junior pilots to undertake missions that are beyond their capability.

(f) **Exercise Red Sword.** Y-20 aircraft was utilised for the first time for deploying a PLAAF SAM battalion stationed across different locations of China in Ex Red Sword.

(g) **ADIZ Incursion.** 355 PLA aircraft intruded into Taiwan's ADIZ during the month. The intrusions, which were reported on all days of the month, were accompanied by three / four PLAN ships also being observed off Taiwan coast.

Technology

25. An international team of scientists led by Chinese, achieved high-visibility quantum interference between two independent quantum dots linked with approx 300 km optical fiber. A Chinese firm has developed a laser annealer, which works as a scalpel, to remove defects in quantum chips and enhance chips performance when expanding to multiple bits. China's first regulations regarding deep synthesis technologies (also known as deepfake), officially came into effect in January 2023. Flusso Ltd, a UK tech company which develops digital flow sensor technology, was acquired by Shanghai Sierchi Enterprise Management Partnership which is 80% owned by Zhenxin Equity Investment Partnership based in Fujian province.

Space

26. During the month China conducted five launches and launched twenty four satellites. Chinese rocket designers have finalised the overall structural design for country's super-heavy carrier rocket, LM-9. China Aerospace Science and Technology Corporation plans to launch more than 200 spacecraft with over 60 space missions in 2023. China is aiming to expand the use of its coastal Wenchang spaceport with the aim of increasing overall launch rate and establishing facilities for crewed lunar missions.

Social Media

27. A Lunar New Year television show titled "Pothole" trended on Chinese social media as it took aim at the CPC. The online discussion related to the skit had been read more than 800 mn times on Sina Weibo. XJP addressed the LAC troops via video on Lunar New Year. These troops were at the Khunjerab Gate post in the Karakoram area on the Pakistan occupied Kashmir region, which is the nodal point for the China-Pakistan

Economic Corridor. Following the address, the narrative about defending the Karakoram area from neighbouring India spread all over Chinese State media and PLA's WeChat accounts.

Overall Assessment

28. China's lifting of the unofficial coal trade ban and buying of the Australian lithium developer indicates easing of relations between the two countries. Though economic ties between China and Australia appear to be reviving, the latter continues to enhance its military capabilities to hedge against Chinese aggression. While China has suffered setbacks in Uganda and Congo, overall, it seems to be enhancing its influence in the African countries. China's higher growth predictions for 2023 by the international organisations are based on easing of the zero COVID-19 policy, the increase in vaccination levels and greater fiscal and monetary support for the economy. China's current policy stance seems to favour economic growth over its previous policy action on issues, such as excessive debt, especially in the real estate sector.

29. The reported jump in quantum interference between two independent QDs may lead the way for future solid-state quantum networks. The development of the coastal Wenchang spaceport is apparently part of long term plan for China to enhance its overall space capabilities.