



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

International Relations

1. **South-East Asia.** Amidst its continuous engagements with the region, China saw high level visits from Vietnam and Laos this month. Meanwhile, the US, Japanese and Philippine coast guard ships staged first trilateral law enforcement drills in waters near the disputed South China Sea (SCS). Probably to avoid reaction from China, Indonesia announced change of location for the first ASEAN military exercise, scheduled in Sep 2023, to Batam and South Natuna Sea¹. During the Shangri-La Dialogue in Singapore, Chinese Defence Minister Li Shangfu elaborated on China's new Global Security Initiative and put forward a four-point proposal on how to pursue security cooperation in the Asia-Pacific.
2. **East Asia.** China's relations with South Korea deteriorated after Chinese and Russian military aircraft intruded into Korean Air Defence Identification Zone (ADIZ) during the Sino-Russian joint air force patrols. Meanwhile, envisaging cooperation with the NATO, South Korea, Japan, Australia and New Zealand have started to discuss the details of the initiative called Individually Tailored Partnership Programme (ITPP).
3. **Taiwan.** The Island saw regular visits of leaders from some of its diplomatic allies and parliamentary delegations from countries like Italy and Poland. Showing its willingness to continue engagement with the PRC, the main opposition party on the island, the Kuomintang (KMT), sent a high-level delegation to take part in the annual Straits Forum in the mainland city of Xiamen. Meanwhile, warships USS Chung-Hoon (US) and HMCS Montreal (Canada), making a joint transit through the Taiwan Strait, were reportedly harassed by a Chinese naval ship.
4. **Pacific Island Countries.** Fiji is reported to be reviewing the contentious police cooperation agreement it signed with China in 2011 that allowed Chinese police officers to be stationed at the Pacific Island nation.
5. **Central Asia.** The "*China-Central Asia Political Party Dialogue*" was organised in China which saw participation of the representatives of political parties of the five Central Asian republics. Outlining common tasks for mass media in advancing its "common destiny" concept, China also organised a similar gathering with the heads of news agencies from Central Asia.
6. **West Asia.** Stepping up its engagement with the region, China not only hosted the Palestinian Authority President, but, also proposed a three-point Peace Proposal for

¹ The drills were originally planned to take place in the North Natuna Sea, which lies within Indonesia's exclusive economic zone but parts of which China claims as its own.

resolving the Israel-Palestine issue. The recent visit by US Secretary of State Antony Blinken to Saudi Arabia might have been a result of the American uneasiness with the increasing Chinese proximity towards the region and to continue with its own engagement. Saudi Arabia clarified that its relations with the US and China are not a 'zero-sum game'. Meanwhile, pushing for stronger economic ties, China organised the 10th Arab-China Business Conference in Riyadh.

7. **Africa.** Chinese engagements with countries in the region continued with the visit by Chinese officials like Qu Qingshan, a Central Committee Member and head of the Institute of Party History and Literature to countries like Tunisia and Egypt. A high-level delegation from South Africa visited China and signed agreements for strengthening cooperation in defence, security and law enforcement. The 3rd China-Africa Economic and Trade Expo is being organised in Hunan province. Namibia has banned the export of unprocessed lithium and other critical minerals.

8. **Europe.** China's Premier Li Qiang visited Germany and France, where he advocated for the security and stability of global industrial and supply chains, strengthening cooperation on innovation, and promoting a sound business environment. Meanwhile, underscoring EU's de-risking strategy, a small number of European firms have shown their intentions to move some of their investments out of China this year. Germany unveiled its first-ever national security strategy in which it accused China of "*repeatedly acting in contradiction to our interests and values*", and calling it a "*systemic rival*".

9. **USA.** Amid worsening bilateral relationship, US Secretary of State Antony Blinken visited China, setting the stage for a possible meeting between President Biden and Xi Jinping during the APEC Summit 2023. Earlier the US Senate Committee on Foreign Relations approved ending China's Developing Nation Status Act, inviting criticism from the PRC. The US has also expressed its concerns about Chinese military activities in Cuba.

Neighbourhood

10. **Afghanistan.** The Acting Governor of the Afghanistan Bank met the Chinese Ambassador, Wang Yu and discussed banking transactions and trading issues.

11. **Pakistan (Pak).** Pak PM Shehbaz Sharif met Chinese Premier Li Qiang on the sidelines of the Summit for a New Global Financing Pact in Paris. Pak's Chairman of Joint Chiefs of Staff Committee, Sahir Shamshad Mirza visited Beijing and met Chinese Foreign Minister, Vice Chairman of CMC, and head of International Department of the CPC Central Committee in separate meetings. Pak requested China to rollover deposits and commercial loan of USD 1.3 bn even as the two countries signed a USD 4.8 bn nuclear power plant deal (Chashma-5). China and Pak signed an agreement for co-establishment of Chuyi Workshop for exchange of knowledge and expertise in the field of modern chemical engineering.

12. **Nepal.** National Assembly Chair GP Timilsina visited Beijing and met senior PRC officials. The Chinese Ambassador Chen Song was in news for his claims of Pokhara Airport being an OBOR project and for stating that the recently organised Nepal-China Friendship Dragon Boat Race Festival was in line with China's Global Civilization Initiative (GCI). A two-month Chinese language training was conducted for Nepal's tourist police. WeChat Pay, a mobile payment service run by China's tech giant Tencent, was launched in Pokhara in partnership with Nepal's NMB Bank Ltd.

13. **Myanmar.** China's peace talks between the junta-controlled National Solidarity and Peace-making Negotiation Committee (NSPC) and the Three Brotherhood Alliance ended in just a day with no agreement. Six suspects in Myanmar's telecom fraud cases were returned to China.

14. **Bangladesh (BD).** China's Mingda New Material Co Ltd will reportedly invest USD 72.41 mn in BD Export Processing Zone Authority (BEPZA). Hong Kong investors have shown interest in an FTA with BD. Huawei unveiled products and solutions at the BD Data Centre Partner Event 2023 and launched 'Seeds for the Future' program to empower ICT talents in BD.

15. **Sri Lanka (SL).** Chinese Embassy hosted an appreciation reception for the SL diving team involved in the rescue of Chinese vessel in the Indian Ocean. SL secured over USD 500 mn in FDI from Chinese companies for joint ventures since Sep'22. China's CM ports will invest USD 8 mn to expand parking space at Hambantota Port.

Economy

16. **Internal.**

(a) The World Bank and IMF have updated their 2023 growth predictions for China, to 5.6%(y-o-y) and 5.2%(y-o-y) respectively, reflecting confidence in China's recovery as household savings is expected to translate into consumer spending. On the other hand, Goldman Sachs and S&P Global have revised down their growth forecast for China, to 5.4%(y-o-y) and 5.2%(y-o-y) stating headwinds such as weak property market and weak investments. However, Premier Li Qiang is confident that China will attain its target of 5%(y-o-y) for 2023, as stated by him in the World Economic Forum this month.

(b) China has taken steps to boost the internal economy with pilot rules for free trade zones to facilitate trade, bank rate cuts in the medium and long-term interest rates and a purchase tax rebate for new-energy vehicles of USD 72.3 bn. A stimulus is also expected to be announced by Premier Li Qiang. However, weak values of Production Manufacturing Index (PMI), exports and falling FDI in May'23 are headwinds that weigh down China's economy and have created uncertainty about an economic rebound. In Jun'23, PMI and services activity registered a decline as compared to May'23, with values of 48 and 53.2 respectively.

17. External.

(a) **China – USA.** Tensions between US and China have continued as the US added 43 entities to an export control list, including Frontier Services Group, a security and aviation company, for training Chinese military pilots and other activities. The US Senate Committee approved the "Ending China's Developing Nation Status Act" which aims to change China's status as a developing country in international organisations. China reacted by stating that the decision was outside the purview of the US.

(b) **China – EU.** In a survey conducted by the EU Chamber of Commerce in China, EU businesses have reported a decline in optimism for China's Greater Bay Area, citing China's slowing economic activities, market barriers and geopolitical tensions. The EU unveiled its Economic Security Strategy that called China a "systemic rival". The EU also added Chinese companies (3HC Semiconductors and King-Pai Technology) in its sanctions list stating that they export to Russia circumventing existing sanctions.

(c) **China – Bolivia.** Bolivia has signed lithium agreements with China's Citic Guoan Group, as China continues its measures to secure more lithium resources abroad.

(d) **India – China.** India has approved less than a quarter of the 435 FDI applications received from China since Apr'20. India received USD 2.5 bn FDI equity from China during the period Apr'20 to Mar'23.

Internal

18. **Communist Party of China (CPC).** President Xi Jinping (XJP) turned 70 years of age on 15 Jun' 23 but, in keeping with CPC restrictions against celebrating birthdays of living leaders, the event was hardly publicised. The muted coverage was unexpected considering XJP's constant promotion in the state-media. Since XJP secured a third term in October 2022, the CPC's Politburo has not published any official statements or readouts for three separate months, fuelling concerns of an information crackdown amid US-China tensions.

19. **National Security Commission (NSC).** XJP called national security risks facing China "*dangerous storms*" whose complexity and severity had "*increased dramatically*", at the NSC's first meeting since the 20th Party Congress. He also mentioned the need to quickly build an early warning system that monitors risks in real time. The NSC expanded the number of Vice Chairmen to three from two, adding Cai Qi, Director of the CPC's General Office and XJP's Chief of Staff, showing a rise in his stature and XJP's increased emphasis on national security planning.

20. **Foreign Relations Law (FRL).** The Standing Committee of the 14th National People's Congress (NPC) convened its third session where the Law on Foreign Relations was adopted. The new law provides a strong "*legal basis*" for countering foreign sanctions and

interference, potentially paving the way for further Chinese sanctions targeting countries like the US and its allies.

21. **Anti-Corruption.** China's Central Commission for Discipline Inspection unveiled a long list of ongoing anti-corruption investigations targeting senior managers at State Owned Enterprises (SOEs), indicating an intensifying crackdown on the state sectors. Nine senior managers and officials of SOEs in the country's energy, agriculture and telecom industries have been investigated on "*suspicion of severe violation of law and discipline.*"

22. **Covid-19.** China did not release data on the number of cremation services held in the fourth quarter of 2022, erasing a key indicator of deaths during the country's first nationwide Covid-19 wave in late 2022 after restrictions were rolled back.

23. **Tibet.** The Chinese-appointed Panchen Lama Erdeni Chos-kyi rGyal-po made a 13 day tour of Qamdo city of Tibet Autonomous Region, his second such visit, to conduct Buddhist and social activities.

Military

24. **New Equipment / Induction.**

(a) **Port For Deep Sea Research.** China has started construction of work on a port to support deep sea research at SCS test support base in Sanya.

(b) **Formation Flying by UAVs.** Three twin-tailed Scorpion combat UAVs loaded with precision bombs, missiles and smaller UAVs carried out a first of its kind formation flying during a technical demonstration test.

25. **Training, Exercises & Misc.**

(a) **Northern Joint-2023.** Russia is reported to have confirmed its participation in the "Northern Joint-2023" exercise being organised by China. The composition of forces, dates and venue for the exercise have not been disclosed.

(b) **Aviation Exercise.** PLA Aviation Brigade of Tibet Military District conducted live attack and manoeuvre exercise employing attack helicopters at an altitude of 4000 metres.

(c) **Political Training.** The CMC General Office has published "*Opinions on Promoting the Normalisation and Institutionalisation of Political Training*". It highlighted various aspects that need to be strengthened in order to deepen political training.

(d) **Multilateral Naval Exercise "Komodo".** Multilateral Naval Exercise Komodo (MNEK) was conducted from in Indonesia. More than 40 ships from China, Indonesia, US, Russia, Singapore, Pakistan and other countries participated.

(e) **China-Russia Strategic Aerial Patrol.** The sixth China-Russia strategic joint aerial patrol was conducted in two phases for the first time. Two H-6K bombers and two Tu-95 bombers, escorted by Russian Su-30s and Chinese J-11B aircraft, flew over the Sea of Japan, the East China Sea and West Pacific.

(f) **ADIZ Incursion.** 30 aerial incursions by Chinese aircraft were reported during the month, wherein a total of 370 aircraft intruded into Taiwan's ADIZ. In addition to PLA aircraft, on an average three / four PLAN ships were observed daily off Taiwan during the entire month.

26. **Defence Engagement/ Cooperation.** Senior military officers from China, Latin America and Caribbean nations attended the 16th Seminar on "*The risks and challenges to global and regional security, security perspectives and policies of China and LAC countries*" at the National Defence University. The 15-day seminar, which featured lectures, seminars, and visits to PLA's armed police, army, navy, and air force as well as military academies, was attended by 54 top military and police officers as well as defence officials from 25 countries.

Technology

27. China announced operationalisation of Zuchongzhi, a 176-qubit quantum computing platform, for global users. Cyber Administration of China (CAC) released a White List of approved suppliers of deep synthesis services. Chinese researchers claim to have developed a first ever mind-reading machine capable of turning human thought into spoken Mandarin. China's Ministry of Industry and Information Technology released its first set of blockchain regulations.

Space

28. During the month China launched 69 satellites in four launches. GalaxySpace, a private space company, conducted open-sea testing of China's LEO broadband communication test constellation.

Social Media

29. China marked the third anniversary of the Galwan clash, portraying it on social media as an achievement that young people should emulate by joining the PLA. There was an extensive use of films and videos showing the PLA as a highly competent and well-armed force working hard to defend China's territorial integrity. Netizens expressed frustration with the Chinese government's persistent use of positive language and creative use of data to mask unemployment challenges in China. Covid-19 infections, as part of the second wave of the pandemic, have again come to the centre of discussion. The term "blade throat", describing extreme soreness, has been trending for quite a while.

Overall Assessment

30. China's engagements in the Central Asian region are part of its continuous attempt for deeper engagement with the region and also against the backdrop of the first China-Central Asia Heads of State Summit in Xi'an held last month. China has been, so far, successful in furthering its interests with the smooth progress of various OBOR projects in the Central Asian region. It has, at the same time, continued with its aggressive engagements in West

Asia and Africa. Banning of exports by Namibia has possibly been prompted by the controversy surrounding Chinese firms in obtaining mining licenses unethically.

31. There is uncertainty among international organisations about how the economy will grow in China in the second half of 2023. The FRL is a significant upgrade from China's 2021 Anti-Foreign Sanctions Law and shows China pushing back against sanctions taken by western countries against Chinese companies and measures to restrict export of high-technology. EU's security strategy and adding of Chinese companies to sanctions list highlights the growing geopolitical tensions and the impact on economic sentiments. Release of White List by CAC makes China one of the first countries to move to regulate the rapidly-developing AI sector.