



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

International Relations

1. **South-East Asia.** Amidst China's continuous engagements with the region, US and Philippines issued new Bilateral Defence Guidelines, reaffirming mutual defence commitments under the 1951 US – Philippines Mutual Defence Treaty. While China and Laos conducted a joint military exercise, visiting Lao Vice Prime Minister and Minister of Public Security pledged to strengthen law enforcement and security cooperation in China. However, Chinese maritime aggression in the South China Sea continued, with the Chinese Coast Guard ships harassing Vietnamese and Philippine naval vessels and also interfering with their oil exploration activities.
2. **East Asia.** China reacted strongly to the remarks on Chinese and Russian military cooperation by Japanese PM and Foreign Minister (FM), and also expressed its anguish against NATO's plan of opening a representative office in Japan, its first permanent liaison office in Asia. Meanwhile China and Japan's defence ministers held talks over a newly set up military hotline.
3. **G7 Summit.** The statements released during G7 Summit 2023 show that **G7 are more united than ever on issues like Ukraine, China and economic security.** However, these statements received strong response from China, which called G7 an '**anti-China workshop**'. China also summoned the host country Japan's Ambassador to China, over the "*hype around China-related issues*" at the Summit.
4. **Quad Summit.** During the third in-person Quad summit, held on the sidelines of G7 discussions in Japan, the leaders of Quad countries renewed their commitment to uphold the rules-based order and deter aggression in the Indo-Pacific.
5. **Taiwan.** Amid the furore over Taiwan's participation in the World Health Assembly, a US House of Representatives committee passed the Taiwan International Solidarity Act, which emphasised that the UNGA Resolution 2758 only deals with the issue of China's representation and does not involve Taiwan's participation in the UN and related organisations.
6. **Central Asia.** China organised the first China – Central Asia Heads of State Summit in Xi'an where President Xi Jinping (XJP) delivered the keynote address in which he stressed on building a stable Central Asia and upholding sovereignty, security, independence and territorial integrity of Central Asian countries. Talks were held on issues like development of the region, building infrastructure and boosting trade. There were also talks about the possibility of establishing a secretariat for China-Central Asia, probably a kind of mini-SCO, with just China and the Central Asian Republics.

7. **West Asia**. China is reportedly in talks with Saudi Arabia wherein the latter is planning to buy weapons ranging from reconnaissance drones to air defence systems amid **rumours that the entire deal would be financed in the Chinese yuan**. The region also saw signing of some agreements between Chinese and Emirati state-owned / private companies in sectors like nuclear energy, manufacturing of electric-powered aircraft and drones for passengers / cargo transportation and in automobile industry chain services and logistics.

8. **Africa**. Chinese engagement with countries in the region continued with the visits by Chinese officials like Zhao Leji, Chairman of the Standing Committee of the NPC to Morocco and Senegal. China has agreed to upgrade its bilateral relationship to a **“comprehensive strategic cooperative partnership”** during Congolese President’s recent visit to the country. However, due to weakened demand for minerals and lower commodity prices, China’s imports from the continent fell by 11.8% in the first four months of 2023, compared to the same period in 2022. Meanwhile, **Egypt is reportedly in talks with China to acquire the J-10C fighter aircraft**. China’s push for increasing its soft power in the region through people-to-people ties are visible with its medical teams visiting Eritrea and Ethiopia, building of a potable water project in Angola, donation of sports equipment in Madagascar, etc. However, some of the OBOR projects are facing problems as countries like DRC are trying to revisit their mining contracts with Chinese companies.

9. **Europe**. Senior Chinese officials such as Vice President and FM visited France, Germany, the Netherlands, Austria, Portugal and Norway during the month. The officials called for better access and “fairer” business environment for Chinese companies, and also urged the EU for adhering to “strategic autonomy” in China-EU relations. EU’s chief diplomat, Josep Borell, warned that **China will “take geopolitical advantage” of a Russian defeat in Ukraine** and that the EU needs to respond to China’s global ambitions. However, the divisions among European countries were also visible as French President Emmanuel Macron suggested to the visiting Chinese FM that the ‘fate of Taiwan was not a central issue for Europe, and argued that Europe should not blindly follow the US in its rivalry with China’.

10. **Russia**. Russia has opened the key port of Vladivostok to China, which will enable transportation of domestic goods in China’s northeast region.

11. **USA**. Post G7 Summit, the US President stated that he was expecting a thaw in China ties, highlighting the prospect of removing sanctions over Chinese Defence Minister which was later denied by the State Department. During the US National Security Adviser Jake Sullivan’s meeting with Director Wang Yi in Vienna, the two sides spoke on Taiwan and Ukraine issues. US intelligence agencies and Microsoft detected mysterious computer code appearing in telecommunications systems in Guam and elsewhere in the US allegedly installed by a hacking group with probable support from the Chinese government.

Neighbourhood

12. **Afghanistan (Afg)**. Chinese embassy resumed issuing visas to Afg nationals while the Afg national carrier restarted direct flights to China. The Fifth

China-Afghanistan-Pakistan FMs' Dialogue was held wherein it was agreed to extend CPEC to Afg.

13. **Pakistan (Pak)**. Chinese embassy in Islamabad celebrated the 72nd anniversary of diplomatic relations with Pak. The Chinese FM visited Pak and met various Pak leaders. A 15 member Chinese delegation of cherry buyers visited Pak Occupied Gilgit – Baltistan. The first international seminar on China – Pakistan Science and Technology cooperation was held in Beijing. Pak has expressed willingness to pay in Chinese yuan for Russian oil. Pak and China **joined hands to promote land development for cultivation of hybrid chilli across 30,000 acres in 2023-24**. China remained silent on Imran Khan's arrest even as it **called Pak Army as 'defenders of stability'**.

14. **Nepal**. The Chinese Ambassador to Nepal met Nepal's Deputy PM to discuss issues of mutual interest. A delegation of 20 leaders of CPN-Maoist Centre visited China to "exchange experiences". China – Nepal land port resumed two-way passenger clearance in Burang. The Tibet Autonomous Region of China will reportedly assist the Nepal Police with 21 drones. Nepal Army is pushing for purchase of 26 Armoured Personal Carriers from China. The first demonstration village for sustainable development in Nepal, funded by China, was formally launched on 29 May 23.

15. **Bhutan**. The 12th Expert Group Meeting on Bhutan – China Border was held during the month, wherein, both sides agreed to expedite negotiations for resolution of border dispute.

16. **Myanmar**. China's FM visited Myanmar during the month even as rebels attacked China backed energy project in Myanmar, days after the FM's visit. China Myanmar Border Fair was held at Naypyidaw.

17. **Bangladesh (BD)**. China's Vice-Minister of Foreign Affairs visited Dhaka and participated in the 12th Foreign Office Consultations between China and BD. BD is reportedly vetting a deal on joining China's Global Development Initiative.

18. **Sri Lanka (SL)**. China remained observer in SL's creditors meeting. The Sri Lankan Embassy in Beijing hosted a grand Vesak celebration with 500 Chinese and SL participating in it. Sun Weidong, China's Vice Minister of Foreign Affairs, visited SL to co – chair the 12th round of Diplomatic Consultations between the two countries.

19. **Maldives (ML)**. ML's Ministry of Foreign Affairs apologised to China for the letter wherein an error was made in terming the Ambassador to PRC as Ambassador to Republic of China (Taiwan). Agreements on sports and education were signed between Yunnan province and ML. ML witnessed a surge in Chinese tourists.

Economy

20. **Internal**

(a) China's economic activity was mixed in Apr '23 as key indicators such as manufacturing and outbound foreign investment declined while retail sales,

fixed asset investment and inward foreign investment improved. Additionally rising unemployment rate among the youth reached a record high of 20.4% in Apr '23. The latest available data for May'23 pointed to slower manufacturing activity as compared to Apr'23.

(b) After two months of announcement during the 2023 Two Sessions in Mar'23, China inaugurated the National Financial Regulatory Administration (NFRA) for better financial regulation. Li Yunze, a veteran banker and former Vice Governor of Sichuan Province, has been appointed to lead the NFRA.

21. External

(a) **China – Africa.** China is taking steps to diversify its corn imports and lower its grain reliance on the US. COFCO, China's largest food processor, manufacturer and trader, has signed deals with 43 South African farms to be long-term suppliers.

(b) **China – Germany.** The German government will allow Chinese shipping company COSCO to buy a minority stake in Hamburg port, even as the terminal is classified as critical infrastructure. This coincides with recent EU plans to reduce its dependence on China and devise a “de-risk” policy for economic security.

(c) **China – Hungary.** Chinese battery company EVE Power plans to build a plant in Hungary with an investment of USD 1.2 bn. However, China's total investment in Europe fell, to a 10-year low in 2022, to USD 8.7 bn, down 22 % (y-o-y). China's investment in Europe was characterised by big projects that were concentrated in the automobile sector.

(d) **China - Central Asia.** President Xi Jinping (XJP) unveiled a plan for Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) which will cover various aspects such as security, investment and trade agreements. The total investment will be about USD 3.8 bn.

Internal

22. **Counter-Espionage Law.** Chinese authorities raided offices in multiple locations across China of Capvision, an international consulting firm, after the government broadened its counterespionage laws around information sharing in Apr' 23. CPC mouthpiece *The People's Daily* also warned foreign consulting companies to beware of China's laws on spying and national security following the Capvision raid. China has also expanded the law to include theft and transfer of documents, data, materials, or items related to national security and interests, thus expanding the scope of the law to include stifling cross-border economic activity.

23. **Demographic Concerns.** A series of *People's Daily's* editorials have been recently published in the *Zhong Yin* column which represent concerns of the Chinese government that China's demographic crisis could impact its economic growth. These editorials elaborated on XJP's vision on how China should tackle

its ongoing demographic shift, which includes a rapidly ageing society and a falling birth rate.

Military

24. New Equipment / Induction.

(a) **Intelligent Simulation.** PLA is reportedly utilising advanced intelligent simulation technologies in its daily training to prepare for future informatised and intelligent warfare.

(b) **Hybrid Warfare Capabilities.** The Commander of Western Theatre Command exhorted China to prepare for hybrid warfare. In particular, he advocated placing greater emphasis on political, financial, technological, cyber and cognition warfare in order to develop hybrid warfare capabilities.

(c) **Watchdog Tech in UCAVs.** China's export UCAVs are embedded with the watchdog technology to prevent them from being used against China. UAVs with this technology would stop flying / launching weapons when approaching the Chinese border.

25. Training, Exercises & Misc

(a) **Joint Precision Strike Exercise.** PLARF's DF-26 Base in Qingyuan is reported to have participated in a joint precision strike exercise with the Shandong Carrier Battle Group near Guam Naval Base in the Western Pacific.

(b) **Supply of Non-lethal Equipment.** A Wagner-connected, Russia-based company, 'Broker Expert' is reported to have bought 20,000 polymer-based helmets from a Chinese firm in December 2022.

(c) **Commissioning of Frigates for Pak Navy.** Two new frigates Type 054A/P (PNS Tipu Sultan and Shahjahan) were commissioned in Pakistan Navy at Shanghai.

(d) **ADIZ Incursion.** 30 aerial incursions by Chinese aircraft were reported during the month, wherein a total of 363 aircraft intruded into Taiwan's ADIZ. In addition to the PLA aircraft, on an average three / four PLAN ships were observed daily off Taiwan during the entire month. China's BZK-005 reconnaissance UAV flew around Taiwan, making it the second encirclement patrol by PLA UAVs in one week.

Technology

26. Citing national security concerns, China has banned US chipmaker Micron Technology. In response, US has urged South Korea not to fill the gap that will be created by the ban. A number of forums / seminars / expos were organised in China which were themed around innovation and cooperation in niche technologies like AI, big data, quantum etc. The focus of the events was towards highlighting the achievements of recent years, encouraging global participation

and motivating Chinese youth in these fields. China released a White Paper on Web 3.0¹ and establishment of National Blockchain Research Centre in Beijing.

Space

27. During the month, China conducted four launches and launched five satellites. It also launched the Tianzhou – 6 cargo spacecraft and Shenzhou – 16 manned spacecraft, which successfully docked with Tiangong, China's space station. China successfully recovered a reusable spacecraft which had spent 276 days in space.

Social Media

28. Yintao “Roger” Yu a former executive at TikTok parent ByteDance Inc. who was fired in 2018 in the US, has said in a lawsuit that the CPC had a special office within the company that gave it “supreme access” to all data. ByteDance called the allegations “baseless”. A prominent Chinese comedy producer has been fined nearly 15 million yuan (USD 2.1 mn) and has been suspended indefinitely from commercial performances after accusations were made on social media that one of the firm's stand-up comedians Li Haoshi insulted the Chinese military in a pun he made during a live comedy show in Beijing.

Overall Assessment

29. West Asian countries are seeking to diversify their weapon supplies to become less reliant on US and Russia. The visit by senior Chinese officials to Europe, came just before the EU General Affairs Council meeting scheduled in end-May 2023, where the members are expected to legislate over reducing dependency on Chinese supply chains, under the ‘de-risking’ strategy, especially in pharma and semiconductor sectors. Shipping goods from northern to southern China via the newly opened Russian port will not only cut costs but also help China strengthen its industrial and supply chains with its neighbours.

30. The timing of the China – Central Asia Heads of State Summit suggest that it was done to counter the G7 meeting held in Japan during the same time. China's increasing cooperation and deals with the Central Asian countries underscores the important of the region for China as it provides an alternate trade route. China is expanding its influence and taking on the leadership role in this region which has traditionally been under Russian sphere of influence. Expansion of the ambit of the Counterespionage Law will increase uncertainty of prosecution for foreign entities operating in China. Banning chips from Micron is the first major move by China against a US chipmaker.

¹ Web 3.0 or Web3 is generally described as the next evolution of the World Wide Web, the user interface that provides access to documents, applications and multimedia on the internet. It is still in the development stage.