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Note from Head of CS3

Dear All,

We are happy to publish the eighth issue of the Sinometer: The China Strategic Monitor, a monthly newsletter by the Centre for Strategic Studies and Simulation (CS3), USI.

The newsletter is divided into three sections. The newsletter begins with an analysis of two significant issues in China; the Henan Bank Crisis and China-ASEAN relations. It is then followed by Domestic News. The weakening of China's economy because of its Covid policies, President Xi Jinping's visit to Hong Kong and Xinjiang and news about China's various advancements in the field of technology, space and maritime will be part of the second section. Finally, the International News section will consist of news about US-China, India-China, China's ties with other countries and foreign minister Wang Yi's visit to Myanmar.

The purpose of this issue is to give a holistic perspective of China in the backdrop of Russia's invasion of Ukraine and tense US-China relations. We hope that budding China-Watchers will take an interest in the newsletter. Happy reading!

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Analysis

Henan Bank Crisis

- The cash crisis started on April 18 when system upgrades at many rural banks in the provinces of Henan and Anhui prevented people from accessing their accounts. Deposits at Yuzhou Xinminsheng Village Bank, Shangcai Huimin County Bank, Zhecheng Huanghuai Community Bank, and New Oriental Country Bank of Kaifeng in the province of Henan, as well as Guzhen Xinhuaihe Village Bank in the neighbouring province of Anhui, have been impacted since that time.¹

At the end of May, images of demonstrators holding signs that read "return our money" in front of the Henan branch of the China Banking and Insurance Regulatory Commission (CBIRC) in the provincial capital city of Zhengzhou started to circulate online.² On July 10, over 1,000 depositors protested in front of the PBOC branch in Zhengzhou. People are protesting for a collective amount of RMB 40 billion from the four banks in Henan.

After local authorities commenced an inquiry into privately held Henan New Fortune, the biggest shareholder in all four institutions, a run on the banks started in April. They claimed that a criminal organisation controlled by Lü Yi, the owner of Henan New Fortune, had defrauded the banks by fabricating loans and moving money unlawfully. The China Banking and Insurance Regulatory Commission said on July 11 that it would begin repaying individual investors who had saved up to Rmb 50,000 (\$7,400).

One of the reasons why the protests attracted attention is because local officials in Henan used over 1,000 depositors' health applications to falsely indicate that they were at high risk of Covid-19 and dissuade them from protesting. Five employees who were connected to the case have been let go or demoted. Another reason is a video posted on social media, which showed anonymous men beating victims of the financial crisis during the July 10 protests while police officers looked on sparking fury. Finally, the criminal organisation Lu Yi, believed to be responsible for the banking crisis, is alleged to have left China. The length of the cooperation between organised white-collar syndicates and local officials is demonstrated by the fact that this criminal triad operated freely and avoided capture for over ten years.³

¹ What you need to know about China's banking crisis. *South China Morning Post*. 13 July, 2022. <https://www.scmp.com/economy/china-economy/article/3185003/what-you-need-know-about-henan-banking-crisis>.

² Henan protests highlight concerns over China's rural banking sector. *Financial Times*. July 26, 2022. <https://www.ft.com/content/c6dd4f10-61c5-4edf-b168-21306142dc66>

³ China's banking crisis is a litmus test of Xi's Anti-Corruption campaign. *ORF*. July 18, 2022. <https://www.orfonline.org/expert-speak/chinas-banking-crisis-is-a-litmus-test-of-xis-anti-corruption-campaign/>

The crisis comes when China's economy is in dire straits with a housing problem. The word 'stability' has been focused and refocused by Xi Jinping in his speeches to emphasise improving the economy. As China's politics is closely connected to its economy, the Henan crisis has put a dent in the ability of the Chinese Communist Party to handle a setback such as this.

China-ASEAN relations on Non-Traditional Security Threats

- Security means the survival of the nation-state from an existential threat in international politics. Different theories advocate the concept of anarchy and emphasis the traditional security aspects. Realism is one of the primary schools of thought based on the conventional security to defend the nation-state. In his book 'Politics Among Nations'⁴, Hans Morgenthau spoke about not becoming moral because there are no universal ethical principles in international politics. However, the realist approach could not explain the challenges that emerged from the mid-1980s onwards. The new challenges are climate change, infectious diseases, migration began to pose more severe threats and many others.

However, the Copenhagen school of thought, a part of the post-positivist movement in international relations, analyzed the challenges and is visible in the writing of Barry Buzan, Ole Waever, and Jaap de Wilde's work, 'Security: A New Framework for Analysis'. The scholars challenged the dominant and narrow idea of security, i.e., security issues only viewed through the lens of high politics in the name of border security, posed by the new security, also known as Non-Traditional Security Threats.⁵

As it has expanded the concept of the security sector, in post-cold war, security issues have changed as there are intra-state wars more than interstate wars. Issue of the environment has become the forefront as it brings existential threat because of Global Warming and the melting of glaciers. Migration is a significant security concern with the rise of industrialization and civil war. This puts pressure on a particular piece of land as people migrate.

However, the COVID-19 outbreak in late 2019 in the Chinese city of Wuhan has exposed the world to security dangers in the current environment.⁶ Across the world five million people have died from the epidemic in just two years, seriously disrupting socio-economic activity worldwide.⁷ Moreover, following the 1997 Asian financial crisis and the 2003 Severe Acute Respiratory Syndrome (SARS) pandemic shook the area, NTS received more attention in China and Southeast Asia in the

⁴ 1 Morgenthau Hans J (1948) Politics Among Nations 15th edition, AAKnopf New York

⁵ Buzan. Barry. Ole Waever, and Jaap de Wilde. 1998. Security: a new Framework for Analysis. Boulder, Colo: Lynne Rienner Pub.15th edition

⁶ Wu, Yi-Chia; Chen, Ching-Sunga; Chan, Yu-Jiuna,b,c,* . The outbreak of COVID-19: An overview. Journal of the Chinese Medical Association: March 2020 - Volume 83 - Issue 3 - p 217-220 doi: 10.1097/JCMA.0000000000000270

⁷ WHO, URL: <https://covid19.who.int/>

early 2000s. Both disasters' economic and sociopolitical repercussions made it clear that non-military issues may endanger the state's security and its citizens' welfare. It serves as a timely warning to the world's leaders that a non-military problem might endanger state and human safety. The two crises allowed China to work together to win Southeast Asia's goodwill. Southeast Asia viewed China's move to keep its currency stable in 1997 favourably.⁸

In "the first phase of the SARS outbreak, the Chinese government was harshly criticized for its management of the pandemic," according to Mely Caballero-Anatomy⁹, Lina Gong, and Mingjiang Li.¹⁰ The Special ASEAN-China Leaders' Meeting on SARS, which was held in April 2003, gave the Chinese government a chance to show its dedication to regional cooperation and to win over its neighbours. The two crises were jointly addressed, which increased confidence between China and Southeast Asia and set the stage for future collaboration for NTS.

Additionally, China and Southeast Asian nations chose to collaborate under the banner of NTS over the notion of human security, which was mostly seen as a Western term and connected to human rights and humanitarian action.¹¹ Due to the low sensitivity of NTS compared to traditional security, many individuals felt that collaboration in this area might help China and Southeast Asian nations gain early confidence in their ability to handle more controversial matters.¹² The Joint Declaration on Cooperation in the Field of Non-Traditional Security Issues in 2002 and the Memorandum of Understanding on NTS Cooperation in 2004 were only two agreements the two sides signed to demonstrate their political commitment to working together.¹³

The collaboration between China and Southeast Asia in NTS is affected in three different ways by the current geopolitical realities, according to Xue Gong.¹⁴ Firstly, the current Chinese leadership has shown greater interest in advancing China's status in the area and throughout the world, as well as in enhancing its image and developing soft power. China may conveniently accomplish these goals through more active diplomacy by using NTS.

⁸ Kun Young Park and Wang Hwi Lee, (1999), "The Financial Crisis of 1997–1998 and Its Impact on Security Relations in East Asia," *Asian Perspective*, Vol. 23, No. 3, 134

⁹ Mely Caballero-Anthony, "SARS in Asia: Crisis, Vulnerabilities, and Regional Responses," *Asian Survey*, Vol. 45, No. 3 (2005), pp.486–488

¹⁰ Gong, Lina, and Mingjiang Li. "China–Southeast Asian Nontraditional Security Engagement: A Soft Power Mode in Beijing's Regional Diplomacy?" *China Review* 21, no. 4 (2021): 1–9. <https://www.jstor.org/stable/48635890>

¹¹ Amitav Acharya, "Human Security: East versus West," *International Journal*, Vol. 56, No. 3 (2001), pp. 442–460

¹² Stéphanie Martel, "From Ambiguity to Contestation: Discourse(s) of Non-traditional Security in the ASEAN Community," *Pacific Review*, Vol. 30, No. 4 (2017), p. 551

¹³ David Arase, "Non-traditional Security in China-ASEAN Cooperation: The Institutionalization of Regional Security Cooperation and the Evolution of East Asian Regionalism," *Asian Survey*, Vol. 50, No. 4 (2010), p. 822

¹⁴ Xue Gong, "Non-traditional Security Cooperation between China and South-East Asia: Implications for Indo-Pacific Geopolitics," *International Affairs*, Vol. 96, No. 1 (2020), pp. 29–48.

Secondly, while appreciating the advantages and opportunities brought about by China's increased commitment, Southeast Asian nations are becoming more aware of the new pattern in regional security. Many of the region's elites are more worried about the growth of China's influence in the region overall. Many nations in the area are wary of China due to the wars and tensions in the South China Sea. Their concerns about working with China may result in delayed development or inconsistent outcomes in NTS collaboration.

Finally, it's crucial to consider developments outside of the China-Southeast region. For instance, the United States has a long history of supporting NTS-related initiatives inside ASEAN and among its member nations.

In several areas, NTS differs from the conventional security paradigm. NTS is a method of studying security that focuses on non-military causes of security threats, the effects on the state and its citizens, and the players and procedures involved in addressing these issues. Conceptually, it is a word that encompasses non-military difficulties, including infectious illnesses, natural disasters, climate change, a lack of water, a lack of energy, and international crimes. The current Chinese government has shown greater interest in boosting China's status in the area and throughout the world, as well as developing soft power due to rising power resources. NTS offers China a convenient means of pursuing these objectives through more aggressive diplomacy in the ASEAN area.

Domestic News

China's Covid policies and economic slowdown

- With stringent lockdowns and mass quarantines to curb the effects of Covid-19, China's economy has taken a hit. On his trip to Hong Kong earlier in the month, Mr. Xi stopped in Wuhan and reaffirmed the nation's ongoing zero-COVID policy. Given its size, he added that China would have faced "unimaginable repercussions" if it had followed the "herd immunity" policy or a hands-off strategy.¹⁵

However, the covid containment strategy of China has proved to be expensive, where citizens might have to go under lockdowns for weeks. The primary economic data for the second quarter was released on Friday, the 15th of July. The economy declined for the first time in 28 years, and growth rates were at their lowest since the first three months of 2020, when the nation essentially shut down to combat the pandemic's early phases. However, the economy witnessed a 0.4 per cent increase over the last year in the second quarter.

The government has been unable to control the rate of growing unemployment. The unemployment rate was 5.5 per cent in June. China has pushed regional leaders to take more decisive action to maintain job security during lockdowns. Despite middle-income and small businesses going into losses, the problem of unemployment is not being solved. Xi Jinping announced that China would establish a 500 billion yuan (\$74.69 billion) public infrastructure investment fund to encourage infrastructure expenditure and boost a sagging economy.¹⁶ According to sources, the fund is scheduled to be established in the third quarter. The epidemic has also dealt China's real estate market a devastating hit since it is amassing massive debts. Sales of brand-new homes have drastically decreased, and property values have fallen. It has not been successful for China to resurrect the housing market with more accessible credit, cheaper mortgage rates, and subsidies. Local governments have developed different programmes to encourage house ownership but to no avail.

Xi's visit to Hong Kong

- President Xi Jinping stepped out of mainland China for the first time since January 2020 to visit Hong Kong. The visit was to mark the 25th anniversary of Hong Kong's return to Chinese rule. Xi's first visit was also after the 2019 pro-democracy protests in Hong Kong. Xi encouraged Hong Kong citizens to propagate mainstream ideas and values and called everyone to adhere to one country, two systems. He also added that Hong Kong was "in a new stage of transitioning from

¹⁵ Xi Jinping, in rare Hong Kong visit, hails change from 'chaos to order'. *The Hindu*. 1 July, 2022. <https://www.thehindu.com/news/international/xi-jinping-in-rare-hong-kong-visit-hails-change-from-chaos-to-order/article65589130.ece>

¹⁶ China said to plan \$75-bn infrastructure fund to revive economy. 5 July, 2022. <https://www.thehindu.com/business/china-said-to-plan-75-bn-infrastructure-fund-to-revive-economy/article65603125.ece>

chaos to order.”¹⁷ He said that Hong Kong had gone through many ups and downs but must not go into chaos. He added that no distraction should interfere with the development of Hong Kong.

Due to Covid concerns, Xi left Hong Kong on 30th June and came back on 1st July to see the swearing-in of John Lee, the city's new chief executive who Beijing directly chose. Mr. Lee's new 21-member cabinet was also sworn in. Xi put on a mask with the red digits "25" written.¹⁸

Xi's visit to Xinjiang

- President Xi Jinping inspected the Xinjiang Uygur Autonomous Region in northwestern China from 12th July to 15th July. Ma Xingrui, the secretary of the CPC's Xinjiang Uygur Autonomous Regional Committee, and Erkin Tuniyaz, the head of the region's administration, joined Xi on his visit. Xi called for the development of Xinjiang into a peaceful, prosperous, and culturally advanced area, with healthy ecosystems and people living and working in satisfaction. As the main objective, President Xi Jinping emphasised efforts to entirely and truthfully execute the Communist Party of China's (CPC) policies for the government of Xinjiang in the new age.¹⁹ Xi stressed that Islam in China must be Chinese in orientation.

He visited the Guyuanxiang neighbourhood in Tianshan District, Xinjiang University, the Urumqi International Land Port Area, and the Xinjiang Uygur Autonomous Region Museum. He visited communities in Shihezi and Turpan and the Xinjiang Production and Construction Corps (XPCC). During his visit to the Urumqi International Land Port (UILP), Xi watched on camera the real-time operation of the Alashankou and Khorgos ports and the China-Europe assembly freight train.²⁰ The UILP, launched in 2015, is a crucial part of the Silk Road Economic Belt. It is also essential for China-Europe freight trains. Xi called Xinjiang a core area and a hub for the Belt and Road Initiative (BRI).

Additionally, he visited the soldiers and commanders stationed there and thanked them for their "excellent efforts" to border defence and stabilise the unrest-ridden area. Qi Fabao, the regimental commander of the PLA who was hurt during the June 2020 fight at Galwan in eastern Ladakh, was also present at the conference in addition to the senior brass of the Western Theatre Command of the PLA which manages the 3,488 km-long LAC between India and China.²¹

¹⁷ Xi Jinping in rare Hong Kong visit, hails change from chaos to order. *The Hindu*. 1 July, 2022. <https://www.thehindu.com/news/international/xi-jinping-in-rare-hong-kong-visit-hails-change-from-chaos-to-order/article65589130.ece>

¹⁸ 'Reborn from the ashes', Xi Jinping visits Hong Kong for Handover ceremony. *Time*. 1 July, 2022. <https://time.com/6191470/hong-kong-xi-jinping-25-handover-anniversary/>

¹⁹ Xi Jinping's inspection tour of Xinjiang. *Xinhua*. 16 July, 2022. <https://english.news.cn/20220716/229561e0432244e7b0053de92f8b4856/c.html>

²⁰ Xinjiang no longer a remote corner, but a core area, hub in BRI: Xi. *Global Times*. 16 July, 2022. <https://www.globaltimes.cn/page/202207/1270649.shtml>

²¹ Chinese president Xi meets PLA troops connected with Ladakh standoff during his Xinjiang tour. *The Indian Express*. 25 July, 2022. <https://indianexpress.com/article/world/chinese-president-xi-pla-troops-ladakh-standoff-xinjiang-tour-8033612/>

Massive data breach in Shanghai

- An unknown person in China leaked 23 terabytes of personal information, including names, identification card numbers, contact information, addresses and even history of criminal records of Shanghai residents, on the Chinese hacker website Breach Forum. He asked to sell the data for ten bitcoins, equivalent to \$200,000. The person claimed to have accessed the Shanghai police database to get the information.²² It is unclear how the breach happened, and questions remain about how the hacker gained access to the police database. It is being said that this might be the most significant data breach in China's history. The Chinese media kept quiet about the incident as the news did not make it into Chinese newspapers.

However, at a State Council meeting on Wednesday, Premier Li Keqiang emphasised the significance of information security, which many saw as an indirect message addressing the breach. He said in the cabinet meeting that the Chinese government bodies must “defend information security, to protect personal information, privacy and confidential corporate information so people can feel secure when submitting data for certain public services.”²³

China introduces new law regarding transferring data abroad

- Beijing introduced a new law on cross-border data transfer on 5th July. Many in China will now have to seek approval from Chinese authorities before they transfer data outside the country. Effective from 1st September, this law will increase compliance costs for businesses and multinationals and require them to store locally generated data in the country. According to the new rules, “Critical information infrastructure operators” i.e., organisations which process data for essential industries such as telecommunications, defence, energy and finance - will have to compulsorily pass a security test by the Cyberspace Administration of China before they can send personal data abroad.²⁴

Before transferring personal data over international borders, parties working with data of one million or more persons must go through these evaluations, according to the regulations. Those who have been sending sensitive personal information about 10,000 persons or more, or personal data of at least 100,000 people, abroad since the last year are also obligated to do similar evaluations.²⁵ Since last year, China began mandating Tesla Inc. and other automakers to keep locally produced data in China. More data is being created every day and stored by vehicles as the

²² Why China's Massive Data Leak Is So Chilling. *Bloomberg*. 11 July, 2022. <https://www.bloomberg.com/news/newsletters/2022-07-11/why-china-s-massive-data-leak-is-so-chilling>

²³ Chinese premier stresses data security after alleged leak affecting 1 billion Chinese residents triggers concerns. *South China Morning Post*. 8 July, 2022. <https://www.scmp.com/tech/big-tech/article/3184571/china-premier-stresses-data-security-after-alleged-leak-affecting-1>

²⁴ China Introduces New Rules Governing Cross-Border Transfers of Data. *The Wall Street Journal*. 8 July, 2022. https://www.wsj.com/articles/china-introduces-new-rules-governing-cross-border-transfers-of-data-11657271646?st=z0h2q0lv8uoft8o&reflink=desktopwebshare_twitter

²⁵ *ibid*

world is moving toward an intelligent way of driving. Tesla announced the construction of a data centre in Shanghai in October.²⁶

The law is an addition to the data-related laws China has come up with in the past few years to advance its digital economy. However, the Cyberspace Administration of China has not clarified the kind of “important data” that would have to get approved to transfer abroad. Hence, there lies a lot of ambiguity around the new law.

China’s advancement in the Blockchain game

- Beijing’s determined to develop its blockchain applications in China. The Cyberspace Administration of China (CAC) has released 197 lists of ventures of blockchain projects taken up from 2019 to 2021. According to market research company IDC, China's blockchain market may be valued at more than US\$3.2 billion by 2025, with a compound annual growth rate of 47% between 2020 and 2025.²⁷

Most of the largest IT companies in China, as well as several of their subsidiaries, have blockchain services registered with the CAC. The listings include Tencent Holdings, JD.com, Xiaomi, NetEase, and Baidu. There are also representatives from Ant Group, the fintech unit of Alibaba Group Holding. Most registered services are for applications in the legal and financial fields, as well as Blockchain-as-a-Service (BaaS), which enables users to use blockchain technologies like smart contracts that have already been developed for other purposes in their enterprises.²⁸

China has banned the trading of cryptocurrencies.

Huawei to launch new operating system called HarmonyOS 3

- The Shenzhen-based tech giant Huawei announced the launch of an updated system of its self-operating system called HarmonyOS 3. The system will be launched on the 27th of July, as posted by Huawei’s handle on Weibo. The company released HarmonyOS in August 2019. HarmonyOS 2 has been available on users’ Huawei devices for a year, as it was launched in September 2020. Two hundred twenty million Huawei devices had HarmonyOS installed by last year's end.²⁹

²⁶ Tesla will store Chinese user data locally, following Apple’s suit. TechCrunch. 26, May, 2021. <https://techcrunch.com/2021/05/26/tesla-china-user-data-storage/>

²⁷ Blockchain with ‘Chinese characteristics’ quietly takes off with Beijing’s blessing while shunning cryptocurrency. *South China Morning Post*. 2 July, 2022. <https://www.scmp.com/tech/big-tech/article/3183838/blockchain-chinese-characteristics-quietly-takes-beijings-blessing>

²⁸ *ibid*

²⁹ Huawei to launch updated home-grown operating system HarmonyOS 3 amid US sanctions as China seeks tech self-sufficiency. *South China Morning Post*. 18 July, 2022. <https://www.scmp.com/tech/tech-war/article/3185643/huawei-launch-updated-home-grown->

However, as a part of US trade sanctions on Huawei, Google stopped giving its mobile software services to Huawei in 2019. The Chinese company swiftly lost its significance in the global smartphone industry without access to advanced semiconductors built on US-origin technology. The sales performance of Huawei last year was its weakest ever, falling to 636.8 billion yuan (US\$100 billion).³⁰ The worst-hit part of Huawei's consumer division, which mainly comprised smartphone sales, saw a 50% decline in revenue to 243.4 billion yuan.

China has been working towards reducing its dependency on Western technologies. State-owned China Electronics Corp. subsidiary Kylinsoft announced that it would launch an open-source code community at the beginning of July. To compete with Microsoft's more well-known global website GitHub, the nation also maintains its open-source portal called Gitee.³¹

Wentian laboratory module gets docked in China's near-finished space station

- The second of three laboratory modules that China is building for a space station docked successfully. On a Long March 5B rocket, the Wentian module was launched from Hainan Island on 24th July. Wentian, the 23-ton biggest spacecraft ever built by China, has four science cabinets that allow researchers to conduct ecological and biotechnological tests in various gravity environments. Additionally, it has an extra airlock for spacewalks and a robotic arm for external research. China's enormous three-module Tiangong space station project, which is expected to be completed by late 2022, entered its last phase of development with the docking.³² Tiangong, or the "Heavenly Palace," will be self-sufficient in terms of power, propulsion, life support, and living space.

A potential new Chinese submarine

- In an official release, a new type of conventionally powered submarine appears to have just been unveiled by the Chinese People's Liberation Army (PLA) Navy. A big screen depicting a parked submarine could be seen in the backdrop of a photo published on July 18th by the PLA Navy's official WeChat account.³³

The PLA Navy has never previously disclosed a conventionally powered submarine

operating-system-harmonyos-3-amid-us?module=perpetual_scroll_0&pgtype=article&campaign=3185643

³⁰ Tech War: China doubles down on domestic operating systems to cut reliance on Windows, MacOS from the US. 1 July, 2022. https://www.scmp.com/tech/big-tech/article/3183681/tech-war-china-doubles-down-domestic-operating-systems-cut-reliance?module=hard_link&pgtype=article

³¹ *ibid*

³² Chinese space station nears completion as laboratory module successfully docks. CNN. 25 July, 2022. <https://edition.cnn.com/2022/07/25/china/china-launches-wentian-space-station-docks-intl-hnk-scn/index.html>

³³ Photo of what seems to be China's new submarine revealed in official report. *Global Times*. 19 July, 2022. <https://www.globaltimes.cn/page/202207/1270904.shtml>

in operation. It is thought that the submarine is a brand-new member of the Type 039 family, probably designated as the Type 039C. According to reports, the angled sail design might lower the radar cross-section, increase the submarine's above-water stealth, offer hydrodynamic benefits, and accommodate new equipment. Foreign media speculated that the Chinese had copied the design from a Swedish submarine.

International News

China faces sanctions for supporting Russia

- US sanctions against Russia now have included nations that aid or supply its armed forces. The United States has sanctioned five Hong Kong businesses for allegedly supporting Russia's military and defence industry base engaged in the conflict in Ukraine. On June 28, the US Department of Commerce's Bureau of Industry and Security (BIS) said that 36 organisations had been added to its Entity List for acting against US national security or foreign policy objectives. Twenty-five of them is headquartered in China. Five have Hong Kong addresses, and one has a Hong Kong registration.³⁴

These companies include King Pai Technology Co Ltd, Connect Electronic Ltd, Winninc Electronic, World Jetta (H.K.) Logistics Ltd, and Sinno Electronics Co Ltd. According to the Chinese foreign ministry, the newest wave of US penalties against Chinese firms was rejected by Beijing because they were illegal under international law and did not follow a Security Council resolution.³⁵ It urged the US to lift the restrictions and cease targeting Chinese companies with unilateral penalties and long-arm jurisdiction. Three Chinese persons and 17 Chinese organisations were simultaneously placed on the US Entity List for allegedly providing goods to Iran or endangering US national security.

The US Commerce Department stated that as no licencing exceptions were available for exports, reexports, or transfers (in-country) to these entities, BIS would examine licence applications for products for these firms under a presumption of refusal. The US's sanctions against Hong Kong businesses were a first response to the war in Ukraine and Russia.

Chinese minister uses former NSA's comments against the US

- Senior Chinese envoy Wang Wenbin used former White House national security adviser John Bolton's claim to have "helped plan coups" against the US.³⁶ In an interview on July 12th about the attack on the US Capitol, Bolton suggested that the US had been involved in organising foreign coups.

"Bolton's admission is so revealing," Chinese Foreign Ministry spokesman Wang Wenbin said on Monday. "Leading U.S. politicians trumpet the so-called rules-based international order for one purpose: to ensure that the U.S. can easily interfere in other countries' affairs and overthrow their governments at its own

³⁴ US starts sanctioning China for supporting Russia. *Asia Times*. 30 June, 2022. <https://asiatimes.com/2022/06/us-starts-sanctioning-china-for-supporting-russia/>

³⁵ *ibid*

³⁶ John Bolton says he 'helped plan coups d'etat' in other countries. *The Guardian*. 13 July, 2022. <https://www.theguardian.com/us-news/2022/jul/13/john-bolton-planned-coups-donald-trump-january-6>

will."³⁷

Wang claimed that the US cleared space for its objectives in Taiwan and Ukraine, respectively. China emphasised this more due to accusations that it and Russia had altered "the global governance framework and world order."³⁸

The Chinese Foreign Ministry exploited the comment as fodder for their public diplomacy about Latin America, a crucial region for China. Wang added that US officials instigated colour revolutions in Europe and Asia, even contributing to the Arab Spring. He accused senior US officials of encouraging opposition parties to ignite political conflict.

Chinese firm Fufeng purchases land in the US

- The purchase of 300 acres by a maize milling firm close to Grand Forks Air Force Base in North Dakota has sparked concerns about national security in Washington. According to a CNBC story, the United States is uneasy about a Chinese grain milling company's purchase of land close to one of its most important air bases. A 300-acre farming parcel in North Dakota, purchased by the Shandong-based Fufeng Group, is only 20 minutes from Grand Forks Air Force Base, which houses some of the country's most sensitive military drone technology.³⁹ According to security experts, the action may grant Chinese spies' unheard-of access to the facilities.

India-China hold 16th Corps Commander negotiations

- On 17th July, India and China held the 16th round of Corps Commander level discussions for more than 12 hours in an effort to restart the stalled disengagement and de-escalation process in Eastern Ladakh. The two parties have had 15 rounds of discussions so far since the standoff started in May 2020, with disengagement from Galwan in 2020 following the deadly incident. On March 11, 2022, the 15th round of Corps Commander negotiations was held. There have also been political and diplomatic discussions around this. Both sides are still stationing over 50,000 soldiers and large pieces of equipment not far from the LAC. China has also engaged in extensive infrastructure, housing, and support structure building over the past two years to retain the soldiers near to the LAC, changing the situation on

³⁷ China uses John Bolton's coup plotter boast to attack US-led international order. *Washington Examiner*. 18 July, 2022. <https://www.washingtonexaminer.com/policy/defense-national-security/china-international-order-john-bolton>

³⁸ China and Russia unveil plan for new world order. *Washington Examiner*. 5 February, 2022. <https://www.washingtonexaminer.com/policy/defense-national-security/china-and-russia-unveil-plan-for-new-world-order>

³⁹ Chinese company's purchase of North Dakota farmland raises national security concerns in Washington. *CNBC*. 1 July, 2022. <https://www.cnbc.com/2022/07/01/chinese-purchase-of-north-dakota-farmland-raises-national-security-concerns-in-washington.html>

the ground.⁴⁰

After the talks were held, it was confirmed that China intends to construct a new roadway that will pass through the disputed Aksai Chin region. The G695 national expressway will be the second national highway to pass across the Aksai Chin plateau, where China governs 38,000 square kilometres of territory that India claims.⁴¹ By 2035, the roadway is anticipated to be finished. Compared to the previously constructed G219 highway, the new one will travel nearer the Line of Actual Control. It is most likely to connect Mazha town in Xinjiang with Lhunze in southeast Tibet, which is on the other side of Arunachal Pradesh, via Aksai Chin and China's borders with India, Nepal, and Bhutan.⁴²

India deals with FDI proposals from Chinese entities

- India made it mandatory to obtain security clearance for foreign direct investment (FDI) from nations that share a land border with India. This affected Chinese investors and companies. The Ministry of Commerce and Industry reports that between April 2014 and March 2019, FDI from China into India was equal to US\$1.81 billion. This translates to about US\$360 million annually over five years. However, according to sources, FDI from China and Hong Kong into India dropped to barely \$200 million in the fiscal year 2020–21, the lowest level in several years and much below the five-year average. FDI decreased even further in the first half of 2021–2022, reaching barely US\$36 million throughout the six months.⁴³

However, FDI limitations haven't stopped Sino-Indian trade from expanding. The two countries' combined work is expected to top \$100 billion for the second year. Commerce statistics from July showed that the first half of 2022 saw US\$67 billion in bilateral trade between China and India. The two countries' commerce hit a record high of US\$125 billion last year.⁴⁴ In 2022, Chinese exports to India rose while Indian exports to China decreased, widening the country's current trade imbalance.

More details on the present situation of Chinese investment in India were revealed in July 2022. On June 29, 2022, India accepted 80 FDI proposals involving Chinese businesses. Although it was mentioned that the government had received 382

⁴⁰ India-China hold 16th round of Corps Commander talks. *The Hindu*. 17 July, 2022. <https://www.thehindu.com/news/national/16th-round-of-india-china-corps-commanders-talks-updates-july-17/article65650307.ece>

⁴¹ China plans another highway in Aksai Chin. *The Hindu*. 20 July, 2022. <https://www.thehindu.com/news/international/china-plans-another-aksai-chin-highway/article65663018.ece>

⁴² Beijing's new highway plans near disputed territory expected to spark concern in Delhi. *South China Morning Post*. 20 July, 2022. <https://www.scmp.com/news/china/diplomacy/article/3185885/china-india-border-beijings-new-highway-plans-near-disputed>

⁴³ How is India treating FDI proposals involving Chinese entities? *India Briefing*. 18 July, 2022. <https://www.india-briefing.com/news/india-fdi-policy-china-companies-associated-entities-security-concerns-approvals-25534.html/>

⁴⁴ *ibid*

offers from Chinese companies, since India had placed particular limitations on FDI, it is unclear how the government had turned down many proposals. Since the tensions and subsequent conflicts along the Himalayan border, as well as a slew of claims that Chinese corporations were stealing personal information from Indian enterprises, India's diplomatic and, as a result, commercial ties with China, have worsened.

A new alliance in the making: Chip 4

- “The Biden administration recently tried to undermine international trade laws and split the global market, particularly the chip supply chain, by keeping China out of the game”, said Zhao Lijian, a spokeswoman for China's Ministry of Foreign Affairs, on July 19, 2022.⁴⁵ She added that attempts by the US to encourage industry transfer artificially and decoupling were counterproductive and unpopular given how deeply the global economy was integrated and would unavoidably fail.

The US government is reportedly requesting South Korea's response on whether it will join the US-proposed "Chip 4" alliance, which includes South Korea, Japan, and Taiwan, by the end of August to reduce the Chinese mainland's significant role in the world's semiconductor supply chain.⁴⁶ In response to a request from the media for comment on the alleged "Chip 4" alliance, Zhao stated that the semiconductors industry is highly globalised and that the division of labour and international collaboration have helped to promote the ongoing and quick advancement of chip technology.

According to Zhao, the creation and growth of the global chip industry supply chain's innovation and development are the interaction between corporate decisions and market laws. Although the US has consistently promoted the idea of "free trade," the spokesman claimed that the US has frequently overstepped its bounds, politicised and militarised science and technology, and undermined international trade agreements.⁴⁷ The remark was made during US Treasury Secretary Janet Yellen's visit to South Korea, which focused partly on the need to strengthen supply chains for vital components like processors and electric car batteries to pressure China out of these markets, according to specific media.

Extension of CPEC to Afghanistan

- On July 18, 2022, senior officials from Pakistan and China debated whether expanding the China-Pakistan Economic Corridor (CPEC) to Afghanistan would

⁴⁵ US' attempt to form exclusive chips grouping will fail: says China's foreign ministry. *Global Times*. 19 July, 2022. <https://www.globaltimes.cn/page/202207/1270934.shtml>

⁴⁶ Will South Korea join US-led chip alliance 'Chip 4?' *The Korea Herald*. 22 July, 2022. <https://www.koreaherald.com/view.php?ud=20220722000615>

⁴⁷ Foreign Ministry Spokesperson Zhao Lijian's Regular Regular Press Conference on July 19, 2022. *Ministry of Foreign Affairs of the People's Republic of China*. https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/202207/t20220719_10723456.html

help the war-torn nation's economy.⁴⁸ Yue Xiaoyong, China's special representative for Afghanistan, and Foreign Secretary Sohail Mahmood met at the Foreign Office in Islamabad to explore the possibility of expanding the BRI's flagship initiative.⁴⁹

Mr Mahmood emphasised Pakistan's dedication to Afghanistan. He emphasised the supply of aid to Afghanistan, notably Pakistan's efforts to assist those affected by the deadly earthquake that struck eastern Afghanistan on June 22, 2022. To alleviate the financial burdens of the Afghan people and support the development of a sustainable economy, the foreign secretary further emphasised the need to defrost Afghanistan's foreign reserves and facilitate banking operations. The foreign secretary once more emphasised how crucial it was for Afghanistan to meet the international community's demands regarding inclusion, respect for all Afghans' rights, particularly girls' education, and effective counterterrorism measures. He emphasised that despite what is happening abroad, the international community's attention should not be taken away from the catastrophic situation in Afghanistan.⁵⁰

He emphasised ongoing positive dialogue and practical collaboration with the interim Afghan government while highlighting the role of organisations like Troika Plus and the Six Neighboring Countries play in promoting common objectives. Yue Xiaoyong, the Chinese ambassador, praised Pakistan for its significant contribution to the Afghan situation. According to both parties, only a peaceful, stable, and connected Afghanistan could be a hub for improved regional commerce and connectivity. Before this, Special Assistant to the Prime Minister Ambassador Mohammad Sadiq and Mr Yue had spoken.⁵¹ Both parties assessed how the situation changed and discussed plans for building infrastructure, providing humanitarian aid, and promoting trade and transportation.

First-ever China-Scotland direct container service launched

- For the first time, a direct container transport route will link Scotland and China. A collaboration between KC Liner Agencies, DKT Allseas, and China Xpress will establish a new freight route connecting Chinese ports with Greenock Ocean Terminal. The move, it said, was made in response to mounting demands on the world supply chain. Through the elimination of unforeseen port congestion delays in Rotterdam, the new service seeks to reduce the travel duration from around 60 days to an anticipated 33 days. Beer, whisky, candy, gin, paper, shortbread, water, and machinery will be exported from Scotland; fabrics, furniture, toys, athletic gear, and shoes will be imported.⁵²

⁴⁸ Pakistan, China mull extending CPEC to Afghanistan. *ANI*. 26 July, 2022. <https://www.aninews.in/news/world/others/pakistan-china-mull-extending-cpec-to-afghanistan20220719115011/>

⁴⁹ Pakistan, China discuss extending CPEC to Afghanistan. *Tribune*. 18 July, 2022. <https://tribune.com.pk/story/2366540/pakistan-china-discuss-extending-cpec-to-afghanistan>

⁵⁰ *ibid*

⁵¹ *ibid*

⁵² First direct China-Scotland container service launched. *BBC News*. 22 July, 2022. <https://www.bbc.com/news/uk-scotland-scotland-business-62251619>

China-Serbia relations enter a new phase

- The most recent events advancing Serbia and China's "steel friendship" include the announcement of the signing of a free trade deal, the arrival of a Hainan Airlines flight from Belgrade to Beijing, and intensified bilateral diplomacy between Serbian and Chinese officials. Chinese flags and Serbian President Aleksandar Vucic greeted the Hainan Airlines jet when it touched down at Nikola Tesla Airport in Belgrade on July 16. The Hainan Airlines Airbus 330-300 made its first landing in Belgrade in recent years, which included Chen Bo, the Chinese ambassador to Serbia.⁵³ The Serbian president hoped more Chinese visitors and businesspeople would travel on the aircraft.

Vucic and Xi met on February 5 at the Beijing Winter Olympic Games opening ceremony and declared they hope to conclude a free trade deal by the end of 2022.⁵⁴ Serbia would join Switzerland and Iceland as the third European nation to sign a free trade agreement with China. Beginning in July, the working group for creating the draught free trade agreement convened for the first time, according to Sinisa Mali, minister of finance for Serbia and national coordinator for cooperation with China under the China-CEEC mechanism (formerly known as the "17+1 mechanism").⁵⁵

Even though the deal hasn't been established or signed, opposition party representatives in Serbia have already voiced their criticism of it. Dusan Nikezic, deputy president of the opposition Freedom and Justice Party, expressed concerns that Serbia's status as a "colony" would only become formal due to the free trade deal with China.⁵⁶ Since raw resources like copper and timber make up most of Serbia's exports, Nikezic stated his concern about this. This is particularly alarming in the case of copper, as Zijin Mining, a Chinese company, is Serbia's largest copper miner. Nikezic and other opponents of the deal are worried that China would gain the most from it since it will allow for even greater free commerce of Chinese goods and make it simpler for China to extract commodities made by Chinese companies in Serbia.⁵⁷

Wang Yi's visit to Myanmar

- Wang Yi travelled to Myanmar during the first week of July to participate in the seventh Foreign Ministers' Meeting of the Lancang-Mekong Cooperation (LMC).

⁵³ China-Serbia Relations enter a new phase. *The Diplomat*. 19 July, 2022. <https://thediplomat.com/2022/07/china-serbia-relations-enter-a-new-phase/>

⁵⁴ Serbia and China to sign Free Trade Agreement by End 2022? *China Briefing*. 21 February, 2022. <https://www.china-briefing.com/news/serbia-and-china-to-sign-free-trade-agreement-by-end-2022/>

⁵⁵ *ibid*

⁵⁶ Will the free trade agreement signed with China make Serbia a colony? *The Serbian Monitor*. 11 July, 2022. <https://www.serbianmonitor.com/en/will-the-free-trade-agreement-signed-with-china-make-serbia-a-colony/>

⁵⁷ *ibid*

The member nations of the summit, which included Cambodia, China, Laos, Myanmar, Thailand, and Vietnam, had come together to promote "Solidarity of Peace and Prosperity."⁵⁸ The LMC leaders must approve the ministers' five-year cooperation plan at their subsequent meeting. The LMC consensus asked for increased collaboration in disaster management, agricultural practices, and cultural exchanges.

It was Wang Yi's first trip to Myanmar since the military takeover on February 1, 2021. Wang had visited Myanmar the previous year just a few weeks before Aung San Suu Kyi's administration was ousted. A week or so before Wang's visit to Myanmar this year, Suu Kyi was placed in solitary confinement. Wang Yi's trip occurred at a time when the legitimacy of the Tatmadaw was being questioned both at home and abroad. The opposition organisations in Myanmar saw his attendance at the LMC meeting as a move to increase the legitimacy of the Tatmadaw.

The gathering, according to a Tatmadaw spokeswoman, "was an acknowledgement of Myanmar's sovereignty and its government."⁵⁹ The Tatmadaw has not been invited to ASEAN leaders' summits since the coup. The engagement of the Tatmadaw leadership during the LMC Foreign Ministers' Meeting, however, revealed a maritime-continental division in Southeast Asian nations' reactions to the changes in Myanmar.

Wang Yi's warning to ASEAN

- Speaking to the Association of Southeast Asian Nations (ASEAN) secretariat in Jakarta, Indonesia, on July 11, 2022, Wang Yi said there was pressure on ASEAN's member nations to choose a side in the international arena. He added, "We should insulate this region from geopolitical calculations and the trap of the law of the jungle, from being used as chess pieces in major power rivalry and from coercion". "The future of our region should be in our own hands".⁶⁰

"The essential aspects are to promote ASEAN centrality, defend the current regional corporate structure, and respect each other's legitimate rights and interests in the Asia Pacific area instead of seeking to oppress or contain the other side", said Wang. He also urged ASEAN nations to fight "fake regional cooperation that leaves some countries out", referring to US-led security and trade blocs.⁶¹

⁵⁸ Wang Yi Holds Talks with Myanmar's Foreign Minister U Wunna Maung Lwin. *Ministry of Foreign Affairs of the People's Republic of China*. 3 July, 2022. https://www.fmprc.gov.cn/eng/zxxx_662805/202207/t20220704_10714853.html

⁵⁹ China's top diplomat visits Myanmar amid opposition protest. *The Hindu*. 2 July, 2022. <https://www.thehindu.com/news/international/chinas-top-diplomat-visits-myanmar-amid-opposition-protest/article65593101.ece>

⁶⁰ China says Asian Nations should avoid being used as chess pieces. Al Jazeera. 11 July, 2022. <https://www.aljazeera.com/news/2022/7/11/china-says-asian-nations-should-avoid-being-used-as-chess-pieces>

⁶¹ *ibid*

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