



Delhi Policy Group

# DPG China Monitor

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# DPG China Monitor

## Volume 1, Issue 2

### ABOUT US

Founded in 1994, the Delhi Policy Group is among India's oldest independent think tanks with its primary focus on international and strategic issues of critical national interest. Over the past decades, the Delhi Policy Group has established itself in both domestic and international circles, particularly in the area of national security.

In keeping with India's increasing global profile as a leading power and the accompanying dynamism of India's foreign and security policy, the Delhi Policy Group has expanded its focus areas to include India's broader regional and global role; India's initiatives to strengthen its strategic periphery; India's political, security and connectivity challenges and policies across the Indo-Pacific; and the strategic partnerships that advance India's rise. To support these goals, the DPG undertakes research, publishes policy reports and organises conferences on strategic and geo-political, geo-economic, and defence and security issues.

### DPG China Monitor

DPG China Monitor is compiled by our research team from open source Chinese media. Your comments and feedback can be addressed to Antara Ghosal Singh at [antara@dpg.org.in](mailto:antara@dpg.org.in)

### Photographs:

*(Photographs top to bottom)*

*China and the Association of Southeast Asian Nations (ASEAN) approved a single draft negotiating text of the Code of Conduct in the disputed South China Sea at the China-ASEAN foreign ministers' meeting held on August 2, 2018 in Singapore. **Source:** VOA*

*Defence Minister Nirmala Sitharaman welcoming her Chinese counterpart General Wei Fenghe during a Guard of Honour ceremony in New Delhi on August 23, 2018. **Source:** The Indian Express*

*Chinese President Xi Jinping welcomes Malaysian Prime Minister Mahathir Mohamad at the Great Hall of the People in Beijing on Aug 20, 2018. **Source:** China Daily*

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## Abstract

The primary focus of the Chinese media and strategic discourse during August, 2018 was the intensification of the China-US standoff on trade as well as the strategic competition signalled by the US National Defence Authorisation Act, 2019. This also triggered some internal debate regarding the efficacy of China's assertive diplomacy which replaced its earlier "keeping a low profile" strategy. Other major concerns reflected in the Chinese media related to global perceptions about the Belt and Road Initiative, in particular the need to dispel doubts about BRI and rebrand it as one of the biggest accomplishments of an emerging nation. The Chinese Defence Minister's visit to India and PM Modi's political prospects in general elections due in 2019 were well covered in the Chinese media. On the domestic front, media commentaries highlighted the resilience of the Chinese economy; rejected international criticism of massive human rights violations of Uyghurs in Xinjiang; reflected the continuing dominance of Xi Jinping's leadership; and projected the CPC's measures to impose discipline among party ranks.

## 1. Foreign and Security Policy

### *China-US Relations*

There is a great degree of concern, consternation and bitterness in China over US trade sanctions and America's perceived uncompromising attitude. The two-day vice-ministerial level trade consultations between China and the US (August 22-23, 2018) produced "[no significant progress](#)". Both sides released separate statements after the talks, with neither mentioning any agreement, nor any time table for the next round of talks. Chinese media commentaries highlighted that the meeting was meant to test each other's "firepower" and the US aim was to ascertain whether the pressure it has exerted has worked on China. The Chinese side, on the other hand, wanted to evaluate how long the Trump administration's tough stance will last. Both sides appeared to have stuck to their respective positions with no significant change in stance<sup>1</sup>. The China-US trade war has continued unabated, with the Trump administration announcing the second round of tariffs on \$16 billion worth of Chinese goods and threatening to come up with an even more expansive third round of tariffs.

With hardening positions over trade, bitterness in relations is manifest. Chinese strategists are countering US criticism of China's so-called "predatory" economics while being the biggest beneficiary of the prevailing international system. They argue that Trump's trade war actually stems from America's domestic conundrums, notably hollowing-out of industry and resultant loss of jobs<sup>2</sup>. The limitations of the globalisation process, together with America's domestic mismanagement, they argue, are the real reasons behind the ongoing trade war. A People's Daily editorial stridently advocates that China should lose all illusions of reconciliation and continue to fight the US resolutely. China, it says, has seen through the American double standards, increasing tariff rates on the one hand and seeking to resume trade negotiations on the other. It urges China to continue with the trade fight until Washington realises it has done wrong<sup>3</sup>.

Three Chinese top ministries have expressed concern over the new US National Defense Authorisation Act (NDAA) for Fiscal Year 2019, which openly

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<sup>1</sup> 'China's thoughts on trade clearer after talks with US', Global Times, August 24, 2018, <http://www.globaltimes.cn/content/1116921.shtml>

<sup>2</sup> Zhang Tengjun, 'Governance woes behind US trade war', CIIS, August 21, 2018 [http://www.ciis.org.cn/english/2018-08/21/content\\_40469188.htm](http://www.ciis.org.cn/english/2018-08/21/content_40469188.htm)

<sup>3</sup> 'US hegemony struggles in globalization era', Global Times, August 9, 2018, <http://www.globaltimes.cn/content/1114727.shtml>

declares competition with China as a principal priority and vows to take "comprehensive measures" to contain Beijing. A Global Times commentary further highlights that the NDAA is aimed at strengthening the hand of the US Committee on Foreign Investment (CFIUS), a body that reviews investment proposals, to determine if they are a threat to US national security. A strengthened CFIUS, the Chinese side fears, will make investments in the US even more difficult than they already are. In a statement, China's Ministry of Commerce (MOFCOM) reiterated that the US should treat Chinese investors in an objective and fair manner and not use national security as a pretext to block investments. As a response to the NDAA, many Chinese strategists are suggesting the need to further increase China's [defence expenditure](#)<sup>4</sup>, and even expediting the development of its [nuclear triad capability](#)<sup>5</sup> to prepare for possible military standoff.

These developments have led Chinese intellectuals to infer that the US's China policy has turned "from hedging to comprehensively guarding". Some in China believe that the Trump administration's hardening of stance against China is owing to China's policy of "triumphalism" and high-pitched propaganda, abandoning the earlier "keeping a low profile" strategy and bragging too much about its comparative national strength vis-a-vis the US. A case in point is senior academics from prestigious Chinese institutions courting controversy by boasting that China has already overtaken the US as the world leader in terms of economy and technology. Concerned with this unnecessary hype, some Chinese strategists are striving to put the situation in perspective by [asserting](#) that "the US, despite being challenged, is still far ahead of any other country and such a situation will continue for a long time. China has little ability or the desire to challenge the global leadership of the US."<sup>6</sup> Despite China's considerable achievements, they say, Beijing is aware of its shortcomings and is still learning from the US.

There are, however, others who argue<sup>7</sup> that the trade war and aggressive US policy shifts towards China is not a fallout of China abandoning its "keeping a low profile strategy" and enhancing its global presence, but an expression of a deep rooted zero-sum mentality embedded in America's China policy. They question the selective attitude of the American public opinion which takes

<sup>4</sup>US defense splurge won't intimidate China, Global Times, August 14, 2018, <http://www.globaltimes.cn/content/1115361.shtml>

<sup>5</sup> US report on China's military reveals its guilty conscience, Global Times, August 17, 2018, <http://www.globaltimes.cn/content/1115891.shtml>

<sup>6</sup> Lu Jingxian, 'Is China catching up with a faltering US?' August 6, 2018, <http://www.globaltimes.cn/content/1114138.shtml>

<sup>7</sup> Gu Xiudong, "贸易战不是中国"高调"惹的祸", *CIIS* August 16, 2018, [http://www.ciis.org.cn/chinese/2018-08/16/content\\_40463641.htm](http://www.ciis.org.cn/chinese/2018-08/16/content_40463641.htm)

Chinese rhetoric on comprehensive national strength seriously but turns a deaf ear to China's repeated stress on themes like "China's path of peaceful development", its opposition to "hegemony" etc. They conclude that even if the Sino-US trade war is to end in a negotiated settlement, the United States would use various excuses to open up new "battlefields" against China.

## China–ASEAN



*China and the Association of Southeast Asian Nations (ASEAN) approved a single draft negotiating text of the Code of Conduct in the disputed South China Sea at the China-ASEAN foreign ministers' meeting held on August 2, 2018 in Singapore. Source: VOA, <https://www.voanews.com/a/china-southeast-asian-nations-agree-to-draft-of-conduct-pact-in-south-china-sea/4510771.html>*

Agreement on a 'single draft negotiating text' of the Code of Conduct (COC) in the South China Sea at the China-ASEAN foreign ministers' meeting held on August 2, 2018 in Singapore, is being projected as a major breakthrough in negotiations on a regional COC.

2018 also marks the 15th anniversary of the establishment of the China-ASEAN strategic partnership. An [article](#)<sup>8</sup> in Guangming Daily highlights that in these years, political mutual trust has been enhanced and economic and trade ties have continued to deepen under the broad construct of the Belt and Road Initiative (BRI). It goes on to add that cultural exchanges have been strengthened, together with enhanced cooperation in international and regional affairs. The two sides are now exploring options to formulate the

<sup>8</sup>Jiang Zhi, '中国-东盟战略伙伴关系：提质升级着眼末', August 4, 2018, [http://www.ciis.org.cn/chinese/2018-08/06/content\\_40448867.htm](http://www.ciis.org.cn/chinese/2018-08/06/content_40448867.htm)



"China-ASEAN Strategic Partnership 2030 Vision" and build a 2.0 version of their strategic partnership.



*Chinese President Xi Jinping welcomes Malaysian Prime Minister Mahathir Mohamad at the Great Hall of the People in Beijing on Aug 20, 2018. Source: China Daily, <https://www.chinadailyhk.com/articles/41/245/81/1534817074665.html>*

Another important development this month was Malaysian PM Mahathir's visit to Beijing on August 17, 2018. The visit courted much controversy, given Mahathir's cancellation of the East Coast Rail Link (ECRL) and two other gas pipeline projects. This was exacerbated by Mahathir visiting Japan before embarking on his China tour to explore opportunities for Japanese loans for Malaysian projects.

Despite these adverse developments, the Chinese side has played down the apparent disquiet in bilateral relations with Malaysia. The Chinese media maintained that overall, the visit yielded "fruitful" results including a blueprint for bilateral friendly cooperation through high-level interactions<sup>9</sup>. Contending that China sees Malaysia as a [fulcrum country](#)<sup>10</sup> for its Belt and Road Initiative (BRI), Chinese media reported that the Malaysian side has reciprocated and shown willingness to actively participate in the construction of the BRI. They completely soft-pedalled the cancellation of projects, touting this as a

<sup>9</sup>中马关系处于新的历史方位, *People's Daily*, August 21, 2018, <http://opinion.people.com.cn/n1/2018/0821/c1003-30239953.html>

<sup>10</sup>"一带一路"中马合作重要平台, *CIIS*, August 20, 2018, [http://www.ciis.org.cn/chinese/2018-08/20/content\\_40467975.htm](http://www.ciis.org.cn/chinese/2018-08/20/content_40467975.htm)

consequence of political infighting in Malaysia and Mahathir's desire to recalibrate China-Malaysia relations<sup>11</sup>.

### *Indo-Pacific*

Chinese media took note of US Secretary of State Mike Pompeo's pledge on August 4, 2018 to provide about \$300 million in new security funding for the Indo-Pacific region, which was preceded by his announcement in July of \$113 million in US investment to promote new technology, energy and infrastructure initiatives in the Indo-Pacific.

Chinese interlocutors [argued](#)<sup>12</sup> that so far, China has an upper hand on economy and infrastructure, whereas the US prevails on security issues. Washington, they contended, has little experience of promoting economic development in other countries. As long as China steadily promotes the BRI and improves the quality of Chinese interactions under the BRI banner, there is no need to worry about economic competition with the US in the region. While welcoming the geo-economic construct of the Indo-Pacific, Chinese experts were mainly concerned about the US Indo-Pacific strategy becoming a geopolitical military alliance<sup>13</sup>.

### *China-Japan*

In a rare move, China and Japan exchanged congratulatory messages on August 12, 2018 to mark the 40<sup>th</sup> anniversary of the signing of the China-Japan Treaty of Peace and Friendship. The last time such congratulatory messages were exchanged between Chinese and Japanese prime ministers was in 2008. According to Chinese interlocutors, the exchange of messages is a [sign](#) that the two countries are making efforts to improve relations that went sour over the last decade over territorial and "history" issues. In May this year, the Chinese premier had paid an official visit to Japan to attend the 7<sup>th</sup> China-Japan-South Korea trilateral leaders' meeting. Li had acknowledged that his visit and the meeting have helped to put China-Japan relations back on the track of normal development.

<sup>11</sup> 'Despite project setbacks, Sino-Malaysian cooperation explores future growth', *Global Times*, August 22, 2018, <http://www.globaltimes.cn/content/1116566.shtml>

<sup>12</sup> Belt and Road initiative in Malaysia has exemplary effect, *Global Times*, August 16, 2018, <http://www.globaltimes.cn/content/1115718.shtml>

<sup>13</sup> 'Indo-Pacific strategy more a geopolitical military alliance', *Global Times*, August 7, 2018, <http://www.globaltimes.cn/content/1114280.shtml>

In Chinese commentaries,<sup>14</sup> it is being argued that this improvement in China-Japan relations has resulted from the realisation among all parties in Japan of the importance of bilateral ties following recent years of stalemate, as well as a direct consequence of the protectionist 'America First' policy of the Trump administration. These issues, the commentaries argue, have shaken the Abe administration's confidence in Washington and led Japan's conservatives to realise that a China containment strategy is not conducive for Japan's own security and development.

Despite these expectations of good relations with Japan, China is now concerned about Japanese nuclear ambitions, as exemplified by Japan's recent pledge to reduce plutonium stocks without mentioning a deadline. As per Chinese analysts,<sup>15</sup> [Japan](#) at present has 47 tons of plutonium, a stockpile which ranks fifth in the world. These stocks, according to the Chinese estimates, are enough to make 6000 atomic bombs. They argue that Japan is building these stocks due to growing concern over the United States "nuclear umbrella" and as a fall back option should extended deterrence fail.

### *China–Australia*

China-Australia relations witnessed many important developments during August, 2018. Initially, China welcomed Australian Prime Minister Turnbull's speech on August 7, 2018 inviting pragmatic cooperation between the two countries under the Belt and Road Initiative (BRI). A [Huanqiushibao](#)<sup>16</sup> commentary even evaluated this as Australia's recalibration of its China Policy, against the backdrop of Trump's "America First" policy. Some commentaries highlighted that <sup>17</sup> Australia has limited scope to show "arrogance" against China, given its economic dependence on China. However, post the ban on Huawei from supplying 5G equipment for Australian communication networks, there was a rapid change in the Chinese media's tone which started accusing Australia for stabbing China in the back.<sup>18</sup> Chinese concerns were further aggravated by the fact that the announcement of the ban against

<sup>14</sup>Shi Yongming, 'Renewed Relevance', *CIIS*, [http://www.ciis.org.cn/english/2018-08/13/content\\_40459017.htm](http://www.ciis.org.cn/english/2018-08/13/content_40459017.htm)

<sup>15</sup>Chen Hongbin, '日本大量储存环意欲何为??', *SIIS*, August 3, 2018, <http://www.siis.org.cn/Research/Info/4564>

<sup>16</sup>Ruan Zongze, '处于十字路口的中澳关系', *huanqiushibao*, <http://opinion.huanqiu.com/hqpl/2018-08/12685367.html>

<sup>17</sup>'客观看待中国发展是中澳合作基础——本网站原创', *CIIS*, [http://www.ciis.org.cn/chinese/2018-08/10/content\\_40456972.htm](http://www.ciis.org.cn/chinese/2018-08/10/content_40456972.htm)

<sup>18</sup>Canberra stabs Huawei in the back, *Global Times*, August 23, 2018, <http://www.globaltimes.cn/content/1116797.shtml>

Huawei and ZTE was made by [Scott Morrison](#)<sup>19</sup>, the then acting minister of home affairs, who is now Australia's new prime minister.

Other than this, there was much controversy over a report published by the Australian government funded think tank Lowy Institute, mentioning China as the second-largest aid donor in the South Pacific, asserting that "there is definitely an element of briefcase diplomacy in the Pacific" and arguing that China is "buying support". China [countered](#) that increasing Chinese investment in South Pacific island states reflects the country's sincere aspiration to "build a community of shared future"<sup>20</sup>. It was further [argued](#)<sup>21</sup> that China's increasing presence in the South Pacific is "not a bad thing" for the island states. It not only promotes local development, but plays a catalytic role prompting countries like Australia, New Zealand and the US to pay more attention and give more aid to the region.

### *China-Russia*

Russia is all set to host the world's biggest war games since the cold war era from September 11-15, 2018 involving almost 300,000 troops and 1,000 aircraft. A major Chinese contingent is to take part in the exercise, comprising 3,200 troops, 900 pieces of military hardware and some 30 fixed-wing aircraft and helicopters, among others <sup>22</sup>. This will be the largest Chinese military delegation to take part in a military exercise in any foreign country. On the scope of the exercise, China's Ministry of National Defence briefed<sup>23</sup> the media that the exercise will not only strengthen both sides' ability to jointly deal with varied security threats, but also help in safeguarding regional peace and security. Chinese officials specifically mentioned that involvement in the exercise is not targeted at any third country.

### *China-South Asia*

In South Asia, China's main focus during the month was on change of government in Pakistan and the appointment of Imran Khan as the Prime Minister. China, while appreciating PM Imran Khan's positive remarks on

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<sup>19</sup>Will new Australian PM reach out to Beijing? , *Global Times*, August 26, 2018,

<http://www.globaltimes.cn/content/1117109.shtml>

<sup>20</sup>Island aid not 'briefcase diplomacy': expert, *AFP-Global Times*, August 9, 2018,

<http://www.globaltimes.cn/content/1114694.shtml>

<sup>21</sup> South Pacific can be place for Australia-China cooperation, *Global Times*, August 9, 2018,

<http://www.globaltimes.cn/content/1114709.shtml>

<sup>22</sup>Chinese military to participate in strategic drills in Russia, *Xinhua*, August 21, 2018,

[http://www.xinhuanet.com/english/2018-08/21/c\\_137407345.htm](http://www.xinhuanet.com/english/2018-08/21/c_137407345.htm)

<sup>23</sup>Sino-Russian drill set to guard regional peace, *China Daily*, August 31, 2018,

<http://www.chinadaily.com.cn/a/201808/31/WS5b887db9a310add14f388bf8.html>

August 20<sup>th</sup> about “firmly supporting the development of China-Pakistan relations”, vowed to build the “[China-Pakistan community of a shared future](#)”<sup>24</sup>. On the issue of unsecured loans by China, Chinese interlocutors argued that the western bogey of “debt trap” [will not derail](#) China-Pakistan cooperation on the economic corridor (CPEC). In fact, reaffirming commitment to CPEC, they highlighted that the economic corridor is the symbol of China-Pakistan friendship and China will not give up project financing halfway. According to the Chinese media, the new government in Pakistan has no plans to renegotiate any of the Chinese BRI projects and has already declared that CPEC projects have not imposed any immediate debt burden on the Pakistani government, as these have been financed through a composite funding package.



*Pakistan Prime Minister Imran Khan met with China's State Councilor and Foreign Minister Wang Yi at Islamabad, on September 9, to affirm his commitment to the CPEC*  
 Source: Ministry of Foreign Affairs, PRC,  
[https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1593892.shtml](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1593892.shtml)

On the security side, China took a serious view of the blast that injured three Chinese nationals working in the Southwestern province of Baluchistan on August 11, 2018. As reported by [Global Times](#), the Chinese Consulate General in Karachi sought a thorough investigation and asked the Pakistani government

<sup>24</sup>Chinese premier congratulates Pakistan's new PM on election, *Xinhuanet*, , August 18, 2018, [http://www.xinhuanet.com/english/2018-08/18/c\\_137398669.htm](http://www.xinhuanet.com/english/2018-08/18/c_137398669.htm)

to severely punish those responsible for the attack and take further steps to ensure the safety of Chinese citizens and organisations in Pakistan.

Commenting on the Maldives' request for the withdrawal of Indian military helicopters and personnel following the expiry of an agreement, an article in [Global Times](#)<sup>25</sup> mentioned that this is an important message to all major powers in the Indo-Pacific region. Maldives, it said, as an independent sovereign country, was increasingly desirous to reduce excessive Indian influence and maximise its interests by developing diplomatic ties with all major powers. Chinese media commentaries urged India to drop its wariness, not view Maldives from the lens of its sphere of influence and allow Maldives to benefit from infrastructure projects under the Belt and Road initiative (BRI).

### China-India



*Defence Minister Nirmla Sitharaman welcoming her Chinese counterpart General Wei Fenghe during a Guard of Honour ceremony in New Delhi on August 23, 2018. Source: The Indian Express, <https://indianexpress.com/article/india/india-china-to-have-new-defence-mou-check-doklam-like-incidents-5322109/>*

China's Defence Minister Wei Fenghe paid a four-day visit to India from August 21, 2018, accompanied by officials from China's Central Military Commission and Western Theatre Command. A [Global Times article](#) categorised this as an important visit to further improve Sino-Indian relations and building the foundation of mutual political trust. However, the paper noted that that exactly one day before the visit began, India and Japan agreed to begin talks on a pact

<sup>25</sup>Don't view Maldives from lens of sphere of influence, Global Times, August 12, 2018, <http://www.globaltimes.cn/content/1115020.shtml>

to share defence capabilities and supplies including fuel and ammunition and decided to expand defence ties and hold their first-ever joint army exercise later this year<sup>26</sup>.

PM Modi's political prospects in the upcoming general elections of 2019 and possible changes in his China Policy were widely discussed in the Chinese media. An article<sup>27</sup> in Global Times argued that Modi is like Jawaharlal Nehru, Indian's first prime minister, who changed his China policy from initial friendship to a breakup. Likewise, Modi had made friendly gestures at first, but because of "India's indiscretions" things went close to a military conflict. However, the paper claimed that Modi was successful in averting an armed conflict with China through his political pragmatism.

Another [article](#)<sup>28</sup> argued that China-India bilateral relations should replicate China-US ties in terms of psychology and culture. Despite constant friction between China and the US, there are millions of Americans and Chinese visiting each other and the two nations are far from being isolated from each other, which thereby provides a solid foundation for Sino-US ties. However, in the case of China-India relations the gap in psychology and culture continues to persist.

### ***Belt and Road Initiative***

This year China is celebrating the fifth anniversary of its Belt and Road project. While commemorating the occasion, the Chinese commentators are striving to change the global perception about the Belt and Road Initiative (BRI) as a massive Chinese aid project and rebrand it as the first large-scale international endeavour launched by an emerging nation which shatters the stereotype that developed countries are the only powerhouses of global investment, technology, and future planning. They aver that history will remember the Belt and Road Initiative (BRI) as one of the most significant chapters in China's history, and a great milestone in the development of human civilisation<sup>29</sup>.

However, Malaysian Prime Minister Mahathir's remark "We can't afford, we can't repay," during his recent China visit, and later Tongan Prime Minister

<sup>26</sup> Wang Wenwen, 'A concrete step for China, India to enhance military trust', *Global Times*, <http://www.globaltimes.cn/content/1116449.shtml>

<sup>27</sup> Modi's tilt to Washington in foreign policy damages ties with Beijing, *Global Times*, August 20, 2018, <http://www.globaltimes.cn/content/1116207.shtml>

<sup>28</sup> Mend China-India gap in psychology, culture, *Global Times*, August 16, 2018, <http://www.globaltimes.cn/content/1115758.shtml>

<sup>29</sup> BRI envisions great win-win global connectivity, *Global Times*, August 28, 2018, <http://www.globaltimes.cn/content/1117332.shtml>

Akilisi Pohiva's remarks at the Pacific Island Forum, urging China to waive their debts, further brought the issue of a China-led debt crisis under the spotlight.

Defending China's standpoint, *Global Times* [said](#)<sup>30</sup> that some forces with vested interest belittle the BRI by exaggerating the debt crisis. Before China emerged as a major overseas investor, developed countries were the major creditors in the world and even then many developing countries had problems in repaying the loans. For instance, in the last few years, several European countries like Iceland, Greece etc. went nearly bankrupt because of their international debt. In these cases, Chinese analysts argue, no one criticised the creditor countries or nations that provided loans, and instead directed all criticism at the borrowing countries that cannot pay back. Today, it is China which is being attacked by the Western media for providing concessional loans to Third World countries.

Notwithstanding such assertions, BRI is facing the brunt of criticism, both at home and abroad. While internationally China is being accused of causing excessive debt burdens on developing countries, inside the country statements like "China is going to be the ATM again" are gaining popularity in internet circles. It [appears](#)<sup>31</sup> that the Chinese government is finding it difficult to convince both domestic and international constituencies about the efficacy of its BRI projects.

## 2. Cross-Strait Issues

China continued its aggressive campaign to politically isolate Taiwan, with El Salvador becoming the latest country to sever ties with Taiwan and establish diplomatic relations with China. This is the fifth country Taiwan lost as a "diplomatic ally" in the last two years, leaving it with only 17 "allies". A [Global Times](#) article called this development "an irresistible trend" and warned that it is only a matter of time before Taiwan has "zero" allies.<sup>32</sup> Taiwan [retorted](#)<sup>33</sup> by saying that "China's continued suppression of Taiwan would only make it more determined in its pursuit of democracy, freedom and sovereignty."

[Global Times](#) reported that the People's Liberation Army (PLA) had conducted amphibious military exercises in East China's Shandong Province on August

<sup>30</sup>With declining loaning power, Western countries uneasy as emerging nations step in, *Global Times*, August 23, 2018, <http://www.globaltimes.cn/content/1116722.shtml>

<sup>31</sup>Zhang Jianping, China's foreign aid not behind developing countries' debt baggage, *Global Times*, August 21, 2018, <http://www.globaltimes.cn/content/1116407.shtml>

<sup>32</sup>'After El Salvador, which country will be next to abandon Taiwan?', *Global Times*, August 21, 2018, <http://www.globaltimes.cn/content/1116447.shtml>

<sup>33</sup>Stacy Hsu, "Ties cut with Beijing-wooed El Salvador", *Taipei Times*, August 22, 2018, <http://www.taipeitimes.com/News/front/archives/2018/08/22/2003698956>



12, 2018 which coincided with Taiwan leader Tsai Ing-wen's visit to Paraguay with stopovers in the US. The military exercises appeared to be aimed at honing military combat capability to deal with "Taiwan separatists". During the exercise, the PLA also simulated contingencies to deal with possible interference from Japan and/or the US if China were to use force in dealing with the Taiwan question.

### 3. Defence

Furthermore, China, is [reportedly](#)<sup>34</sup> developing the world's first electromagnetic surface-to-surface rocket that offers greater range and capability to undermine operational and strategic communications/networks, giving its military considerable operational advantage in high-altitude regions like the Himalayas and Tibetan plateau.

The newly proposed US Space Command was another topic of discussion and analysis in the Chinese media and academia, revolving around China's reluctance to allow the US Space Force to dominate outer space. China believes that the real mission of the US's Space Command is not only to strike ground targets from space or shoot down enemy missiles, but also to control the entire outer space, thus establishing absolute US hegemony and the ability to conquer other major countries from outer space.

Chinese commentators further add that the US, by citing China and Russia as the reasons to build a Space Force, is only creating pressure on these two countries to take relevant countermeasures to protect their space assets. An unsigned article in [Global Times](#) urged Chinese policy makers to "resolutely develop capabilities to resist US hegemony in outer space" and if not an arms race, establish asymmetrical deterrence and a security bottom line so that Washington dares not launch an outer space offensive on China<sup>35</sup>.

### 4. Economy

The Chinese criticised Larry Kudlow, US President's top economic adviser, asserting that he "knows nothing about Chinese economy". A [Global Times article](#)<sup>36</sup> refuted Kudlow's arguments that China's economy looks "terrible" and

<sup>34</sup>China 'developing electromagnetic rocket with greater fire range', South China Morning Post, August 26, 2018, <https://www.scmp.com/news/china/diplomacy-defence/article/2161338/china-developing-electromagnetic-rocket-greater-fire>

<sup>35</sup>US Space Force shouldn't be allowed to dominate the outer space, Global Times, August 10, 2018, <http://www.globaltimes.cn/content/1114832.shtml>

<sup>36</sup>Kudlow has no insight into Chinese economy, *Global Times*, , August 18, 2018, <http://www.globaltimes.cn/content/1115922.shtml>

that investment in China is "collapsing". The article claimed that China's economic growth was robust from January to July this year. During this period, "China's high tech industrial production increased 11.6 per cent year on year, while equipment manufacturing and strategic emerging industries increased 9 per cent and 8.6 percent respectively. Furthermore, retail sales for communications equipment and cosmetics have maintained a two-digit growth. Manufacturing investment growth has rebounded for four consecutive months. Fixed asset investment in the private sector gained 8.8 percent, a small increase for two months in a row." The article, while highlighting that Chinese economy attained several major goals in the last seven months, concluded that China's economy has shown strong resilience and vitality during the ongoing trade war with the US.

However, contrary to such assertions by China's state media, [South China Morning Post](#)<sup>37</sup> reported that the "powerful export machine of China is quickly losing steam amid threats of a full-blown trade war with the United States". If the US goes ahead with the plan to impose tariff on another US\$200 billion, the impact on China's exports will be material. Further [reports](#)<sup>38</sup> suggested that as Washington notches up trade pressure on Beijing and accuses Chinese companies of being national security threats, the share prices of listed Chinese companies in the US are declining.

On August 31, 2018 China's legislature [announced](#)<sup>39</sup> cuts in individual taxes for the first time since 2011 in order to boost consumer spending. It was [reported](#)<sup>40</sup> that the tax cut is aimed at stabilising the Chinese economy, which has started to slow down due to Beijing's policy of reducing risks in the financial system, as also as a consequence of the trade war with the US.

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<sup>37</sup> 'China suffers three-month export downturn as Donald Trump's tariffs bite', *South China Morning Post*, August 31, 2018, <https://www.scmp.com/news/china/china-economy/article/2162179/trade-war-china-suffers-three-month-export-downturn-donald>

<sup>38</sup>As trade war escalates, Chinese tech start-ups are suffering on Wall Street – despite spectacular bull market, *South China Morning Post*, August 22, 2018, <https://www.scmp.com/business/global-economy/article/2161310/trade-war-escalates-chinese-tech-start-ups-are-suffering>

<sup>39</sup>China tax cut finalised but leaves many unimpressed, *South China Morning Post*, August 31, 2018, <https://www.scmp.com/news/china/china-economy/article/2162290/china-tax-cut-finalised-leaves-many-unimpressed>

<sup>40</sup> 'Is China's first tax cut in 7 years too little, too late to boost consumer spending?' *South China Morning Post*, August 30, 2018, <https://www.scmp.com/news/china/china-economy/article/2162063/chinas-first-tax-cut-7-years-too-little-too-late-boost>

## 5. Internal Security



Chinese Hui Muslims protest local authority's plan to demolish Weizhou Grand Mosque. Source: South China Morning Post, <https://www.scmp.com/news/china/policies-politics/article/2159047/chinese-hui-muslims-rally-protect-weizhou-grand-mosque>

Discussions on religion, [misuse of religion](#)<sup>41</sup> and the [social role of religion](#)<sup>42</sup> dominated the Chinese media this month. China's plan to demolish the Weizhou Grand Mosque in Tongxin county, Wuzhong city, in the Ningxia Hui Autonomous Region courted much controversy, attracted international attention and once again brought China's religious policy under the international scanner. While putting the blame on 'reckless local officials', Chinese authorities contended<sup>43</sup> that it respects religious freedom but religion cannot override the laws and regulations of the country. Demolishing the mosque, they said, was sure to earn the ire of local religious followers, while non-reaction by the local government to the illegal act would fuel the idea that religion can override China's laws. The latter would set up a dangerous precedent and other religious sites could follow suit.

Responding to the ongoing criticism in the international media about China's governance of the Xinjiang Uyghur Autonomous Region, including allegations of massive human rights violations and depiction of the region as an open-air

<sup>41</sup>Misuse of religion hides bright side, *Global Times*, August 8, 2018, <http://www.globaltimes.cn/content/1114471.shtml>

<sup>42</sup>Dialectical view of the social role of religion, *Global Times*, August 6, 2018, <http://www.globaltimes.cn/content/1114089.shtml>

<sup>43</sup>'Handling ungranted expansion of religious structures needs caution, wisdom', *Global Times*, August 11, 2018, <http://www.globaltimes.cn/content/1114864.shtml>

prison, Chinese commentaries denounced the purpose of such negative publicity as attempts to stir up trouble for China and undermine the hard-earned stability in the region. In defence of China's Xinjiang policies, Chinese strategists [argue](#)<sup>44</sup> that social stability and cohesion of the region are the top priorities of the central government. The peace and stability that Xinjiang and its people are now enjoying should be attributed to regulations of high intensity, and this is a phase that this region has to go through before normal governance can be enforced. In fact, they claimed<sup>45</sup> that under the able guidance of the Chinese communist party, Xinjiang has been salvaged from the verge of massive turmoil and has avoided the fate of becoming "China's Syria" or "China's Libya".

Furthermore, Chinese scholars [argued](#)<sup>46</sup> that China is not as fragile internally as people think or say. The country has withstood numerous pressures over the past 20 years like mass layoffs at state-owned enterprises, environmental pollution, Falun Gong, terrorist attacks spreading inland from Xinjiang, an escalation in Nimby protests and repeated cyber incidents among others. Since the 1990s, waves of "China collapse theory" have emerged and dissipated. China has and will continue to endure these challenges and those propagating the "China pressure theory" will be ultimately left embarrassed.

## 6. Chinese Communist Party

An important development during the month was the closed-door Beidaihe Conclave – a platform for China's senior leaders to discuss and brainstorm on major policy ideas. The themes for discussion were the escalating trade war with the US, a slowing economy and growing discontent at home. Some China watchers who were expecting that Xi would face pressure to make changes in his policies were disappointed. The signals coming out of the retreat showed that Xi had things tightly under his control and there seemed to be no sign of any fundamental change to Xi's key policies<sup>47</sup>.

Responding to the debate over the adverse effects of China's overblown, nationalistic propaganda in fanning US fears and hampering US-China relations, Xi Jinping's policy advisers issued a rallying call at this five-yearly

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<sup>44</sup>BBC views China's Xinjiang governance via bizarre lens, *Global Times*, August 23, 2018, <http://www.globaltimes.cn/content/1116798.shtml>

<sup>45</sup><http://www.globaltimes.cn/content/1115022.shtml>

<sup>46</sup>China naysayers will be proved wrong, *Global Times*, August 6, 2018, <http://www.globaltimes.cn/content/1114139.shtml>

<sup>47</sup>After Communist Party summer retreat, Xi Jinping is sticking to his policies, August 30, 2018, *South China Morning Post*, <https://www.scmp.com/news/china/policies-politics/article/2161908/after-communist-party-summer-retreat-xi-jinping>

working conference held in Beijing on August 21-22, 2018 for Party cadres to close ranks around the “party core”. This was [interpreted](#)<sup>48</sup> as a subtle rebuttal of the criticism surrounding China’s propaganda department and an attempt to stop the ongoing debate. Xi told the conference that the party’s work on propaganda and ideology in the past five years had been “completely correct”, and that the party’s propagandists and ideologists were “completely trustworthy”.

China’s ruling Communist Party issuing a revised set of regulations governing members’ behaviour, threatening punishment for spreading political rumours and clinging to religion<sup>49</sup>. The regulations, issued on August 26, 2018 were a revised version of regulations introduced in October 2015, with 11 new clauses and 65 amended clauses. Most of the new clauses are about punishments for political indiscipline, especially disloyalty to the Party’s central committee, corrupt behaviour, spreading political rumours, smearing the image of heroes or using religious activities to sabotage ethnic unity among others, the [Global Times](#)<sup>50</sup> reported. An article in [Qiushi](#)<sup>51</sup> stated that the revised regulations signal the Party’s determination for self-governance with “iron discipline” and that such tough discipline is indispensable in this era for putting into practice China’s new development philosophy.

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<sup>48</sup>Unify minds’: President Xi Jinping makes ideological rallying call to China’s Communist Party propaganda cadres, *South China Morning Post*, August 22, 2018, <https://www.scmp.com/news/china/policies-politics/article/2160904/unify-minds-president-xi-jinping-makes-ideological>

<sup>49</sup>Political rumours and religious beliefs targeted in China’s revised rules for cadres, *South China Morning Post*, August 27, 2018, <https://www.scmp.com/news/china/policies-politics/article/2161525/political-rumours-and-religious-beliefs-targeted-chinas>

<sup>50</sup>CPC metes out severe punishment for disloyalty, corruption in revised regulation, *Global Times*, August 27, 2018, <http://www.globaltimes.cn/content/1117323.shtml>

<sup>51</sup>CPC further enhances Party discipline, *Qiushi*, August 29, 2018, [http://english.qstheory.cn/2018-08/29/c\\_1123346297.htm](http://english.qstheory.cn/2018-08/29/c_1123346297.htm)



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