



# Delhi Policy Group

Advancing India's Rise as a Leading Power



## DPG China Monitor

### September 2021



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**Delhi Policy Group**

Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

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### ABOUT US

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### DPG China Monitor

The DPG China Monitor features developments related to China during the month and is compiled by our research team comprising Brig. Arun Sahgal (Retd.), Senior Fellow, Dr. Angana Guha Roy and Sanket Joshi, Research Associates, from open-source reports and publications.

### Cover Photograph:

*India's External Affairs Minister Dr. S. Jaishankar meeting Chinese Foreign Minister Wang Yi on the sidelines of SCO Summit in Dushanbe, September 17, 2021. Source: Twitter/@DrJaishankar*

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## Abstract

Even after seventeen months of border standoff, India-China relations remain tense and their outlook uncertain. The People's Liberation Army (PLA) continues its build-up and operational posturing in Eastern Ladakh amidst attempts at disengagement and restoration of the status quo. On the diplomatic front, India's External Affairs Minister Dr. S. Jaishankar met his counterpart Wang Yi on the side lines of the SCO (Shanghai Cooperation Organisation) summit, emphasising once again that completion of the disengagement process and restoration of peace and tranquillity along the LAC is essential for the overall development of bilateral ties.

At an India-China Track II Dialogue (virtual) co-hosted by MPIDSA and Sichuan University, Indian and Chinese envoys made contrasting remarks highlighting the chasm in bilateral relations. Chinese Ambassador Sun Weidong emphasised the need for both countries to view their bilateral relations from a comprehensive rather than one-sided perspective, repeating a point often made by the Chinese diplomats, urging India to put the boundary issue on the back burner while developing broader relations. He also contended that both countries should adhere to strategic autonomy, avoiding "small cliques" (the Quad) to contain a third party. Ambassador Vikram Misri countered that if both sides were to pick up the threads of bilateral cooperation, it is important to complete the ongoing process of disengagement, maintaining that unilateral shifting of goalposts is not acceptable. He also advised China to avoid the tendency of "viewing bilateral relations through the prism of its relations with the third country".

On the eve of the "Quad" leadership summit, China accused India of illegally encroaching into the Chinese territory and held it responsible for the Galwan valley clash in June 2020. India issued a rebuttal, saying Chinese accusations "have no basis in facts" and holding China's provocative behaviour and its unilateral attempt to alter the status quo as the real cause for the altercation and continued tensions.

In the military domain, China continues to boost infrastructure development in its western region. The PLA is building 30 civil airports in Xinjiang and Tibet that will significantly enhance military mobilisation, undertaking construction activity in the Depsang plains, and setting up seven new encampments in Eastern Ladakh.

In another significant development, Beijing appointed General Wang Haijiang, a Vietnam War veteran, as the new commander of the PLA Western Theatre

Command (WTC). Gen. Haijiang is the fourth commander to head the WTC since the Eastern Ladakh standoff began in May 2020. There is little clarity on the rationale for such frequent changes, except that these may be determined by the unhappiness of the CMC over handling of the border situation.

China's political overtures towards the Taliban-led interim government in Afghanistan continued. The Taliban is wooing China to help in Afghan reconstruction as part of the BRI, as also to meet mounting humanitarian challenges. China and Pakistan continued their joint push for influence in Afghanistan. Elsewhere in South Asia, Chinese activities included encroachments into Nepal's Humla district, raising national security concerns. Proposed Chinese infrastructure projects in Northern Sri Lanka, barely 50 km from the Indian coastline, raised concerns in the Indian security establishment. Meanwhile, an Indian company was awarded a \$700 million project for developing the western terminal at Colombo port, while other Indian companies were awarded multi-million dollar development assistance projects in the Maldives.

In China-US relations, sparring over trade, defence and technology issues continued during the month. Beijing reacted strongly to the new AUKUS security alliance, saying that it will accelerate regional instability and insecurity by promoting an arms race in the region. Commentaries in the Chinese media urged strengthening of China's underwater and anti-submarine warfare capability, which was seen as inferior to that of the US.

European Commission President Ursula von der Leyen signalled the EU's concerns over China's growing assertiveness and rivalry with the US which has increased tensions in the Indo-Pacific, making it hard for Europe to remain neutral. In the first official strategic dialogue with Chinese Foreign Minister Wang Yi since June 2020, the EU's top diplomat Josep Borrell spoke about Brussels' plans to expand relations with Taiwan, "though without any recognition of statehood".

Signs of growing economic uncertainty emerged in China. Manufacturing activity slipped into contraction in August 2021 for the first time since April 2020. A continuing chip crunch is taking a heavy toll on China's automotive industry. Concerns mounted over real estate giant Evergrande defaulting on its debt obligations. An on-going power crisis, together with the spread of the Delta variant of the coronavirus, supply chain bottlenecks and high commodity prices have dampened China's economic growth prospects. However, the state media continued to maintain that the "country's economy remains resilient and on the path of recovery".

Amidst the ongoing crackdown on big-tech, Chinese President Xi Jinping and his top economic advisor, Vice Premier Liu He, stepped in to reassure the country's entrepreneurs and investors. The state media asserted that the big-tech crackdown "does not indicate a departure from decades of market opening and engagement with the world; rather, it reinforces China's commitment to reforms and further opening of the economy". Reportedly, China's digital economy reached USD 6.07 trillion (CNY 39.2 trillion) in 2020, accounting for 38.6 percent of the country's GDP.

China's State Council adopted the 14th Five-Year Plan (2021-2025) for new infrastructure development to "spur domestic demand" and shape China's "economic transformation". Beijing is focusing on increasing investments in telecommunications networks, satellite navigation, industrial internet, smart logistics and transport sectors over the next five years. China has also ramped up efforts to protect intellectual property rights by releasing a 15-year plan (2021-2035) for IPR development. The guidelines demand stricter IPR protection, higher public satisfaction, and greater market value of IPRs by 2025.

In a strategic move aimed at upstaging the US, China formally applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), putting pressure on the regional arrangement co-sponsored by Japan, Australia and Canada. Taiwan also applied for membership of CPTPP.

In military domain, discontent is brewing over large scale restructuring and military reforms, leading to nearly 300,000 soldiers being demobilised from service. Veterans are demanding jobs in government institutions and state-owned enterprises. To express their resentment, some 200 veterans from different parts of China gathered at the Central Military Commissions' Petitioning Bureau to protest against their retrenchment.

## Foreign and Security Policy

### I. China-India Relations

The After seventeen months of the border standoff, India-China relations continue to be in a state of flux. The People's Liberation Army (PLA) continued its build-up and operational posturing in Eastern Ladakh amidst attempts at disengagement and restoring of the status quo. On the diplomatic front, the month saw a number of bilateral engagements. Indian External Affairs Minister [Dr. S. Jaishankar met his Chinese counterpart Wang Yi](#) on the sidelines of the SCO Summit on September 17 in Dushanbe. The ministers discussed global developments and border disengagement. Dr. Jaishankar reiterated that maintenance of the disengagement process in Eastern Ladakh was essential for restoration of peace and tranquillity and formed the basis for the development of overall ties. He also conveyed that India does not subscribe to any clash of civilisation narrative and suggested that China should not view its relations with India through the lens of a third country.<sup>1</sup>



India's External Affairs Minister Dr. S. Jaishankar meeting Chinese Foreign Minister Wang Yi on the sidelines of SCO Summit in Dushanbe, September 17, 2021. Source: [Twitter/@DrSJaishankar](#)

At an [India – China Track II Dialogue \(virtual\) co – hosted by IDSA and Sichuan University](#) on September 23, Indian and Chinese envoys made contrasting remarks, indicating the continuing chasm in bilateral

<sup>1</sup> "Jaishankar disagrees with CDS: India doesn't believe in clash of civilisations," [The Indian Express](#), September 18, 2021

relations.<sup>2</sup> Ambassador Vikram Misri underlined that if both sides were to pick up the threads of bilateral cooperation, it is important to complete the on-going process of disengagement in Eastern Ladakh, maintaining that Beijing cannot expect normalcy in relations while border tensions continue. He outlined three “obstacles which could block progress” in normalising India-China relations: (i) “attempts to shift goalposts”, underlining India’s rejection to use of force for creating new facts on the ground, and maintaining the distinction between resolving the boundary issue and managing border affairs; (ii) bilateral engagement must be on equal footing. It cannot be that one side’s concerns take precedence while the other’s case goes unheard; and (iii) avoiding the tendency of “viewing bilateral relations through the prism of its relations with the third country”. [Sun Weidong, Chinese Ambassador to India in his remarks pointed out](#)<sup>3</sup> : (i) as two major oriental countries, China and India should avoid western ideals of competition and confrontation, and rather pursue visions of “universal peace” and “vasudhaivakutumba” (alluding to India treating China as a major threat); (ii) both countries should view the multifaceted and multi-dimensional bilateral relations from a comprehensive rather than one-sided perspective (making the usual point of Chinese diplomats of putting the boundary issue second to broader bilateral relations; and (iii) China and India should uphold strategic autonomy, avoiding “small cliques” to contain a third party.

On the eve of the “Quad” leadership summit, China accused India of illegally encroaching into Chinese territory and held India responsible for the Galwan valley clash in June 2020. A Ministry of External Affairs spokesperson, in his rebuttal, said that Chinese accusations “have no basis in facts” and blamed [China’s provocative behaviour and its unilateral attempt to alter the status quo](#) as the real cause for the highly provocative altercation.<sup>4</sup> Speaking in a similar vein, [Foreign Secretary Harsh Shringla too reiterated India’s long-standing position](#) that peace in the border is essential for developing bilateral ties in the wake of the Chinese attempts to alter the status quo unilaterally.<sup>5</sup>

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<sup>2</sup> “Ambassador’s Remarks at MP-IDSA – Sichuan University Virtual Dialogue Sept 23, 2021,” [Embassy of India, Beijing, China](#), September 23, 2021

<sup>3</sup> “Ambassador Sun Weidong Attends the Opening Ceremony of the 4th High-level Track II Dialogue on China-India Relations,” [Ministry of Foreign Affairs, PRC](#), September 24, 2021

<sup>4</sup> “India says China’s ‘provocative behaviour’ on LAC disrupted normal ties,” [Hindustan Times](#), September 24, 2021

<sup>5</sup> “Peace in border areas essential for bilateral ties with China: Shringla,” [Hindustan Times](#), September 20, 2021



On the military front, [Chinese encroachments across the LAC continue](#) despite agreement on disengagement from friction points in Eastern Ladakh. Reportedly, local inhabitants have lost access to grazing areas close to Gogra (one of the flashpoints) in Eastern Ladakh due to increased Chinese presence.<sup>6</sup> Further, the Chinese [PLA is continuing construction activity in the "occupied" territory](#) in Depsang Plains and has been building additional military camps.<sup>7</sup> China recently [completed a key section of the Beijing-Lhasa expressway](#), a 295 km stretch from Lhasa to Nagqu, that will facilitate rapid mobilisation of forces from the hinterland.<sup>8</sup> Termed as the highest expressway, it is located at an average altitude of 4500 metres above sea level.

## II. South Asia-China Relations

With the installation of an interim Taliban government in Afghanistan, China's political overtures have intensified. China's enhanced outreach is intended to secure Xinjiang from the extremist influence of outfits like the ETIM and to enhance regional connectivity. China is keen to leverage the Taliban government in Afghanistan to "link up" with Iran across the Pamirs, Hindu Kush, Karakorums and the Himalayas, through multifaceted continental connectivity. Afghanistan's extensive mineral deposits, said to be worth some \$3 trillion, are also a compelling rationale.

As a consequence, China is busy enhancing its somewhat modest profile. To deal with the looming humanitarian crisis, it extended a \$31 million emergency aid package to the interim Afghan government day after its formation. Post the US withdrawal, the [Taliban sees China as the only country that can help in Afghanistan reconstruction](#) and meet mounting humanitarian challenges. It has expressed willingness to receive help under the Belt and Road Initiative, allowing China to undertake strategic connectivity projects.<sup>9</sup> [China is also all set to establish an industry platform in Kabul](#) to look into investments and reconstruction efforts.<sup>10</sup>

In the international arena, [China has been Islamic Emirate of Afghanistan's chief spokesman for lifting of sanctions](#) and restoring \$9.5 billion in frozen assets belonging to Afghanistan's central bank. The US has frozen these assets

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<sup>6</sup> "Rising Chinese Presence Leading to Loss of Grazing Area, Says Councillor," [The Wire](#), September 24, 2021

<sup>7</sup> "LAC: China continues construction in 'occupied' territory," [The Telegraph](#), September 7, 2021

<sup>8</sup> "China completes key section of Beijing-Lhasa road link," [The Hindu](#), September 26, 2021

<sup>9</sup> "'India's concern inappropriate': Taliban say nothing wrong in China helping Afghanistan," [Hindustan Times](#), September 15, 2021

<sup>10</sup> "China eyes investment opportunity in Taliban-controlled Afghanistan, to set up industry platform: Report," [Hindustan Times](#), September 9, 2021

and stopped shipments of cash to prevent the Taliban government from accessing the money till it allows repatriation of foreigners held up in Afghanistan and the formation of inclusive government.<sup>11</sup>

Furthermore, a [Chinese delegation's visit to Bagram airbase](#) (formerly the largest US military base in Afghanistan)<sup>12</sup> evoked speculation that China, in collaboration with Pakistan, could set up an intelligence facility at the base,<sup>13</sup> a development that will have profound security implications for India.

Besides the above, there are other [trends of a new great game brewing in the region](#), foremost being a China-Pakistan's joint push for influence. Russia has of late hardened its position on the Taliban and is unwilling to negotiate with their interim government. Iran, meanwhile has condemned the Taliban's recent actions in the Panjshir valley and has lashed out at Pakistan for overt involvement in Afghanistan's internal matters.<sup>14</sup>

Elsewhere in South Asia, Chinese activities have included encroachments in [Nepal's Himalayan district of Humla](#), raising serious national security concerns.<sup>15</sup>

China also continues to make strategic inroads in Sri Lanka. Its recent foray is [infrastructure projects in Northern Sri Lanka](#), barely 50 km away from the Tamil Nadu Coast, which is of grave concern to India.<sup>16</sup> In a move partially countering China's rising influence in Sri Lanka, an Indian company has been entrusted a [\\$ 700 million contract for developing a strategic deep-sea container](#) terminal at Colombo Port in Sri Lanka.<sup>17</sup> Meanwhile in the backdrop of mounting debt, Sri Lanka has been badly hit by high food prices and a sputtering economy.

Amidst the ongoing jostling for strategic influence in the IOR, India has bagged two crucial development assistance projects in the Maldives: [\\$500 million Greater Malé Connectivity Project \(GMCP\)](#)<sup>18</sup>, and [\\$228 million housing](#)

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<sup>11</sup> "China calls for lifting sanctions on Taliban controlled Afghanistan, release of its forex reserves," [The Times of India](#), September 23, 2021

<sup>12</sup> "Chinese Delegation Conducts Recce at Afghanistan's Bagram Airbase; India Concerned," [News 18](#), September 20, 2021

<sup>13</sup> Ibid.

<sup>14</sup> Taliban in Afghanistan: Will it be India-Russia-Iran vs China - Pakistan," [The Times of India](#), September 14, 2021

<sup>15</sup> "Nepal forms committee to study border dispute with China," [The Times of India](#), September 2, 2021

<sup>16</sup> "China expands its activities to Sri Lanka's north; India worried," [The Times of India](#), September 21, 2021

<sup>17</sup> "India counters China in Sri Lanka with \$700 million port deal," [Mint](#), October 1, 2021

<sup>18</sup> "India surges ahead of China in the Maldives" [Deccan Herald](#), August 31, 2021

[construction project](#).<sup>19</sup> The GMCP is billed as the "largest-ever infrastructure project" in the Maldives which after construction will overshadow the Chinese-built 1.4-km-long Sinmalé bridge, an essential element of China's Maritime Silk Road Initiative.<sup>20</sup>

2021 marks the 46th anniversary of establishing diplomatic ties between China and Bangladesh and the fifth anniversary of President Xi Jinping's visit to Bangladesh. During a virtual China-Bangladesh Economic and Trade Cooperation Forum 2021, the Chinese Ambassador to Bangladesh emphasised that China, the country's largest trading partner, will work to promote business opportunities in Bangladesh and [improve the business environment to attract more Chinese enterprises](#).<sup>21</sup>

### III. China-United States Relations

China-US strategic sparring over trade, defence and technology issues continued during the month. The announcement of AUKUS, a new defence pact between the UK, US, and Australia, was met with sharp criticism from China. Chinese state media commentaries contended: (i) [AUKUS will weaken the broader Western alliance](#), notably after US failed to consult with close allies over the bungled withdrawal from Afghanistan;<sup>22</sup> and (ii) [AUKUS has accelerated threat](#) to regional peace and stability<sup>23</sup>. Further, Foreign Minister Wang Yi, in talks with his European Commission counterpart, conveyed that the [new AUKUS partnership shows "Cold War mentality" of the western countries](#).<sup>24</sup>

Further hyperventilating against QUAD and AUKUS, Chinese state media called them sinister gangs aimed at containing China. An editorial in the [China Daily pointed out three reasons](#) why the security groupings will destabilise the Asia Pacific: (i) cooperation, rather than strategic competition, is the only way countries can meet everyday challenges in a globalised world; (ii) security groupings tend to prompt "rivals" to engage in an arms race, which would eventually jeopardise regional stability; and (iii) the Indo-Pacific will be free and

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<sup>19</sup> "The significance of India's \$228 million social housing projects in Maldives," [The Indian Express](#), September 25, 2021

<sup>20</sup> Ibid.

<sup>21</sup> "Chinese envoy: Will draw more Chinese investors to Bangladesh," [Dhaka Tribune](#), September 28, 2021

<sup>22</sup> "AUKUS appears to weaken Western alliance," [China Daily](#), September 24, 2021

<sup>23</sup> "AUKUS: A threat to regional peace," [CGTN](#), September 23, 2021

<sup>24</sup> "AUKUS partnership shows 'Cold War mentality,' says China's Wang Yi," [CGTN](#), September 29, 2021

open if free trade is promoted; exclusive groupings are not conducive to free navigation and maritime communication.<sup>25</sup>



An illustration of the Quad by Global Times. Source: Liu Rui/Global Times

As ASEAN countries like [Malaysia and Indonesia voiced concerns over AUKUS](#), Chinese state media stressed that regional countries are unwilling to take sides.<sup>26</sup> A report in Global Times stated that "countries such as Singapore, Indonesia, and Thailand do not want to see China and the US engage in a life-and-death game. They prefer China-US cooperation that allows them to benefit from their balancing acts."<sup>27</sup>

Amidst fraying ties, President Biden spoke with Chinese President Xi Jinping on September 9. [The White House readout highlighted](#) Biden and Xi "had a discussion on areas where US-China interests converge, and areas where interests, values, and perspectives diverge."<sup>28</sup> It further stated, "President Biden made it clear that this discussion was part of the United States' ongoing efforts to responsibly manage the competition between the two countries, underscoring the United States' enduring interest in peace, stability, and prosperity in the Indo-Pacific. President Xi, in his remarks, blamed America's China policy which has resulted in ["serious difficulties" in bilateral ties](#) and goes against the fundamental interests of the two countries and the common interests of the world. Xi added that "how the two countries handle their

<sup>25</sup> "Quad will only destabilize Asia-Pacific," [China Daily](#), September 24, 2021

<sup>26</sup> "AUKUS drives a wedge in ASEAN, pushing bloc to a cold war," [Global Times](#), September 23, 2021

<sup>27</sup> Ibid.

<sup>28</sup> "Readout of President Joseph R. Biden Jr. Call with President Xi Jinping of the People's Republic of China," [White House](#), September 9, 2021

relationship will bear on the future of the world, and it is a question of the century to which the two countries must provide a good answer".<sup>29</sup>

#### IV. China-EU Relations

In a bid to forge a new Indo-Pacific strategy, European Commission President Ursula von der Leyen's State of the Union speech on September 15 signalled the [EU's concerns over China's growing assertiveness and rivalry with the US](#) that has increased tensions in the Indo-Pacific, making it hard for Europeans to remain neutral. It underscored that despite China's market potential looming large over Europe, it is essential for the EU to focus on new markets, trade links that will strengthen global supply chains and develop new investment projects on green and digital technologies, instead of remaining dependent upon China.<sup>30</sup>

Chinese state media criticised President Ursula's "[China as a competitor and rival](#)" comment, stating "it is not a new narrative of the EU but if the differences between the two sides keep growing... it will eventually hurt the EU itself."<sup>31</sup>

China picked a fight with Lithuania over the latter's decision to exchange diplomatic offices with Taiwan, leading China to recall its ambassador from Lithuania. China also opposed the EU Parliamentary Committee on Foreign Affairs adopting a [report titled "EU-Taiwan Relations and Cooperation](#)," which called for elevating EU-Taiwan political relations. The report not only included Taiwan in the EU's Indo-Pacific Strategy but also advocated Taiwan's full participation in international bodies as an observer.<sup>32</sup> In the first official strategic dialogue with Chinese Foreign Minister Wang Yi since June 2020 (held on September 28), [EU top diplomat Josep Borrell spoke about EU's plan](#) to expand its relationship with Taiwan, "though without any recognition of statehood".<sup>33</sup>

[German Chancellor Angela Merkel in a phone call with President Xi](#), discussed important global and bilateral issues, such as Afghanistan, coronavirus pandemic, bilateral relations, economic policy, and climate change. President

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<sup>29</sup> "US' China policy causes serious difficulties in bilateral ties, Xi says to Biden over phone," [Global Times](#), September 10, 2021

<sup>30</sup> EU seeks Closer Partnership with Indo – Pacific region, [N World](#), September 15, 2021

<sup>31</sup> "The EU should think again about labeling China as a rival," [Global Times](#), September 17, 2021

<sup>32</sup> "China opposes EU lawmakers' push for 'closer' Taiwan ties," [Global Times](#), September 22, 2021

<sup>33</sup> "EU defends plan to expand Taiwan relations 'without recognition of statehood'," [South China Morning Post](#), September 29, 2021

Xi, in his remarks, urged Germany to promote a "correct" policy towards China within the European Union.<sup>34</sup>

Meanwhile, [EU Chamber of Commerce president Joerg Wuttke](#) pointed out the challenges European firms are confronting due to China's inward-looking economic strategy, nationalism, and excessive focus on national security while operating in the country.<sup>35</sup>

## V. China-Russia Relations

After refusing to recognise the Taliban government as a member of the credentials committee, Russia affirmed its commitment to work along with China, Pakistan, and the US to ensure the Taliban forms a genuinely representative government and prevents the rise of extremist forces. [Russian Foreign Minister Sergey Lavrov categorically stated](#) that the interim government announced by the Taliban does not reflect the whole gamut of Afghan society.<sup>36</sup>



Chinese soldiers participate in SCO counter-terrorism exercise 'Peace Mission – 2021' held in Russia, September 20, 2021. Source: Ministry of National Defense, People's Republic of China

<sup>34</sup> "China's President Xi spoke with German Chancellor Merkel - state media," [Reuters](#), September 10, 2021

<sup>35</sup> "European business group points to 'troubling signs' of China turning inwards," [South China Morning Post](#), September 23, 2021

<sup>36</sup> "Russia says it is in sync with US, China, Pakistan on Taliban," [The Times of India](#), September 26, 2021

Continuing their defence engagement, [Russia and China began multinational anti-terrorism military exercises](#) in Russia's Orenburg region near the Kazakhstan border on September 20. Russia and China had last month held joint Zapad/Interaction 2021 military exercises against the backdrop of regional security concerns and deteriorating ties with the US.<sup>37</sup>

In a first, [Japan named Russia , China , and North Korea as a threat](#) in its draft cyber security strategy. The draft highlighted that Japan would take "tough countermeasures using every effective means and capability available," including diplomatic responses and criminal prosecutions against cyber attacks.<sup>38</sup>

Meanwhile, a [US-based Chicago Council and Levada-Centre survey in Russia on Russia - China bilateral relations](#) concluded that the relationship is bolstered by a deep level of support towards China among the Russian public. 74% of Russians feel favourably towards China, while 53% of Russians feel favourably towards Xi Jinping. In contrast, only 19% of Russians like President Biden. A fairly substantial percentage of Russians (55%) look at China as a capable country that is on the rise.<sup>39</sup>

## China's Global Image

### I. Belt and Road Initiative

European Commission announced the launch of a new global infrastructure program known as "Global Gateway" on September 15. A commentary in the [Council on Foreign Relations](#) stated that Global Gateway is the EU's way of responding to China's Belt and Road Initiative.<sup>40</sup> In another development, QUAD leaders announced the [launch of a new QUAD infrastructure partnership](#) to counter China's BRI initiative.<sup>41</sup>

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<sup>37</sup> "Russia, China Hold Joint Anti-Terror Drills – TASS," [The Moscow Times](#), September 20, 2021

<sup>38</sup> "In first, Japan names China, Russia and North Korea as cyberattack threats," [The Japan Times](#), September 27, 2021

<sup>39</sup> "What Do Russians Think About the Relationship With China?," [The Diplomat](#), September 16, 2021

<sup>40</sup> "Europe's Global Gateway Plans To Counter China, But Questions Remain," [Council on Foreign Relations](#), September 21, 2021

<sup>41</sup> "Eye on China, Quad vows to up its game in Indo-Pacific," [The Times of India](#), September 26, 2021

## II. Human Rights and Democracy

President Joe Biden, during his speech at the UN General Assembly, made [specific references to the human rights abuses of Uyghur Muslims](#) in China's Xinjiang province.<sup>42</sup> Following Biden's speech, the Chinese foreign ministry published a document titled "[List of facts about US interference in Hong Kong affairs and support of anti-China forces in Hong Kong](#)" on its website. It called the file a "criminal record" of "gross interference in Hong Kong affairs" by the U.S.<sup>43</sup>

The international pressure on China's human rights violations is building. [The UN human rights chief Michelle Bachelet in a statement](#), indicated that the Chinese government's attempts to evade international human rights norms have stalled, underlining that the Xinjiang Uyghur Autonomous Region is not accessible for review.<sup>44</sup>

The UN permanent missions of China, Venezuela, Iran, Belarus, Cuba, Zimbabwe, Bolivia, Nicaragua, and Syria countered this by conducting a video conference [on the sidelines of the 48<sup>th</sup> session of the UN Human Rights Council session](#) (September 13 to October 8). During the meet, the countries accused the US and other Western countries of implementing unilateral coercive measures through sanctions, endangering the basic human rights of the people of the victim countries.<sup>45</sup>

Further, [in an implicit rebuke to President Biden's UN speech](#) China's new ambassador to the US, Qin Gang, stressed that China's one-party rule is a misunderstood form of democracy.<sup>46</sup> [Ambassador Gang emphasised](#) that with a unique political consultation system and corresponding institutions, China has emerged as a whole democracy. He added, despite having different history,

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<sup>42</sup> "UN General Assembly 2021 | Biden raises Xinjiang human rights abuse issue in maiden speech," [WION](#), September 21, 2021

<sup>43</sup> "China Lists 102 Examples of U.S. 'Interference' in Hong Kong," [Bloomberg](#), September 24, 2021

<sup>44</sup> "UN Rights Chief to Report on China's Abuses in Xinjiang," [Human Rights Watch](#), September 15, 2021

<sup>45</sup> "Statement by H.E. Ambassador Chen Xu on the Side Event "The Negative Impact of Unilateral Coercive Measures on the Realization of the right to Development"," [MFA, China](#), September 22, 2021

<sup>46</sup> "China's new D.C. ambassador: We're just a misunderstood democracy," [Politico](#), September 23, 2021



cultures, and political systems, the US and China share a common goal of creating peaceful and stable political systems to benefit people.<sup>47</sup>



China International Fair for Trade in Services was held in Beijing, September 03, 2021.

Source: Twitter/@CIFTIS

## Trade and Economy

President Xi Jinping addressed the '[2021 China International Fair for Trade in Services](#)' (CIFTIS) under the theme "Towards Digital Future and Service Driven Development".<sup>48</sup> He spoke about Beijing's resolve to "open the country's services sector and enhance global cooperation for economic recovery".<sup>49</sup> For this, China will "implement a negative list for cross-border services trade across the country", "scale up support for the growth of services sector in the BRI partner countries", and "develop national demonstration zones to promote innovative development of services including digital trade".<sup>50</sup>

To boost partnership with ASEAN, China hosted a "China-ASEAN Expo and [China-ASEAN Business and Investment Summit](#)" in Nanning, capital of South China's Guangxi Zhuang Autonomous Region.<sup>51</sup> In his address, President Xi

<sup>47</sup> "Speech by Ambassador Qin Gang at the Conversation Jointly Held by The Carter Center and The George H.W. Bush Foundation for US-China Relations," [MFA, China](#), September 22, 2021

<sup>48</sup> "Xi charts course for services trade, world economic recovery," [Xinhua](#), September 04, 2021.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> "Xi Jinping sends congratulatory letter to China-ASEAN Expo, Business and Investment Summit," [CGTN](#), September 10, 2021.

outlined China's willingness to "enhance mutual strategic trust with ASEAN" while deepening cooperation in trade including through the Regional Comprehensive Economic Partnership (RCEP).<sup>52</sup> At the expo, 179 deals worth over [CNY 300 billion](#) (USD 46.59 billion) were signed, an increase of 13.7 percent over the 2020 expo.<sup>53</sup>

In a significant development, China formally applied to join the Comprehensive and Progressive Agreement for [Trans-Pacific Partnership](#) (CPTPP).<sup>54</sup> Chinese Ministry of Foreign Affairs outlined this as Beijing's determination to open its economy further, while promoting regional economic cooperation benefiting global economic recovery.<sup>55</sup> In a counter move, Taiwan also applied for the membership of CPTPP. Analysts believe China is [unlikely to be accepted into 'CPTPP'](#) in the short-term as its relations remain strained with Japan, Australia, and Canada – states party to the agreement.<sup>56</sup> China is also "unlikely to meet CPTPP's requirements in subsidies, state-owned enterprises, digital trade and investments".<sup>57</sup> Taiwan's move which may have been prompted by the US could further vitiate decision making over competing claims and adherence to the one China principle.

In other economic developments, concerns have been mounting over Chinese real estate giant ['Evergrande defaulting on its debt obligations'](#) worth around USD 300 billion.<sup>58</sup> Chinese analysts refused to compare Evergrande's situation to the collapse of Lehman brothers in 2008 leading to a major financial crisis.<sup>59</sup> There were reports that Evergrande is likely to restructure its debt to stem a sector-wide crisis.<sup>60</sup>

China's State Council adopted 14<sup>th</sup> Five-Year Plan (2021-2025) for [new infrastructure development](#) to "spur domestic demand", shape China's "economic transformation", and maintain "growth sustainability".<sup>61</sup> Beijing is committed to increasing infrastructure investment in ["telecommunications"](#)

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<sup>52</sup> Ibid.

<sup>53</sup> "18th China-ASEAN Expo concludes with record deals", [Xinhua](#), September 14, 2021.

<sup>54</sup> "China's CPTPP move seen as good for world", [China Economic Net](#), September 18, 2021.

<sup>55</sup> Ibid.

<sup>56</sup> Sarah Zheng and Kinling Lo, "Beijing's bid to join CPTPP may fail yet also succeed, experts say", [South China Morning Post](#), September 20, 2021.

<sup>57</sup> Ibid.

<sup>58</sup> Chad Bray, "Default by China Evergrande unlikely to spark malaise that threatens China's financial system, analysts say", [South China Morning Post](#), September 21, 2021.

<sup>59</sup> Ibid.

<sup>60</sup> Ibid.

<sup>61</sup> Wang Keju, "China formulates plan for new infrastructure to spur domestic demand, economic transformation, growth sustainability", [The State Council of the People's Republic of China](#), September 22, 2021.

[network](#)", "satellite navigation", "industrial internet", "smart logistics", and "transport" over the next five years".<sup>62</sup>

South China's Guangdong Province is considered to be [China's manufacturing heartland](#), home to around three million industrial companies.<sup>63</sup> Xinhua highlighted the digital transformation of this region, including Shenzhen, with a growing number of companies adopting automation and digitalisation of the manufacturing sector.<sup>64</sup>

Further, the State Council issued a circular aimed at [promoting employment](#) during China's 14<sup>th</sup> Five-Year Plan (2021-2025).<sup>65</sup> It reiterated a "renewed push to [drive domestic demand](#) and move manufacturing up the value chain".<sup>66</sup> The aim is to "expand vocational education while ensuring that wages keep pace with productivity".<sup>67</sup>

In a similar vein, the Ministry of Industry and Information Technology (MIIT) reiterated Beijing's strategic goal of developing China into a "[manufacturing and network powerhouse](#)".<sup>68</sup> MIIT asserted that "China remains [world's largest manufacturing hub](#) for 11 straight years, accounting for nearly 30 per cent of global manufacturing output".<sup>69</sup> China's [foreign trade](#) also reportedly sustained growth momentum in the first eight months of 2021.<sup>70</sup>

Amidst soaring commodity prices, the State Council intensified [support for micro, small and medium enterprises](#) (MSMEs) while reiterating emphasis on "cross-cyclical adjustment".<sup>71</sup> Premier Li Keqiang stressed that "providing greater support to MSMEs is critical in maintaining steady growth and employment generation".<sup>72</sup> Towards this a [new stock exchange has been setup](#)

<sup>62</sup> Frank Tang, "China accelerates infrastructure investment plan as Evergrande woes add to economic slowdown fears", [South China Morning Post](#), September 23, 2021.

<sup>63</sup> "China's manufacturing heartland going smart", [Xinhua](#), September 13, 2021.

<sup>64</sup> Ibid.

<sup>65</sup> "State Council unveils plan to boost employment", [The State Council of the People's Republic of China](#), August 27, 2021.

<sup>66</sup> Orange Wang, "China targets jobs, wages and training in new 5-year economic blueprint", [South China Morning Post](#), August 29, 2021.

<sup>67</sup> Ibid.

<sup>68</sup> "How will China's manufacturing fare in next five years?", [Xinhua](#), September 14, 2021.

<sup>69</sup> "China's manufacturing value-added ranks first in the world for 11 years", [People's Daily](#), September 16, 2021.

<sup>70</sup> "China's foreign trade sustains growth momentum", [People's Daily](#), September 08, 2021.

<sup>71</sup> Wang Keju, "China to intensify support for smaller businesses and enhance cross-cyclical adjustment", [The State Council of the People's Republic of China](#), September 01, 2021.

<sup>72</sup> Ibid.

[in Beijing](#) as a primary platform serving capital requirements of innovation-oriented MSMEs with an initial capital of CNY 1 billion.<sup>73</sup>

These pronouncements regarding economic goals, enhancing economic output come in the midst of/ amid major signs of economic uncertainty in China. The [factory activity](#) (manufacturing) slipped into contraction in August 2021 for the first time since April 2020 due to the “coronavirus containment measures, supply chain bottlenecks and high commodity prices”.<sup>74</sup> [Retail and property sectors](#) are also showing slackness.<sup>75</sup> Notwithstanding the tell-tale signs, the state media continues to maintain that “country’s [economy remains resilient](#) and on the path of recovery”.<sup>76</sup>

In meeting its emission goals, President Xi Jinping reiterated calls for transition away from [coal-fired power sector](#) to a path of green and low carbon development.<sup>77</sup> But the reality is that the [demand for coal](#) is rising in China.<sup>78</sup> A report in South China Morning Post (SCMP) raised questions about [China banning coal imports from Australia](#) even as the domestic production remains inadequate to meet surging demand.<sup>79</sup> Importantly, China has imposed power restrictions in industrial provinces such as Guangdong, Yunnan, Jiangxi and Hunan.<sup>80</sup> Further, “16 of mainland China’s 31-provincial level jurisdictions are [rationing electricity](#) to meet country’s carbon emission reduction targets”.<sup>81</sup> This power crisis coupled with spread of the Delta coronavirus variant has raised alarms over China’s economic growth prospects.

Amidst this scenario, Chinese media highlighted country’s advances in [nuclear power technologies](#) especially “Shidaowan high-temperature gas-cooled

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<sup>73</sup> “With new bourse, China’s capital market strides forward in supporting innovation”, [Xinhua](#), September 03, 2021.

<sup>74</sup> “China’s economic recovery continues to stall as factory activity contracts for first time since April 2020”, [South China Morning Post](#), September 01, 2021.

<sup>75</sup> Jonathan Cheng, “China’s Economic Recovery Is Looking Gloomier”, [The Wall Street Journal](#), September 15, 2021.

<sup>76</sup> “China’s economy continues recovery, shows resilience”, [Xinhua](#), September 15, 2021.

<sup>77</sup> “Low-carbon path for energy industry emphasized”, [China Economic Net](#), September 15, 2021.

<sup>78</sup> Cissy Zhou and Su-Lin Tan, “China-Australia relations: as demand for coal surges, how long can Beijing keep banning Australian supply?”, [South China Morning Post](#), September 07, 2021.

<sup>79</sup> Cissy Zhou and Su-Lin Tan, “China-Australia relations: as demand for coal surges, how long can Beijing keep banning Australian supply?”, [South China Morning Post](#), September 07, 2021.

<sup>80</sup> Ibid.

<sup>81</sup> Orange Wang, “China electricity shortage: industrial production grinds to halt and traffic lights fail amid rationing”, [South China Morning Post](#), September 27, 2021.

reactor" (HTGR) – a fourth generation nuclear reactor, as an alternative to coal-fired energy generation with a view to/ to go carbon neutral by 2060.<sup>82</sup>

China has reported wide spread economic data fabrication. "In an inspection conducted by National Statistics Bureau covering 19 of mainland China's 31 provinces, as well as nine departments within the State Council, [economic data fraud](#) has been reported".<sup>83</sup> Officials at local levels manipulate data with the belief that their career growth is still closely related to economic performance.<sup>84</sup> Beijing is also concerned over mounting [hidden local government debt](#) in China.<sup>85</sup>

## China – US Trade Competition

Amidst intensifying US-China competition, New York-based Blackrock– one of the largest asset management companies in the world, has urged investors to [triple their allocations in Chinese assets](#).<sup>86</sup> American billionaire investor George Soros, reacting to Blackrock, has warned that "pouring billions in [China is a bad investment](#), imperilling US national security".<sup>87</sup> Importantly, he called on the US Securities and Exchange Commission (SEC) to [limit capital flows to China](#).<sup>88</sup> SEC Commissioner has recently expressed concerns over regulatory disclosures by US-listed Chinese companies following Beijing's big-tech crackdown. Chinese companies could face [delisting in the US](#) in 2024 if they fail to provide full access to their audits.<sup>89</sup>

COVID-19 pandemic has intensified US efforts to decouple with China. According to reports, if decoupling were to continue between the two largest economies in the world, and supply-chains re-arranged – the consequences would be much more [disruptive to the China-led bloc](#) than to the US-bloc.<sup>90</sup>

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<sup>82</sup> Echo Xie, "China taking the nuclear option in its drive towards carbon neutrality", [South China Morning Post](#), September 15, 2021.

<sup>83</sup> Ji Siqi, "China anti-corruption probe finds local governments are still 'fabricating' economic data", [South China Morning Post](#), September 03, 2021.

<sup>84</sup> Ibid.

<sup>85</sup> "China debt concerns mounting as Beijing shifts attention to hidden local government financing", [South China Morning Post](#), September 20, 2021.

<sup>86</sup> Chad Bray, "George Soros ups the ante in war of words with BlackRock over China, exposing contrast of bets on world's second-biggest market", [South China Morning Post](#), September 07, 2021.

<sup>87</sup> George Soros, "BlackRock's China Blunder", [The Wall Street Journal](#), September 06, 2021.

<sup>88</sup> Chad Bray, "George Soros ups the ante in war of words with BlackRock over China, exposing contrast of bets on world's second-biggest market", [South China Morning Post](#), September 07, 2021.

<sup>89</sup> Chad Bray, "US ratchets up pressure on Chinese firms to share audits as failure to comply could lead to delistings from American bourses", [South China Morning Post](#), May 14, 2021.

<sup>90</sup> Cissy Zhou, "US-China decoupling: if it comes down to a US bloc vs China bloc, who stands to gain the most?", [South China Morning Post](#), September 16, 2021.

The report analysed 217 economies plus Taiwan, out of which 114 fall in US-block while 90 in Chinese.<sup>91</sup>

The 'World Bank' announced it will "stop publishing its annual '[Doing Business Report](#)' after investigations revealed that the "then-CEO of World Bank Kristalina Georgieva put undue pressure on staffers to alter the data, improving the rankings of China and Saudi Arabia in 2018 and 2020 editions of the report".<sup>92</sup> Consequently, the 'Doing Business Team' had improved China's ranking by seven places to 78.<sup>93</sup>

## Defence and Security

Consequent to the restructuring of the [Chinese military and reforms, China](#) "demobilised 300,000 soldiers adding to the millions already unemployed".<sup>94</sup> Demobilised veterans of the People's Liberation Army (PLA) are [demanding jobs](#) in government institutions and state-owned enterprises.<sup>95</sup> In a clear sign of resentment, "more than 200 veterans from different parts of China protested in front of Central Military Commissions' (CMC) Petitioning Bureau.<sup>96</sup> To quell the slogan shouting veterans, Beijing police was called in and detained 137 on charges of illegal assembly.<sup>97</sup> In another consequential development, highlighting undercurrents of dissent, in May 2021 "Two PLA officers authored an article in the prestigious think tank Chinese Academy of Social Sciences, expressing serious concerns about PLA's adherence to [CPC's absolute leadership over the army](#)".<sup>98</sup>

Considering the strategic importance of China's western regions, PLA is building [30 civil airports in Xinjiang and Tibet](#) that will significantly enhance military mobilisation and build-up.<sup>99</sup> In another significant development, Beijing appointed [General Wang Haijiang](#), as the new commander of the PLA Western Theatre Command.<sup>100</sup> Gen. Haijiang is the "fourth commander to head the Western Command since the eastern Ladakh standoff began in May

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<sup>91</sup> Ibid.

<sup>92</sup> Philip Wang, "Investigation finds World Bank leaders pushed staffers to boost rankings for China and Saudi Arabia in high-profile reports", [CNN](#), September 17, 2021.

<sup>93</sup> Ibid.

<sup>94</sup> Jayadeva Ranade, "PLA Unrest: Why Xi Is Worried", [Rediff.com](#), September 22, 2021.

<sup>95</sup> "Beijing detains over 130 PLA veterans for protesting over resettlement issues", [ANI News](#), September 21, 2021.

<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

<sup>98</sup> Jayadeva Ranade, "PLA Unrest: Why Xi Is Worried", [Rediff.com](#), September 22, 2021.

<sup>99</sup> Sun Xingwei and Zhang Yun, "Specialized air routes serve recruits and veterans in Xinjiang and Tibet", [China Military Online](#), September 06, 2021.

<sup>100</sup> "China appoints new military commander to head troops along Indian border", [Business Standard](#), September 07, 2021.

2020".<sup>101</sup> There is no clarity on the rationale for such frequent changes, except that he is a Vietnam War veteran who has seen actual combat and has previous [experience in Tibet and Xinjiang](#).<sup>102</sup> In another important development, CMC posted an additional air force general to WTC, in the backdrop of increased deployment of air and air defence formations.



PLA Air Force displays WZ-7 high-altitude reconnaissance drone at Airshow China 2021 in Zhuhai, South China's Guangdong Province held from September 28 to October 03. Source: Global Times

China's biggest '[Air Show](#)' will be held in South China's Zhuhai city in Guangdong province, from September 28 to October 3. PLA Air Force (PLAAF) will showcase J-20 stealth fighter aircraft, Y-20 transport aircraft, KJ-500 early warning aircraft, H-6K bomber, and GJ-11 combat drone prototype. WZ-7 high-altitude reconnaissance drone and J-16D aircraft will make their public debuts at the air-show.<sup>103</sup> With J-20 fighter aircraft and Y-20 military transport aircraft entering the service, PLA Air Force has claimed to have a "[strategic air force](#)" following years of modernization.<sup>104</sup> Nonetheless analysts still believe "China

<sup>101</sup> Ibid.

<sup>102</sup> Ying-Yu Lin, "The PLA's New Generals: Security Implications", [The Diplomat](#), September 28, 2021.

<sup>103</sup> Liu Xuanzun, "PLA Air Force to unveil WZ-7 high-altitude reconnaissance drone at Airshow China", [Global Times](#), September 24, 2021.

<sup>104</sup> Kristin Huang, "Chinese military says it has a strategic air force – experts disagree", [South China Morning Post](#), September 03, 2021.

lacks bombers and transport aircraft needed to have true long-range air assault capability".<sup>105</sup>

On the weapons development front, reportedly, Chinese rocket scientists have proposed a new type of [hypersonic weapon](#) that would generate an intense electromagnetic pulse to wipe out enemy communication and power supply lines with a range of 3,000 Km.<sup>106</sup>

In the backdrop of twentieth anniversary of the 9/11 attack on the United States that led to "War on Terror", the Chinese state media highlighted Beijing's "remarkable achievements" in [reining in the scourge of "terrorism](#) – a common enemy of mankind".<sup>107</sup> It asserted that "China was a victim of globalisation of terrorism" including by 'Eastern Turkistan Islamic Movement' - a UN Security Council-listed terrorist group.<sup>108</sup> It called for a "global united front against terrorism" while asserting that "fundamental solution to the problem lies in sustainable development".<sup>109</sup> Further, China for the first time participated in [United Nations' Arms Trade Treaty](#) (ATT) conference in Geneva.<sup>110</sup> Chinese Ambassador reiterated "Beijing's concerns over Taliban's haul of US weapons" and called out the country [US] that "abuses the arms trade as a political tool".<sup>111</sup> Reiterating, China supports "all measures necessary to regulate the international arms trade and to combat the illicit transfer of conventional arms".<sup>112</sup>

Earlier in the month, prior to 'AUKUS' announcement, China and the United Kingdom had pledged to "[enhance military cooperation](#)",<sup>113</sup> which analysts asserted shows the "willingness on both sides to [manage risks](#) and ease regional tensions".<sup>114</sup> Contrary to this trend, British Royal Navy frigate '[HMS Richmond](#)' sailed through the Taiwan straits on September 27.<sup>115</sup> In a reference to China's growing military strength, [Australian Defence Minister](#) had stressed that the "current regional environment [in the Indo-Pacific] is far more complex and far

<sup>105</sup> Ibid.

<sup>106</sup> Stephen Chen, "Chinese scientists eye hypersonic weapon able to 'fry' telecoms systems in 10 seconds", [South China Morning Post](#), September 26, 2021.

<sup>107</sup> "Xi Jinping -- On war against "common enemy of mankind", [China Military Online](#), September 12, 2021.

<sup>108</sup> Ibid.

<sup>109</sup> Ibid.

<sup>110</sup> Rachel Zhang, "Stop arms sales to 'non-state actors', China urges UN treaty partners, in likely rebuke of US", [South China Morning Post](#), September 01, 2021.

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

<sup>113</sup> "China, UK to enhance military cooperation", [China Military Online](#), September 10, 2021.

<sup>114</sup> "China-UK military communication shows willingness to manage risks, ease regional tension: expert", [Global Times](#), September 11, 2021.

<sup>115</sup> "Chinese military opposes British warship's sailing through Taiwan Strait", [Chinese Ministry of National Defence](#), September 27, 2021.



less predictable than any time since the World War II".<sup>116</sup> Chinese Ministry of National Defence rejected Australian ministers "provocative remarks" as a reflection of Canberra's "cold war mentality" and "ideological biases" harmful to regional peace and stability.<sup>117</sup>

## Cross Strait Issues

China perceives the AUKUS agreement to share nuclear technology with Australia as a sign of the US, stepping up focus on [anti-submarine warfare](#) in the Indo-Pacific.<sup>118</sup> Chinese analysts believe that despite spending billions of dollars in undersea warfare capabilities, "China and Russia had less superior anti-submarine warfare capabilities compared to the United States" (US).<sup>119</sup> According to Chinese experts, to deal with the growing US submarine and maritime threat, there is no option but to scale up its capabilities and close the gap. In contrast to Chinese thinking, the "Hudson Institute" report on Chinese naval threat concludes that China has significantly enhanced its undersea capability (65-70 submarines) together with the ability to conduct offensive operations as part of active defence strategy.<sup>120</sup>

[Japan's Defence Ministry's](#) proposal to seeks budget of JPY 5.48 trillion (USD 49.93 billion) an increase of 2.6 percent from the previous year to "strengthen military capabilities near Diaoyu Islands" has come up for adverse comments from China.<sup>121</sup> Chinese analysts perceive "US demands for Japan to play a bigger role in regional security are behind Tokyo's demand for an increase in the defence budget". "US-Japan plan is to create the so-called island chain around mainland China and lay siege to the PLA". "If Japan intervenes in cross-straits affairs militarily, it will suffer massive retaliation from the Chinese mainland", they added.<sup>122</sup>

US-China confrontation on Taiwan showed no signs of abating. In another show of force, China, for the 20<sup>th</sup> time this month, sent a sortie of 24 aircraft comprising fighters, ASW, and EW aircraft into Taiwan's air defence

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<sup>116</sup> "China strongly opposes Australian defense chief's negative remarks about China", [China Military Online](#), September 11, 2021.

<sup>117</sup> Ibid.

<sup>118</sup> Sarah Zheng, "China vs US: beneath the surface of the submarine technology gap", [South China Morning Post](#), September 22, 2021.

<sup>119</sup> Ibid.

<sup>120</sup> Ibid.

<sup>121</sup> Liu Caiyu, "Japan's substantial military budget expansion caters to US request, to meet with China's retaliation once involving Taiwan island", [Global Times](#), September 01, 2021.

<sup>122</sup> Ibid.

zone, in a signal, that China will not backoff from issues relating to its national sovereignty.<sup>123</sup>

Meanwhile Taiwan has requested the US to change the name of its mission in Washington from "Taipei Economic and Cultural Representative Office" to "[Taiwan Representative Office](#)".<sup>124</sup> Reacting to this, Global Times editorial asserted that Beijing should "teach US and Taiwan a real lesson if they call for it" including imposing severe economic sanctions.<sup>125</sup> Amidst growing cross-straits tension, "mainland China [banned imports of sugar apples](#) from Taiwan, citing biosafety fears over plant pests".<sup>126</sup> Earlier, Beijing had imposed ban on imports of Pineapples from Taiwan.<sup>127</sup>

With a view to/ Intending to boost defence capabilities, "Taiwan plans to spend USD 8.7 billion over the next five years on [domestically produced arms](#), including missiles capable of striking mainland China".<sup>128</sup> It will induct indigenous missiles, including Wan Chien cruise missiles, Tien Kung anti-ballistic missiles, short-range Tien Chien and medium-range Hsiung Feng missiles.<sup>129</sup> Chinese analysts asserted that "Taiwan secessionists should have a clear understanding of the PLA's overwhelming advantage over the armed forces of Taiwan".<sup>130</sup> Even as Beijing attempted to deter Taiwan and the United States, US guided-missile [destroyer USS Barry](#) sailed through the Taiwan straits on September 17.<sup>131</sup>

Meanwhile, in a counter move, a PLA warships sailed in [international waters near Alaska](#) (US territory) "displaying China's far-sea capabilities as a counter measure against US provocations" in Taiwan straits and the South China Sea.<sup>132</sup> As the US-China strategic competition heats up, a People's Daily editorial asserted that how Washington and Beijing manage their relationship is the

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<sup>123</sup> People's Liberation Army sends 24 warplanes to Taiwan's air zone in show of force. South China Morning Post September 23, 2021

<sup>124</sup> "Teach the US, Taiwan island a real lesson if they call for it: Global Times editorial", [Global Times](#), September 12, 2021.

<sup>125</sup> Ibid.

<sup>126</sup> Amanda Lee, "Mainland China bans Taiwan wax and sugar apple imports as cross-strait relations continue to worsen", [South China Morning Post](#), September 19, 2021.

<sup>127</sup> Ibid.

<sup>128</sup> Lawrence Chung, "Taiwan to boost arms spending with extra cash for missiles and 'carrier killer' ships amid growing pressure from mainland China", [South China Morning Post](#), September 16, 2021.

<sup>129</sup> Ibid.

<sup>130</sup> Ibid.

<sup>131</sup> "Chinese military slams US warship transit in Taiwan Strait", [Chinese Military Online](#), September 18, 2021.

<sup>132</sup> Liu Xuanzun, "PLA warships reportedly sail near Alaska, 'display of far-sea capabilities or countermeasure against US provocation", [Global Times](#), September 14, 2021.

defining "[question of the century](#)".<sup>133</sup> The two nations should address this question with "strategic courage" and "political resolve", it added.<sup>134</sup>

China's newly revised '[Maritime Traffic Safety Law](#)' took effect on September 1.<sup>135</sup> Law requires "five types of foreign ships to report their detailed information upon passage through so-called Chinese territorial waters". These include submarines, nuclear vessels, ships carrying radioactive materials, bulk oil, chemicals, liquefied gas, and other toxic substances.<sup>136</sup> Pentagon termed this law as a "serious threat" to the freedom of navigation and trade.<sup>137</sup> While, strategic experts underlined that it was Beijing's attempt to force other countries into a "de-facto acknowledgement of Chinese control of the South China Sea".<sup>138</sup> Retaliating to American assertions, Global Times alleged, "reaction of the US and its puppets to 'Maritime Traffic Safety Law (MTSL)' reflects their maritime supremacy mind-set". "If the US and its allies, partners reject the new 'MTSL', then conflicts inside and outside the region will be inevitable", it maintained.<sup>139</sup>

## Technology

Amidst [China's big-tech crackdown](#), President Xi Jinping and his top economic advisor, Vice Premier Liu He has stepped in to reassure country's entrepreneurs and investors of Beijing's unswerving backing.<sup>140</sup> Echoing this, state media asserted that big-tech crackdown "does not indicate a departure from decades of [market opening](#) and engagement with the world; rather, it reinforces China's commitment to reforms and further opening of the economy".<sup>141</sup> In President Xi Jinping's perception, big-tech crackdown aimed at "[preventing the irrational expansion of capital](#)" is bearing fruit. He called upon the Communist Party of China (CPC) to "guide and supervise" countries businesses for fair competition.<sup>142</sup> A clear message of state control and oversight on their activities. Meanwhile, country's big-tech companies such as Tencent, Alibaba,

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<sup>133</sup> "China, US must answer the "question of the century" with strategic courage, political resolve", [People's Daily](#), September 14, 2021.

<sup>134</sup> Ibid.

<sup>135</sup> Chen Xiangmiao, "US and its puppets' reaction to China's Maritime Traffic Safety Law reflects their supremacy mind-set", [Global Times](#), September 06, 2021.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> Ibid.

<sup>139</sup> Ibid.

<sup>140</sup> Orange Wang, "China's Xi Jinping, Liu He move to reassure private sector as Beijing's Big Tech crackdown rattles entrepreneurs", [South China Morning Post](#), September 06, 2021.

<sup>141</sup> "Xinhua Commentary: China's strengthened economic regulations aim healthy longer-term development", [Xinhua](#), September 09, 2021.

<sup>142</sup> Xinmei Shen, "Xi Jinping says Big Tech crackdown is making progress, calls for Communist Party to 'guide' companies", [South China Morning Post](#), August 31, 2021.

Meituan, and Pinduoduo have launched new initiatives answering President Xi's call for "[promoting common prosperity](#)".<sup>143</sup>

South China Morning Post (SCMP), in a research study, highlighted the [top five trends in China's internet](#) in 2021.<sup>144</sup> The country's internet ecosystem is characterized by "tightening of regulations on multiple fronts including crypto-currency, tightening screws on Chinese firms overseas listing [IPO]", "shifting demographics creating new niche segments of internet users", and "growing focus on private-domain traffic".<sup>145</sup>

China has ramped up efforts to protect [intellectual property rights](#) (IPR) by releasing a 15-year plan (2021-2035) for its development.<sup>146</sup> The guidelines demand "stricter IPR protection", "higher public satisfaction", and "greater market value of IPR by 2025".<sup>147</sup> It also adds that "by 2035, China's IPR competitiveness will rank among the top [countries] in the world". Beijing expects "added value of [patent-intensive industries](#) to account for 13 percent of GDP by 2025 and added value of copyright industry to be 7.5 percent of GDP".<sup>148</sup> China was ranked 12<sup>th</sup> moving up two places in World Intellectual Property Organization' (WIPO) "[Global Innovation Index \(GII\) 2021](#)".<sup>149</sup> Xinhua highlighted this as "government policies and incentives stimulating innovation".<sup>150</sup> Underscoring this, President Xi Jinping called for building China into a [world center of professional talent](#) and innovation at the central conference on talent-related work held in Beijing.<sup>151</sup>

In other technology developments, China hosted '[2021 World Internet Conference Wuzhen Summit](#)'.<sup>152</sup> Xinhua commentary presented it as a "platform to share wisdom on global cyberspace governance and other internet-related topics". "China will actively participate in the formulation of internal regulations on data security, cyber governance, digital currency, and

<sup>143</sup>Xinmei Shen, "China's Big Tech answers Xi's call for 'common prosperity' as Tencent, Meituan and Pinduoduo launch new initiatives", [South China Morning Post](#), September 01, 2021.

<sup>144</sup>"China Internet Report 2021", [South China Morning Post](#).

<sup>145</sup> Ibid.

<sup>146</sup>"China issues guideline for IPR development", [Xinhua](#), September 22, 2021.

<sup>147</sup> Ibid.

<sup>148</sup> Cao Yin, "Efforts to protect IPR ramped up", The State Council Policy Watch, [The State Council of the People's Republic of China](#), September 23, 2021.

<sup>149</sup>"China edging closer to top 10 most innovative economies: WIPO", [Xinhua](#), September 20, 2021.

<sup>150</sup> Ibid.

<sup>151</sup>"Xi calls for accelerating building of world center for talent, innovation", [Xinhua](#), September 28, 2021.

<sup>152</sup> Commentary: China takes responsible approach in global cyberspace governance, [Xinhua](#), September 27, 2021.

data taxation", it added.<sup>153</sup> Reportedly, [China's digital economy](#) reached USD 6.07 trillion (CNY 39.2 trillion) in 2020 accounting for 38.6 percent of country's GDP.<sup>154</sup>

The Communist Party of China and State Council jointly issued guidelines on developing "[civilized cyberspace](#)" that aims to "consolidate the status of 'Marxism' in the ideological cyberspace sphere".<sup>155</sup>

Even as China intensified efforts to boost semiconductor production, Beijing warned that "[chip crunch remains severe](#) and it could drag on longer".<sup>156</sup> Chinese government blamed the COVID-19 pandemic for this demand and supply mismatch taking a heavy toll on China's automotive industry.<sup>157</sup>

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<sup>153</sup> Ibid.

<sup>154</sup> China's digital economy reaches 39.2 trillion yuan in 2020, [Xinhua](#), September 26, 2021.

<sup>155</sup> "China issues guideline on developing civilized cyberspace", [Xinhua](#), September 14, 2021.

<sup>156</sup> Che Pan, "Chip shortage will drag on 'for some time', Chinese ministry warns, as country looks to boost semiconductor support", [South China Morning Post](#), September 13, 2021.

<sup>157</sup> Ibid.



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