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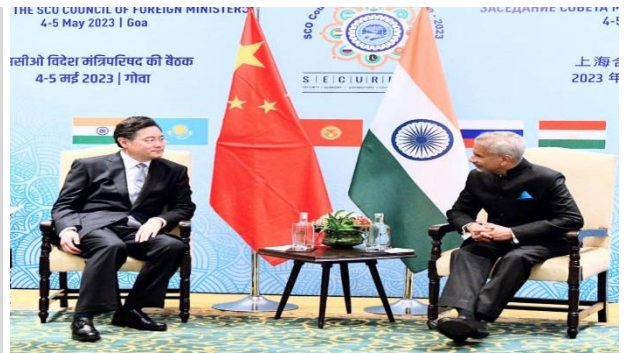
Advancing India's Rise as a Leading Power



China Monitor MAY 2023

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ABOUT US

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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, holds a meeting with Chinese Foreign Minister Qin Gang on the sidelines of the SCO Foreign Minister's meeting in Goa, India on May 4, 2023. Source: [Twitter/@DrSJaishankar](https://twitter.com/DrSJaishankar)

Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee met US National Security Advisor Jake Sullivan in Vienna on May 11, 2023. Source: [Twitter/@NSC_Spox](https://twitter.com/NSC_Spox)

Chinese President Xi Jinping and leaders of the five Central Asian countries plant pomegranate trees representing China-Central Asia solidarity and cooperation after the first China-Central Asia Summit in Xi'an on May 19, 2023. Source: [Xinhua/Liu Bin](https://www.xinhua.com)

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Abstract

The 27th Meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs (WMCC) was held in New Delhi on May 31, 2023. India sought progress on disengagement in remaining areas. The two sides agreed to hold the next round of senior military commander level talks in the near future.

On May 4, 2023, India's External Affairs Minister, Dr. S. Jaishankar, met Chinese Foreign Minister, Qin Gang, on the sidelines of the Shanghai Cooperation Organisation (SCO) Foreign Minister's meeting in Goa. Reacting to the Chinese Foreign Minister's contention that the situation along India-China borders is stable, EAM Dr. Jaishankar reiterated that India-China relations are not normal; there cannot be normalcy if peace and tranquillity in the border areas remain disturbed. Mutual respect, mutual sensitivity, and mutual interest must remain the basis of the relationship, Dr. Jaishankar added.

During the 18th round of military commanders' talks held on April 23, 2023, the PLA put forward a demand for creating a 15-20 Km buffer zone or 'no patrol zone' inside India's claim lines as a precondition for disengagement from the Depsang Plains. India rejected the Chinese claim and instead offered a limited 3-4 Km buffer zone, which was not acceptable to the Chinese side. The Status quo prevails in the region.

Given the unresolved standoff in the Depsang Plains, the Indian Army is planning to restore patrolling in the area. Among the two remaining friction points of Depsang and Chumar, Depsang is strategically more important, as it is sandwiched between the Siachen Glacier on one side and China-controlled Aksai Chin on the other.

In regional developments, on May 6, 2023, China and Pakistan held their fourth Foreign Ministers' Strategic Dialogue in Islamabad. China reiterated that the "Kashmir dispute was left over from history" and should be "properly and peacefully resolved in accordance with the UN Charter, relevant Security Council resolutions, and bilateral agreements".

Along with the bilateral Foreign Ministers dialogue, Pakistan also hosted the 5th China-Pakistan-Afghanistan Trilateral Foreign Ministers' meeting. The three countries agreed to enhance their economic relations by extending CPEC to Afghanistan, cooperation on counter-terrorism, and extending connectivity.

China hosted the first China-Central Asia Summit in Xi'an. President Xi hailed China-Central Asia ties as entering a new era and stressed the importance of "staying committed to mutual assistance, common development, universal security, and everlasting friendship".

Leaders of the G7 met in Hiroshima, Japan on May 19, 2023. The G7 Leaders' Communiqué expressed concerns over China's coercive economic practices, unilateral attempts to change the status quo in the East and South China Seas, the importance of peace and stability across the Taiwan Straits, and concerns about the human rights situation in Tibet, Hong Kong, and Xinjiang. Beijing counselled the G7 to stop hyping China-related issues and asserted that "the international community does not accept the G7-dominated Western rules that seek to divide the world based on ideologies and create exclusive small blocs designed to serve America-first and vested interests of a few".

People's Daily editorial severely criticised Japan for hyping the "China threat" as part of its G7 Presidency. It also expressed concerns about Japan spearheading NATO's forays into Asia-Pacific with plans to open a NATO office in Tokyo.

US-China tensions over Taiwan showed no signs of abating. As the US continues to strengthen Taiwan's self-defence capabilities, China warned that the US is turning Taiwan into a "powder keg". China turned down a US request to schedule defence minister level talks on the margins of the Shangri-la Dialogue in Singapore. However, the commerce ministers of the two countries held trade consultations during the month and diplomatic contacts are continuing. Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee met US National Security Advisor, Jake Sullivan, in Vienna on May 10-11, 2023. With mutual trust impaired between the two sides, Chinese state media reminded Washington that it "cannot warm up China-US relations only with words".

Chinese Foreign Minister Qin Gang visited Germany, France, and Norway between May 8-12, 2023. Even as this visit strengthened dialogue and mutual trust between the two sides, a Global Times editorial shed light on four major issues that mar the China-Europe relationship. These include the Ukraine crisis, European impulse to interfere in China's internal affairs, especially the Taiwan question, the EU's attempts to decouple from China in the name of trade de-risking and succumbing to the US's China containment strategy.

On May 24, 2023, President Xi met Russian Prime Minister Mikhail Mishustin in Beijing. The two sides reiterated their resolve to deepen the comprehensive

strategic partnership and stand together to repel the collective West's attempts to maintain their global dominance.

China's Special Envoy for Eurasian Affairs, during a visit to Ukraine on May 15, 2023, stressed that "there is no panacea to resolve the Ukraine crisis", urging all parties to build trust and create the conditions for facilitating peace talks that will end the conflict.

Amidst an uneven post-Covid economic recovery, China's factory activity dipped in April 2023 owing to weak demand. Growing youth unemployment, and Chinese local government's "Hidden Debt" further added to Chinese economic concerns.

Foreign and Security Policy

I. China-India Relations

The month saw several high-level political and military exchanges. The 27th Meeting of the Working Mechanism for Consultation and Coordination on India-China Border Affairs (WMCC) was held in New Delhi on May 31, 2023.¹ India sought progress on disengagement in remaining areas. The two sides agreed to hold the next round of senior military commander level talks in the near future.²

India and China's Foreign Ministers met on the sidelines of the Shanghai Cooperation Organisation (SCO) Foreign Minister's Meeting, in Goa, on May 4. There were clear differences in how the outcome of the talks was presented.



India's External Affairs Minister, Dr. S. Jaishankar, holds a meeting with Chinese Foreign Minister, Qin Gang, on the sidelines of the SCO Foreign Minister's meeting in Goa on May 4, 2023. Source: [Twitter/@DrSJaishankar](https://twitter.com/DrSJaishankar)

¹ In a first since LAC flare-up, India hosts China for in-person meet, [The Times of India](https://www.thehindu.com/news-international/india-hosts-china-for-in-person-meet/article67812317.ece), June 1, 2023.

² Ibid.

The [Chinese foreign ministry press release](#) conveyed the current state at the India-China border as “generally stable”, urging both sides towards reducing tensions.³ [Disagreeing with the Chinese statement](#), EAM Dr. Jaishankar commented that an abnormal position existed in the border areas. Underscoring that India’s relations with China are not normal and they cannot be normal if peace and tranquillity in the border areas remains disturbed”.⁴ He also stressed on the need to take the disengagement process forward. At a separate event, Dr. Jaishankar reiterated that “[India faces a very complicated challenge from China](#)”. Adding that, “mutual respect, sensitivity and interest have to be the basis of the relationship...How can we get along in the long term if you don't respect me, if you are not sensitive to my concerns, if you ignore my interest?”.⁵

Earlier, during the 18th round of military commander’s consultation in April 2023, Chinese interlocutor, raised the issue of creating a 15-20 Km buffer zone or ‘no patrol zone’ inside India’s claim lines, as a precondition for disengagement from Depsang Plains.⁶ Rejecting the demand, India offered a limited 3-4 Km buffer zone instead, which the Chinese do not accept. In the backdrop of the continuing standoff in the sector, Indian Army is aiming to restore patrolling rights to the traditional patrolling points in the Depsang plains. It is to be noted that among the two remaining friction points, Depsang is strategically more important. It is part of an area called Sub Sector North (SSN), sandwiched between Siachen Glacier on one side and China-controlled Aksai Chin on the other. Depsang has witnessed two major standoffs in the past in 2013 and 2015.

In other developments, China has been building [border defence villages adjacent to Uttarakhand](#), 11 kilometres away from the LAC.⁷ Additionally, it plans to construct 400 villages in the eastern sector. Earlier in April 2023, India expressed serious concerns over Chinese construction in the Amo Chu river valley in Bhutan that abuts the strategic Doklam plateau.

³ “Qin Gang meets with Indian External Affairs Minister Subrahmanyam Jaishankar,” [MFA, China](#), May 5, 2023

⁴ “EAM Jaishankar on border issues,” [ANI News](#), May 5, 2023

⁵ “India facing ‘very complicated challenge’ from China: Jaishankar on India-China border dispute,” [Mint](#), May 28, 2023

⁶ “China demands creation of buffer zone inside India-claimed lines on Depsang Plains,” [The Telegraph](#), May 22, 2023

⁷ “China building border defence villages 11 km from LAC in Uttarakhand, say sources,” [India Today](#), May 26, 2023

II. China-South Asia Relations

On May 6, 2023, China and Pakistan held their fourth Foreign Minister's Strategic Dialogue in Islamabad. During the meeting, Pakistan briefed the Chinese side "on the developments in Jammu and Kashmir".⁸ The Chinese side reiterated that the dispute should be resolved properly and peacefully in accordance with the UN Charter, relevant Security Council resolutions and bilateral agreements. Without specifically referring to India's revocation of Article 370, the statement stressed that "both sides opposed any unilateral actions that further complicates the already volatile situation". China recently boycotted a G20 working group meeting held in Kashmir, citing its firm opposition "to holding any kind of international meetings in a disputed territory".⁹

The Foreign Ministers' meeting also highlighted the development's pertaining to the China-Pakistan Economic Corridor (CPEC), stressing the need to expand cooperation encompassing areas such as agriculture, mining, science and information technology.¹⁰ Following the bilateral dialogue, Pakistan hosted 5th China-Pakistan-Afghanistan Trilateral Foreign Ministers' Dialogue, wherein they agreed to enhance their economic relations by extending the CPEC to Afghanistan.¹¹ The three, also agreed to advance political engagement, counterterrorism cooperation, trade and investments including connectivity under the trilateral framework. Days after the trilateral meeting, Afghanistan resumed commercial flights with China after a hiatus of three years, aimed at boosting bilateral economic and political relations.¹²

Bangladesh and China held discussion on the issue of connectivity under Beijing's Belt and Road Initiative (BRI) at the 12th Foreign Office Consultations (FOC) held in Dhaka on May 27.¹³ Both sides also discussed other multilateral and regional issues including the Rohingya crisis. China offered to facilitate the early, safe, sustainable, and voluntary repatriation of the Rohingyas to Rakhine State of Myanmar.

⁸ "4th round of Pakistan-China Foreign Ministers' Strategic Dialogue Joint Press Release," MFA, China, May 7, 2023

⁹ "China boycotts G20 meeting held by India in Kashmir region," CNN, May 23, 2023

¹⁰ "Qin Gang: Work All Out to Advance High-quality Development of China-Pakistan Economic Corridor," MFA, China, May 6, 2023

¹¹ "Joint Statement of the 5th China-Afghanistan-Pakistan Foreign Ministers' Dialogue," MFA, China, May 9, 2023

¹² "Afghans welcome flight resumption between Afghanistan, China," Xinhua, May 26, 2023

¹³ "Bangladesh, China show interest to regional connectivity under BRI", Prothom Alo, May 27, 2023

In an important development, [China is reportedly planning to recruit Nepal's Gurkha security personnel](#) to the People's Liberation Army (PLA). According to analysts, "Chinese actions to induct Gorkha soldiers in the PLA is seen as yet another attempt to deride India... if implemented, it could pose India serious problems".¹⁴

In wake of Sri Lanka's decision to liberalise its fuel retail marketing, [Sri Lanka signed a long-term agreement with Chinese oil and gas giant Sinopec](#) for storage, distribution, and sale of petroleum products in Sri Lanka. This will create a direct challenge to Indian interests. Since 2003, Indian Oil Company (IOC) has been the only foreign company allowed to operate in the country.¹⁵

III. China-United States Relations

Amidst the rising tensions, the US indicated a desire to thaw its diplomatic relationship with China. US President Joe Biden at the end of the G7 Summit stressed that he [expected ties with China to improve "very shortly"](#).¹⁶ Despite US President's assertions, China is not convinced. It believes, camp confrontation, decoupling, and efforts to contain China are status quo, regardless of how the West packages them. China's new Ambassador to the US, Xie Feng, said that [China-US relations face "serious difficulties and challenges"](#) while noting that he aims to enhance bilateral cooperation.¹⁷

Despite grandstanding, both sides held high-level diplomatic and trade consultations to keep the channels of communication open. US National Security Adviser [Jake Sullivan met Chinese official Wang Yi](#) in Vienna for "candid" and "constructive" talks on May 10-11.¹⁸ The meeting is among the highest-level engagement between the US and Chinese officials since the spy balloon incident earlier this year. Both sides had constructive discussions on key issues including bilateral relations, global and regional security issues, including war in Ukraine, and cross-Strait issues, among others.¹⁹ As the talks took place in the backdrop of severe damage to the mutual trust between the two sides, Chinese state media reminded Washington that it "cannot warm up

¹⁴ "Why India Should Be Worried About Chinese Army's Plans to Recruit Nepali Gorkhas," [The Wire](#), May 10, 2023

¹⁵ "Fuel-starved Sri Lanka enters fuel deal with China's Sinopec: Official," [PTI](#), May 22, 2023

¹⁶ "Remarks by President Biden in a Press Conference," [White House](#), May 21, 2023

¹⁷ "China's new ambassador assumes office amid resumption of high-level re-engagement between Beijing and Washington," [Global Times](#), May 24, 2023

¹⁸ "Readout of National Security Advisor Jake Sullivan's Meeting with Chinese Communist Party Politburo Member and Director of the Office of the Foreign Affairs Commission Wang Yi," [White House](#), May 11, 2023

¹⁹ Ibid.

China-US relations by only using words".²⁰ Additionally, Beijing rejected Washington's proposal for a meeting between US Defence Secretary Austin and Chinese Defence Minister Li Shangfu at the Shangri-La Dialogue in Singapore in June 2023.²¹



Wang Yi, Director of the Office of the Foreign Affairs Commission of the CPC Central Committee met US National Security Advisor Jake Sullivan in Vienna on May 11, 2023.

Source: [Twitter/@NSC_Spox](https://twitter.com/NSC_Spox)

On May 25-26, 2023, China's Commerce Minister, Weng Wentao met US Trade Representative, Katherine Tai, and Commerce Secretary Gina Raimondo. Chinese analysts see this as a prelude to further high-level engagement, paving the way for improved China-US trade and economic ties.²² Ambassador Tai highlighted the need to address the critical imbalances caused by China's state-led, non-market approach to the economy and its trade policy. She emphasised the importance of maintaining open lines of communications, building on the engagement between President Biden and President Xi in Bali, Indonesia, in

²⁰ "Washington cannot warm up China-US relations using only words: Global Times editorial", [Global Times](https://www.globaltimes.cn), May 13, 2023.

²¹ China rejects US proposal for defense chiefs to meet in Singapore this week, [CNN](https://www.cnn.com), May 31, 2023

²² "China, US 'candid' trade talks in Washington pave way for addressing 'core issues' in ties," [Global Times](https://www.globaltimes.cn), May 26, 2023

November 2022.²³ Chinese Commerce Minister Wang Wentao expressed deep concerns about the US's economic and trade policies toward China, especially its policy on semiconductors and export controls, and outbound investment review policy.²⁴ Earlier, China strongly opposed negotiations between the US and Taiwan over the "21st Century Trade Initiative".²⁵

Amidst the negotiations in Washington over raising the US government's USD 31.4 trillion debt ceiling, analysts raised concerns about the sustainability of US debt.²⁶ Adding that, "de-dollarization may reshape global markets in such a way that it will fundamentally undermine America's bid to float itself on infinite debt".²⁷

G7's Hiroshima Statement attempted to maintain balance on China by emphasising that "our policy approaches are not designed to harm nor do we seek to thwart China's economic progress and development, including decoupling".²⁸ However, it warned Beijing over its "militarization activities" and "expansive maritime claims" in the South and East China Seas, while seeking to win its support for pressing Russia to halt its invasion of Ukraine.²⁹

G7 called on Beijing to adhere to international norms, including addressing "non-market policies and practices," refraining from "unilateral attempts to change the status quo by force or coercion" and respecting human rights, including in Tibet and Xinjiang.³⁰

Reaction from Beijing was furious, with China's Foreign Ministry accusing the G7 of using the summit to "smear and attack China and brazenly interfere in the country's internal affairs." It refuted accusations of economic coercion, claiming Washington's unilateral sanctions against China and acts of

²³ "Readout of Ambassador Katherine Tai's Meeting with Minister of Commerce of the People's Republic of China Wang Wentao," Office of the US Trade Representative, May 26, 2023

²⁴ "Chinese, US commerce chiefs hold 'candid' talks in Washington, pave way for addressing 'pragmatic issues' in frayed ties", Global Times, May 26, 2023.

²⁵ "China firmly opposes US' 'trade initiative' with Taiwan island: FM", Global Times, May 19, 2023.

²⁶ "Is the policy of infinite US debt sustainable?", People's Daily, May 16, 2023.

²⁷ *ibid.*

²⁸ "G7 Hiroshima Leaders' Communiqué," White House, May 20, 2023

²⁹ *Ibid.*

³⁰ "China and Russia, lash out at G7 double containment attempt", Japan Times, May 21, 2023

decoupling and disrupting industrial and supply chains as “the real coercer that politicizes and weaponizes economic and trade relations.”³¹

On Taiwan, Beijing reiterated its position that the self-ruled island is part of China, adding that while the G7 keeps emphasizing cross-strait peace, it says nothing about the need to oppose “Taiwan independence.”³²

Referring to G7 calls on China to play by “international rules,” Beijing reiterated that it “upholds the U.N. centred international system” and the basic norms governing international relations built around the U.N. Charter, it “will never accept the so-called rules imposed by the few.”³³

Weeks after Taiwan said it will buy as many as 400 US land-launched Harpoon missiles in the face of rising threat from China, the United States plans to provide military assistance to Taiwan³⁴ through the Presidential Drawdown Authority (PDA), a tool which allowed the Biden administration to send arms to Ukraine.³⁵ Following these developments, a Chinese People's Liberation Army (PLA) Navy flotilla led by the aircraft carrier Shandong sailed through the Taiwan Straits.³⁶ Chinese mainland experts said the Taiwan Straits is the shortest route for the south-based aircraft carrier to travel north sending warnings to the “Taiwan independence” forces in the process.³⁷

US Department of State recently issued a multi nation alert revealing China’s plan to carry out cyber-attacks against critical infrastructure, including oil and gas pipelines and rail systems.³⁸ The US Cybersecurity and Infrastructure Security Agency (CISA) in a statement said it was working to understand “the breadth of potential intrusions and associated impacts. The Chinese government called the warning issued by the United States and its allies a “collective disinformation campaign.”³⁹

³¹ Ibid.

³² Ibid.

³³ Ibid

³⁴ “Planned US arms shipments to Taiwan set off Beijing”, Asia Times, May 18, 2023

³⁵ Use of Presidential Drawdown Authority for Military Assistance for Ukraine, US Department of State, May 9, 2023

³⁶ “PLA Navy aircraft carrier Shandong transits Taiwan Straits after US missile delivery to Taiwan island,” Global Times, May 27, 2023

³⁷ Ibid.

³⁸ “U.S. warns China could hack infrastructure, including pipelines, rail systems,” Reuters, May 26, 2023

³⁹ ibid.

Further, China's National Computer Virus Emergency Response Centre and cybersecurity company 360 jointly released a report on the US Central Intelligence Agency's (CIA) cyber-attacks on other countries.⁴⁰ According to the report, the CIA used the internet and digital technologies to promote "colour revolutions" abroad.⁴¹ Describing the CIA as a "syringe filled with viruses", a Global Times editorial claimed that the CIA is the "biggest source of chaos that messes up the world to maintain US hegemony".⁴² People's Daily, on its part, asserted that the US is a "total hypocrite when it comes to safeguarding cybersecurity".⁴³

The Chinese government also released a report critical of the US's "notorious track record of coercive diplomacy" through unilateral sanctions, military threats, political isolation, and technological blockade.⁴⁴

IV. China-Russia Relations

China and Russia have been doubling down on their "no limits partnership", holding high-level meetings in Beijing and Moscow to deepen ties in several areas.

A week after meeting Ukrainian President Volodymyr Zelenskyy, China's special envoy Li Hui met Russian Foreign Minister Sergei Lavrov on May 26 in Moscow.⁴⁵ Russian Foreign Minister Lavrov underscored the "serious obstacles" to resuming peace talks with Ukraine despite Moscow's commitment to a political-diplomatic resolution of the conflict. Lavrov, however, praised Beijing's "balanced" position on the Ukraine conflict.⁴⁶ Both sides further discussed strengthening Russian-Chinese foreign policy cooperation" aimed at maintaining peace and stability in the region".⁴⁷

⁴⁰ "Infographics: How US leveraged Internet, technology to promote color revolutions abroad", People's Daily, May 4, 2023.

⁴¹ Ibid.

⁴² "CIA once again confirms US' title as 'the world's biggest source of chaos': Global Times editorial", Global Times, May 4, 2023.

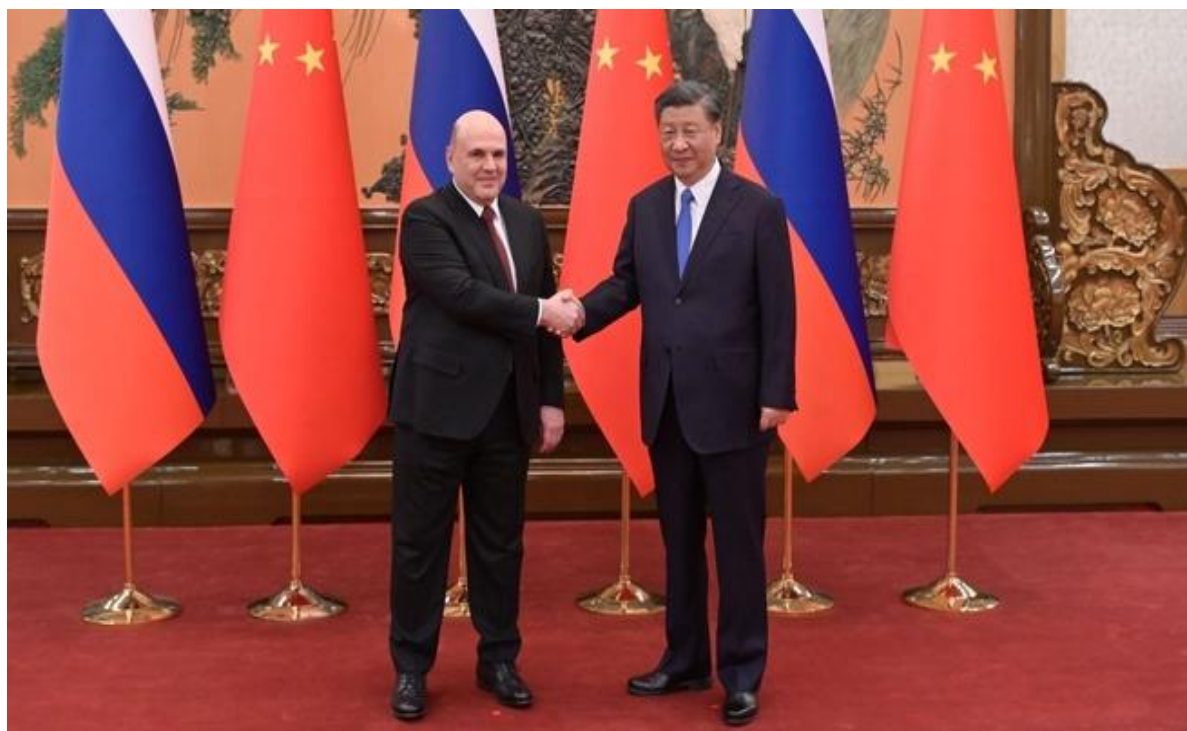
⁴³ "U.S. a total hypocrite when it comes to safeguarding cybersecurity", People's Daily, May 9, 2023.

⁴⁴ "America's Coercive Diplomacy and Its Harm", Ministry of Foreign Affairs of the People's Republic of China, May 18, 2023.

⁴⁵ "China says Ukraine envoy met with Zelenskyy during talks in Kyiv", AP News, May 18, 2023

⁴⁶ "Russia's Lavrov tells China envoy 'serious obstacles' to Ukraine peace", Business Recorder, May 26, 2023

⁴⁷ Ibid.



Chinese President Xi Jinping met with Russian Prime Minister Mikhail Mishustin in Beijing on May 24, 2023. Source: [Official Website of the Prime Minister of the Russian Federation](#)

Russian Prime Minister [Mikhail Mishustin](#) visited China between May 23-24 to discuss bilateral economic ties with Beijing. Mishustin who is the highest-ranking Russian official to visit Beijing since the start of the Ukraine war called Russia's ties with China "at an unprecedented high level."⁴⁸ During the visit, [Russia and China signed several agreements](#) involving investment in trade services, promoting agricultural exports, and boosting sports cooperation.⁴⁹

President Xi offered China's firm support on issues concerning "each other's core interests and strengthen collaboration in multilateral arenas". He urged the two countries to "push cooperation in various fields to a higher level," and "raise the level of economic, trade and investment cooperation."⁵⁰ Russian PM Mishustin underscored that Moscow and Beijing will stand together to repel the collective [West's attempts to maintain their global dominance](#) and will push back hard against such dangerous ambitions.⁵¹

⁴⁸ "Russia, China sign new agreements, defying Western criticism", [Al Jazeera](#), May 24, 2023

⁴⁹ "Russia and China deepen economic ties amid surge in trade since Ukraine invasion," [The Guardian](#), May 24, 2023

⁵⁰ "China's Xi Offers Russia 'Firm Support' in 'Core Interests'," [Moscow Times](#), May 24, 2023

⁵¹ "Russia, China to jointly fight against West's bid to keep global dominance – PM", [TASS](#) (Russian News Agency), May 24, 2023.

V. China-European Union Relations

Chinese Foreign Minister Qin Gang visited Germany, France, and Norway between May 8-12, 2023.⁵² Even as the visit strengthened dialogue and mutual trust between the two sides, Chinese state media shed light on four major problems in the China-Europe relationship. These include the Ukraine crisis, European impulse to interfere in China's internal affairs, especially the Taiwan question, EU's attempts to decouple from China in the name of trade de-risking and succumbing to the US's China containment strategy.⁵³ Chinese Foreign Minister asserted that the above issues could be resolved if Europe holds a long-term view by changing its perspective toward China.⁵⁴

European Council President Charles Michel during the G7 summit in Hiroshima conveyed that it was in the EU's interest to maintain "stable and constructive" cooperation with China. "Given its role in the international community and the size of its economy, China has a special responsibility in the world and it has to play by international rules," he added.⁵⁵ Earlier in the month, China's foreign minister Qin Gang condemned EU proposals to impose sanctions on Chinese companies citing Beijing's support for Russia in the Ukraine war, vowing to react "strictly and firmly" to defend its businesses.⁵⁶

The European External Action Service has prepared a proposal to recalibrate the EU's China policy.⁵⁷ In a letter accompanying the proposal, EU foreign policy chief Josep Borrell said there were three reasons for "re-calibrating" China policy.⁵⁸ These were "the degree to which China is changing with nationalism and ideology on the rise; the hardening of the US-China competition affecting all policies areas; and the fact that China is a key player in regional and global issues".⁵⁹

According to a report in Politico, the European Union's diplomatic arm wants member countries to "be prepared" for a potentially critical escalation in the

⁵² "Europe will be less confused, entangled if it listens to what China says: Global Times editorial", Global Times, May 11, 2023.

⁵³ *ibid.*

⁵⁴ *ibid.*

⁵⁵ "G7 prepares new Russia sanctions as Zelenskiy to attend summit in person," The Guardian, May 19, 2023

⁵⁶ "China vows to retaliate against EU sanctions on its companies", Financial Times, May 9, 2023

⁵⁷ "EU proposes to recalibrate China strategy," Euractiv, May 11, 2023

⁵⁸ "EU plans to tweak China policy but keep balanced approach," The Economic Times, May 12, 2023

⁵⁹ *Ibid.*

crisis over Taiwan, warning that a military conflict would upend the vital supply of microchips to Europe.⁶⁰ Reportedly, “cooperation, competition, and rivalry will continue to be at the centre of the EU’s China policy.”⁶¹

Internal Developments

Key Meetings and Addresses by Chinese Leaders

On May 4, 2023, Chinese Foreign Minister, Qin Gang, addressed the Shanghai Cooperation Organisation’s (SCO) Foreign Minister’s meeting in Goa, India.⁶² Noting that the world is facing multiple challenges including a “resurgence of the Cold War mentality, unilateral protectionism, hegemonism, and power politics”, Qin called upon SCO member states to “uphold strategic independence and deepen security cooperation”.⁶³ Major issues touched in FM Qin’s address included “advocating openness and inclusiveness in the international economic order” and “improving global governance” through the Global Development Initiative (GDI), Global Security Initiative (GSI), and Global Civilisation Initiative (GCI).⁶⁴



Chinese President Xi Jinping and leaders of the five Central Asian countries plant pomegranate trees representing China-Central Asia solidarity and cooperation after the first China-Central Asia Summit in Xi’an, May 19, 2023. Source: Xinhua/Liu Bin

⁶⁰ “Don’t isolate China, Brussels tells EU capitals,” Politico, May 11, 2023

⁶¹ “EU plans to tweak China policy but keep balanced approach,” The Print, May 12, 2023

⁶² “Chinese FM urges strategic independence, security cooperation at SCO meeting”, Xinhua, May 5, 2023.

⁶³ Ibid.

⁶⁴ Ibid.

The first China-Central Asia Summit concluded in Xi'an, China on May 19 after two days of high-level meetings and discussions.⁶⁵ President Xi hailed China-Central Asia ties as entering a new era and stressed the importance of "staying committed to mutual assistance, common development, universal security, and everlasting friendship".⁶⁶ Major issues touched in the meeting included "supporting each other on issues of core interests", "expanding economic ties and deepening BRI cooperation", "resolutely opposing foreign interference in internal affairs", and "maintaining a zero-tolerance towards terrorism, separatism, and extremism".⁶⁷ The participating countries also agreed to make the summit biennial, with the second China-Central Asia Summit scheduled to be held in Kazakhstan in 2025.⁶⁸

Global Times editorial asserted that while the Xi'an Summit demonstrated "true multilateralism" the "G7's Hiroshima Summit displayed pseudo-multilateralism provoking geopolitical confrontation".⁶⁹ "Xi'an injected a multilateral clean stream, while Hiroshima dumped political sewage", it added.⁷⁰

Highlighting strong bonds between China and the Arab League, President Xi sent a congratulatory letter to the 32nd Arab League Summit held in Jeddah, Saudi Arabia on May 19, 2023.⁷¹ Xi noted that the strategic partnership between China and the Arab countries is a model of South-South cooperation and mutual benefit.⁷² As Syrian President, Bashar al-Assad, attended the Arab League Summit after more than a decade of suspension, a Xinhua report stressed that "growing Arab reconciliation underscores the US's weaning influence in the Middle East".⁷³

President Xi, in his remarks at the first meeting of the Central Commission for Financial and Economic Affairs (CCFEA), called for the modernisation of the country's industrial system and high-quality population development.⁷⁴

⁶⁵ "Xinhua Headlines-Xi Focus: Xi chairs milestone summit, hails new era of China-Central Asia ties", Xinhua, May 19, 2023.

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ "Xi'an injects multilateral clean stream while Hiroshima dumps political sewage: Global Times editorial", Global Times, May 18, 2023.

⁷⁰ Ibid.

⁷¹ "Xi sends congratulations to 32nd Arab League Summit", Xinhua, May 19, 2023.

⁷² Ibid.

⁷³ "Xinhua Headlines: Syria returns to Arab summit amid growing reconciliation wave in Mideast", Xinhua, May 20, 2023.

⁷⁴ "Xi Focus: Xi urges modernization of industrial system, high-quality population development", Xinhua, May 6, 2023.

Beijing is considering a number of policy measures to boost the country's falling birth rate.⁷⁵

Further, Xi visited North China's Hebei Province to inspect the progress in development of the Xiong'an New Area.⁷⁶ China aims to develop Xiong'an New Area to a level comparable to that of the Shenzhen Special Economic Zone and the Shanghai Pudong New Area.⁷⁷ Xi also reiterated his vision of making the Beijing-Tianjin-Hebei region pioneer in pursuing Chinese modernisation.⁷⁸

Premier Li Qiang conducted an inspection tour of China's Shandong Province where he emphasised "boosting the country's real economy", "expanding domestic demand", and "stabilizing external demand" to promote economic recovery.⁷⁹

Trade and Economy

Amidst an uneven post-Covid economic recovery, owing to weak demand, China's factory activity dipped in April 2023.⁸⁰ Adding to Chinese concerns, youth unemployment in the country reached a record high in the same month.⁸¹ Chinese local government's "Hidden Debt" which is estimated to be almost USD 10 trillion has also raised concern.⁸² Meanwhile, China's export growth has slowed and markets have diverged, with strong growth in Southeast Asia, Africa, and Russia, countering a slowdown in some of the country's top export destinations, notably the US and the EU.⁸³ It is to be noted that, new-

⁷⁵ "China's population woes have state organs, demographers calling for drastic societal changes to boost birth rate", South China Morning Post, May 16, 2023.

⁷⁶ "Xi Focus: Xi inspects Xiong'an New Area, urges new progress for "city of future", Xinhua, May 10, 2023.

⁷⁷ Ibid.

⁷⁸ "Xi calls for making Beijing-Tianjin-Hebei region pioneer in pursuing Chinese modernization", People's Daily, May 13, 2023.

⁷⁹ "Chinese premier urges efforts to boost real economy, expand demand", Xinhua, May 18, 2023.

⁸⁰ "China's factory activity dipped in April on weak demand as bumpy post-Covid economic recovery continues", South China Morning Post, May 4, 2023.

⁸¹ "China's youth unemployment hits record high in April in 'worrying sign' for economic recovery", South China Morning Post, May 16, 2023.

⁸² "Cover Story: China's Effort to Move Mountain of 'Hidden Debt' Faces Uphill Climb", Caixin Global, May 22, 2023.

⁸³ "China's Slowing Export Growth Masks Diverging Markets", Caixin Global, May 10, 2023.

energy products such as electric vehicles (EVs), lithium-ion batteries, and solar batteries are currently driving China's export sector.⁸⁴

Despite concerns about China's economic recovery, the country's tourism and consumption rebounded significantly during the May Day holiday.⁸⁵ In light of this, Xinhua asserted that "Holiday spending mirrors China's economic vitality and boosts global growth confidence".⁸⁶ According to the data released by the General Administration of Customs (GAC), China's foreign trade continued to grow in the first four months of 2023.⁸⁷ However, Beijing's national security raids on foreign consultancy firms such as Capvision, Bain & Company, and Mintz Group has triggered foreign investors' outcry about the absence of predictable, transparent, and stable policies in China.⁸⁸

Defence and Security

People's Daily editorial severely criticised Japan for hyping the "China threat" as part of its G7 Presidency.⁸⁹ It also expressed concerns about Japan spearheading NATO's forays into Asia-Pacific with plans to open NATO office in Tokyo.⁹⁰ Chinese analysts criticised Japan for deploying Patriot missiles on Miyako Island near Taiwan as an attempt to interfere in the Taiwan question.⁹¹ Amidst rising tensions between China and Japan, a flotilla of the PLA sailed around Japan. On the other hand, Chinese and Japanese Defence Minister's held talks for the first time through their newly established maritime and air liaison mechanism phone line.⁹²

US-China tensions over Taiwan show no signs of abating. As the US continues to strengthen Taiwan's self-defence capabilities, Beijing warned that the US is turning Taiwan into a "powder keg".⁹³ Reacting to these developments, the

⁸⁴ "China's supercharged new-energy sector is propping up exports, but will it last?", South China Morning Post, May 9, 2023.

⁸⁵ "Holiday spending mirrors China's economic vitality, boosts global growth confidence", Xinhua, May 7, 2023.

⁸⁶ Ibid.

⁸⁷ "China's foreign trade grows at faster pace despite challenges", Xinhua, May 9, 2023.

⁸⁸ China's national security raids appear to undercut Beijing's efforts to woo foreign investors, Global Impact Newsletter South China Morning Post, May 20, 2023.

⁸⁹ "Japan undermines regional interests by provoking bloc confrontation", People's Daily, May 21, 2023.

⁹⁰ Ibid.

⁹¹ "Japan's Patriot missile deployment on Miyako Island slammed as further attempt to interfere in Taiwan question", Global Times, May 10, 2023.

⁹² "Chinese, Japanese defense chiefs talk through maritime and air liaison mechanism direct phone line for 1st time", Global Times, May 16, 2023.

⁹³ "U.S. is turning Taiwan into "powder keg": FM spokesperson", Xinhua, May 5, 2023.

Chinese analysts shed light on the PLA's enhanced national defence capabilities that include reconnaissance drones encircling Taiwan, providing intelligence for fire strikes, dispatching of warships to the Sea of Japan, and holding joint maritime drills with Singapore.⁹⁴ Meanwhile, in a letter, Xi urged the country's submarine crew to achieve the goals set for the PLA's centenary in 2027 and become an elite force.⁹⁵ In the aftermath of Shandong aircraft carrier fleets combat readiness drills in the Western Pacific, Chinese experts noted that "it refutes the arguments that Chinese aircraft carriers only play theatrical role but pose little threat".⁹⁶

The US and Philippines recently concluded bilateral defence guidelines affirming that the mutual defence treaty between the two countries covers the South China Sea (SCS).⁹⁷ Chinese Ministry of National Defence "opposed any country using the bilateral treaty as an excuse to meddle in the SCS, undermining China's territorial sovereignty and maritime rights".⁹⁸

Debt ceiling negotiations in Washington forced QUAD's Sydney Summit to be cancelled.⁹⁹ Instead, the leaders met on the side-lines of the G7 Summit in Japan. Chinese analysts noted that the "cancellation of the Sydney Summit is a fatal blow to the QUAD and it foreshadows the fate of other US-led anti-China blocs".¹⁰⁰

Amidst burgeoning strategic competition between the US-led West and China-Russia axis, Gen. Mark Milley, Chairman of the US Joint Chiefs of Staff, reportedly stressed that the military alliance between China and Russia is not in America's interests and that the US will do everything it can to stop it.¹⁰¹ The Chinese Ministry of National Defence rejected Gen. Mark Milley's remarks as a reflection of Washington's "anxiety" and "outdated Cold War mentality".¹⁰²

⁹⁴ "Taiwan island encirclement drone flights, far sea voyages highlight enhanced PLA capabilities of national defence", Global Times, May 4, 2023.

⁹⁵ "Xi urges submarine crew to become elite force", Chinese Ministry of National Defence, May 11, 2023.

⁹⁶ "Do Chinese carriers only play theatrical role? Shandong aircraft carrier fleet's first Western Pacific drills effectively refute such smears", Global Times, May 6, 2023.

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ "Australia cancels Quad summit in Sydney after Biden pulls out", AL Jazeera, May 17, 2023.

¹⁰⁰ "Cancellation of Sydney summit an omen of Quad's future fate", Global Times, May 18, 2023.

¹⁰¹ "Defense Ministry Spokesperson's Remarks on Recent Media Queries", Chinese Ministry of National Defence, May 18, 2023.

¹⁰² Ibid.

Beijing reiterated that China-Russia strategic partnership is based on “non-alliance, non-confrontation, and no targeting of any third party”.¹⁰³

China’s Special Envoy for Eurasian Affairs, Li Hui, visited Ukraine on May 15, 2023, and held talks with Ukrainian President Volodymyr Zelenskyy on the political settlement of the Ukraine crisis.¹⁰⁴ Noting that there is “no panacea to resolve the Ukraine crisis”, Chinese special envoy called upon all parties to accumulate mutual trust and create conditions for facilitating peace talks that will end the war.¹⁰⁵

Technology

President Xi Jinping in his letter to the ‘Zhongguancun Forum 2023’ reiterated Beijing’s call for global cooperation on technology.¹⁰⁶ Amidst widening technology competition with the US-led West, Chinese government has strengthened support for the country’s semiconductor sector through hefty subsidies.¹⁰⁷ In 2022, Beijing reportedly provided USD 1.75 billion in subsidies to 190 local chip companies in pursuit of semiconductor self-sufficiency.¹⁰⁸ Semiconductor Manufacturing International Corporation (SMIC), China’s most advanced and largest chip foundry operator was the sectors biggest subsidy recipient.¹⁰⁹

Over the past decade, digital economy has emerged as a new growth engine driving Chinese modernisation.¹¹⁰ According to a report by Cyberspace Administration of China, in 2022, the country’s digital economy stood at CNY 50.2 trillion (USD 7.25 trillion), accounting for 41.5 percent of the GDP.¹¹¹ Amidst China’s pursuit of high-tech modernisation of its industrial system, analysts

¹⁰³ Ibid.

¹⁰⁴ “Ukrainian President Zelensky meets with China's special envoy, exchanging views on political settlement of Ukraine crisis”, Global Times, May 18, 2023.

¹⁰⁵ Ibid.

¹⁰⁶ “Xi Jinping calls for global cooperation on technology at Zhongguancun as Beijing courts top scientists”, South China Morning Post, May 26, 2023.

¹⁰⁷ “China gave 190 chip firms US\$1.75 billion in subsidies in 2022 as it seeks semiconductor self-sufficiency”, South China Morning Post, May 7, 2023.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ “China's digital economy a new growth engine to drive modernization”, Xinhua, April 27, 2023.

¹¹¹ Ibid.

expressed concerns about shortage of digital talent in the fields ranging from software engineering to electronics and automation.¹¹²

China's first domestically developed passenger aircraft 'C919' completed its first commercial flight from Shanghai to Beijing, a milestone in the country's bid to challenge Western dominance in aircraft production.¹¹³

¹¹² "China's digital talent gap widening amid hi-tech, smart sectors push, reports say", South China Morning Post, May 1, 2023.

¹¹³ "China's C919 passenger jet completes first commercial flight from Shanghai to Beijing", South China Morning Post, May 28, 2023.



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