

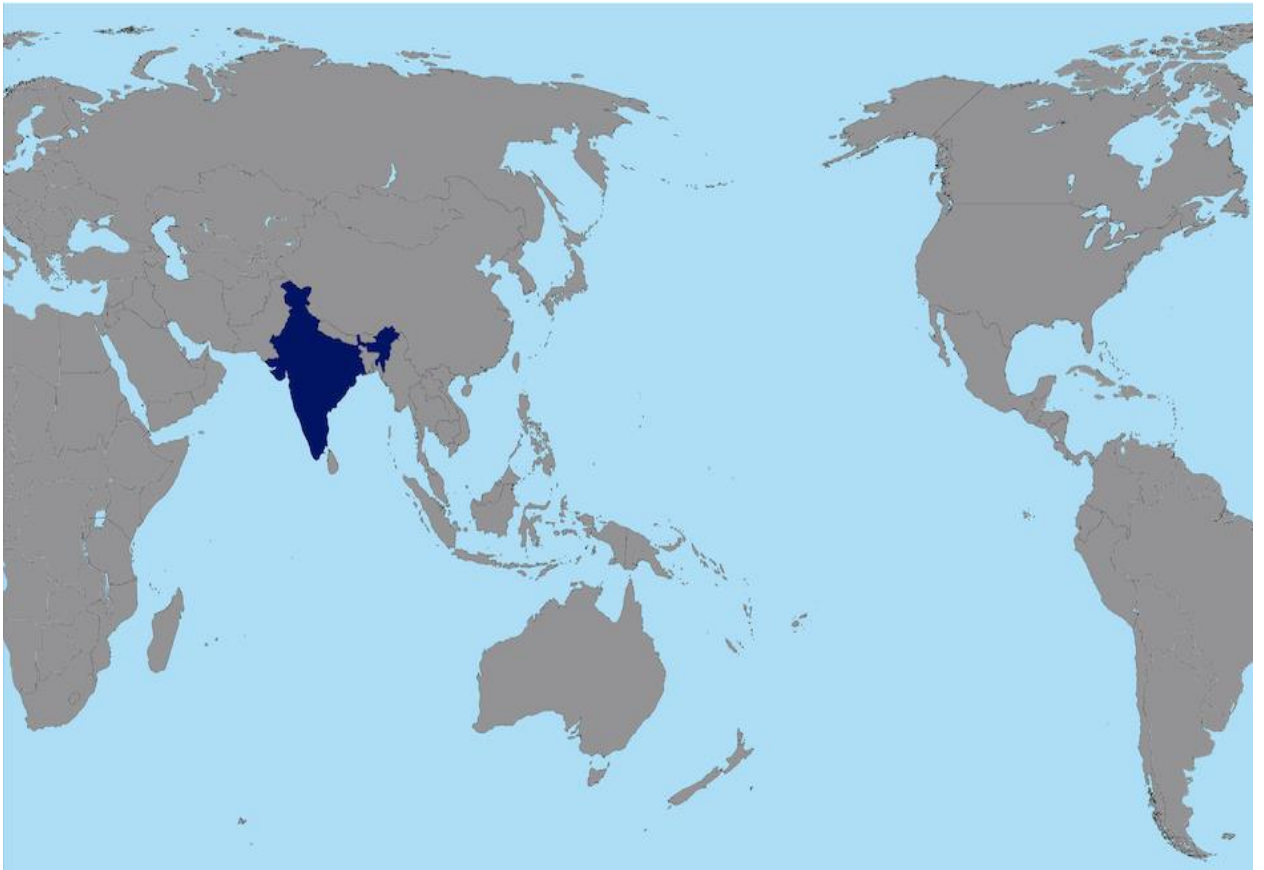


Delhi Policy Group

Advancing India's Rise as a Leading Power



DPG INDO-PACIFIC MONITOR



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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

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

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DPG INDO-PACIFIC MONITOR

This publication is a monthly analytical survey of developments and policy trends that impact India's interests and define its challenges across the extended Indo-Pacific maritime space, which has become the primary theatre of global geopolitical contestation. It is authored by Cmde. Lalit Kapur (Retd.), DPG Senior Fellow for Maritime Strategy, with the assistance of a team of DPG Research Associates comprising Anushka Nair, Angana Guha Roy, Antara Ghosal Singh and Libni Garg, based on open source reports and publications. Your comments and feedback may be addressed to Anushka Nair at anushka@dpg.org.in. To subscribe, please [click here](#).

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DPG INDO-PACIFIC MONITOR

JULY 2020

The Global Scene

The Wuhan Virus has emerged as among the [leading causes of death during 2020](#), trailing chronic heart disease and diabetes but ahead of malnutrition, murder, suicide, accident and HIV/AIDS. As of 31 July 2020, the disease had infected over 17 million people and killed over 670,000. The worst affected countries were the US with nearly 4.5 million, Brazil with over 2.5 million and India, with over 1.5 million reported infections. 21 other countries had reported over 100,000 infections. The coronavirus and its restrictions will be the cause of death of over 10,000 additional children per month due to hunger in the world's deprived communities and lead to the stunting of an additional 6.7 million children this year, [according to this report](#) citing UN organisations.

After having long dismissed the possibility that the Coronavirus could be spread through the aerosols, the WHO finally acknowledged that [this was possible](#) in crowded and poorly ventilated spaces and urged precautions. Meanwhile, a two-member WHO team [arrived in China](#) to trace the origins of the infection.

The Trump Administration [formally notified the United Nations](#) of its withdrawal from the World Health Organisation, although the pullout will take effect one year from the date of notification, giving the incoming administration a chance to negate the decision. Candidate Joe Biden has already said he will [reverse the decision](#) on his first day in office.

Three spacecraft from the Indo-Pacific set course for Mars during the month. The first was the UAE's Al-Amal, the Arab world's first interplanetary mission, [which lifted off from the Tanegashima Space Centre](#) in Japan on July 20, 2020. The second, [China's Tianwen-1](#), lifted off on July 23, 2020. The third, carrying NASA's Perseverance rover, [took off for its journey](#) on July 30, 2020. These launches may mark the beginning of a new space race, with the US and China as the main players.



Launch of UAE's Al-Amal Satellite on July 20, 2020

Source: Mohammed bin Rashid Space Centre



Atlas V Rocket with NASA's Perseverance Rover Lifts off from Cape Canaveral

Source: NASA

In other space-related events, Russian satellite [COSMOS 2543](#) “fired” a high speed object widely described as an anti-satellite weapon, on July 15, 2020. [South Korea’s first military communications satellite](#) was successfully launched from the Kennedy Space Centre in Florida on July 20, 2020. Built by Airbus, the satellite will be handed over to the South Korean military for operations in October, after undergoing testing.

Piracy and armed sea robbery incidents in the Singapore Straits [were reported](#) to have doubled in the first half of 2020. 16 such incidents were reported, out of 51 in Asian waters during this period. The victim ships were bulk carriers, tankers or tug boats. Meanwhile, notwithstanding bilateral tensions between them, South Korea and Japan joined Spain in the EU’s [anti-piracy exercises off Somalia](#).

Indo-Pacific Competition

Nearly five decades after Kissinger and Nixon launched the strategy of pre-emptive concessions to gain China’s participation as a responsible stakeholder in the family of nations, the wheel has come full circle and the US strategy is now “[Distrust and Verify](#)”. A series of speeches by key members of the US administration highlighted the changed US approach. The series began with [National Security Adviser Robert O’Brien](#) speaking about the Chinese Communist Party’s ideology and global ambitions towards the end of last month. The second, by [FBI Director Robert Wray](#), dealt with the threat posed by the CCP and Chinese Government to the national and economic security of the United States. The third, by [Attorney General William Barr](#), focused on the economic threat posed by China to the US. The fourth, by [Secretary of State Pompeo](#), was about the threat China poses to the global economy, liberty and the future of democracies. Taken together, the speeches reflect the complete pivot of the US into a Cold War type of confrontation with China.



Secretary of State Pompeo at the Richard Nixon Memorial Library, July 23, 2020.

Source: State Department / Flickr

The global pushback to China's provocation gathered momentum. Defence ministers from [Australia, Japan and the US convened](#) a virtual [trilateral defence ministerial](#) meeting on July 07 and reaffirmed their joint commitment to enhance security, stability and prosperity in the Indo-Pacific region in keeping with their shared values and longstanding alliances and close partnerships. They also reinforced strong opposition to the use of force or coercion in the South China Sea and called for the prospective Code of Conduct to be consistent with international law including UNCLOS and without prejudice to the interests of third parties.

The US [imposed sanctions](#) on Chinese officials for human rights abuses including forced labour, arbitrary mass detention, forced population control and attempts to erase the Uyghur culture and Muslim faith in Xinjiang. In retaliation, China imposed [corresponding sanctions](#) on Senators Marco Rubio and Ted Cruz, among others. The US also warned its citizens visiting China of arbitrary detention and denial of access to consular services or information about their alleged crime, prolonged interrogation and detention for sending private electronic messages

critical of the Chinese Government. Similar warnings have been issued by Australia and Canada.

In a significant change of stance, Secretary of State Pompeo [formally announced](#) on July 13 that China's offshore claims in the South China Sea are [completely unlawful](#), as is its campaign of bullying to control the sea's resources. Rejecting the "might makes right" approach adopted by China, he affirmed that the July 12, 2016 award on this issue by the Permanent Court of Arbitration was final and legally binding. Pompeo's announcement followed the significantly stronger stance taken by ASEAN nations on South China Sea issues during the 36th ASEAN Summit last month. It received [bipartisan support](#) in the US Senate and the Congress, and opens up possibilities for [further action](#), including economic sanctions on Chinese companies operating in the South China Sea, patrols to challenge and expel Chinese units from the EEZ of other countries, direct military support to South East Asian nations being coerced and capacity building.

Australia followed up on July 23, 2020, by forwarding a [Note Verbale to the UN Secretary General](#) rejecting China's "historic" claims in the South China Sea, as also any claims that were not consistent with UNCLOS.

In response, China [accused the US](#) of trying to sow discord between it and other South East Asian nations. Speaking at the East Asia Summit Senior Officials Meeting, China's Vice Foreign Minister Luo Zhaohui said that the [South China Sea arbitration case was imposed on China](#) and thus violated the basic international principle of 'state consent', conveniently forgetting that China had ipso facto accepted that the PCA verdict would be final and legally binding irrespective of its participation in accordance with Articles 9 and 11, Annex VII of UNCLOS, when it ratified the convention. He reiterated China's obdurate stance of not accepting the arbitration award and claiming indisputable sovereignty and associated rights over the South China Sea. For an analysis of the issues involved, see [US Raises Stakes in the South China Sea](#). To further build coercive pressure on South East Asia, China deployed eight fighter aircraft to the airstrip on [Woody Island](#).



Chinese fighter aircraft on the tarmac at Woody Island on July 17, 2020

Source: Radio Free Asia

The US directed China to close down its [consulate in Houston](#), describing it as a hotbed of espionage and citing the need to protect American intellectual property and provide information. China retaliated by directing the US to close its [consulate in Chengdu](#). Both diplomatic posts were shut down, making it clear that mutual suspicion and animosity now define a bilateral relationship that once swept differences under the carpet. In a parallel development, calls for US business to step up to change China's behaviour gathered momentum. US Companies are striving to make known their [initiatives](#) in this regard.

[Britain announced](#) that it would ban purchase of Huawei equipment for 5G networks after December 2020 and equipment already installed would have to be removed from the network by 2027. The UK is currently Huawei's largest market outside China. China's [Global Times](#) responded by saying that unless China retaliated, it would be perceived as easy to bully. It also described the decision as a [turning point](#) in China-UK ties and said the UK could face a [deceleration](#) in its trade ties with China. Retaliatory measures had yet to be announced at the time of writing.

East Africa and West Asia

Continued closure of borders between Kenya, Tanzania and Somalia due to a failure to agree on COVID protocols disrupted food supply chains and led to closure of the [school supplies sector](#) as well as a sharp escalation in food prices, adversely affecting small traders and their communities. It also adversely impacted movement of people seeking refuge in this disturbed region, leading for calls to respect [international human rights and refugee law](#) commitments. Assessments indicated that COVID19 would lead to an [increase in piracy](#) off the Horn of Africa.

Plummeting oil revenues have resulted in the credit rating of a number of Middle East nations going below investment grade. [According to a report](#), gross oil income for the Middle East and North Africa is expected to reduce to around \$ 300 billion in 2020, down from \$ 575 billion in 2019 and over \$ 1 trillion in 2012. The sharp drop will impact not just Middle East countries, but also those, including India, who earn from remittances sent by migrant workers. The World Bank had [earlier forecast](#) that remittances to South Asia would drop by 22% during 2020.

Details of a prospective long term (25 years) oil-for-development deal between Iran and China appeared in the press during the month. According to [reports](#), in return for discounted oil, China proposes investing \$ 400 billion in [nearly 100 projects](#) in Iran over the next 25 years, including construction of ports, airports, 5G communication networks and free trade zones. The agreement is yet to be submitted to Iran's parliament, but reportedly has the backing of Ayatollah Ali Khomeini, the Supreme Leader. Iran and China are also reported close to finalising a 25-year strategic partnership which will include Chinese investment in the Chabahar duty free zone, an oil refinery and possibly a larger role in the port, though Iranian officials denied that the port would be leased to China.



Chabahar-Zahedan Rail Link. Source: CSIS

Four years after India and Iran signed an agreement to construct the 628 Km long Chabahar-Zahedan rail line, [Iran began construction](#) on its own, citing delays by India in funding and starting the project. The line, to be completed by March 2022 and subsequently extended to Zaranj in Afghanistan, was part of a trilateral commitment involving India, Iran and Afghanistan, to build an alternate trade route to Afghanistan and Central Asia.

An explosion and fire at Iran's Natanz nuclear fuel enrichment site, [reportedly caused](#) by a bomb planted by Israeli intelligence operatives, caused significant damage and could set Iran's nuclear programme back by several months. In another incident, Iran's Khojir missile facility at Parchin was struck by a "[kinetic cyber weapon](#)", causing extensive damage. During the month, explosions have also occurred at two power plants and there was a chlorine gas leak at a chemical plant, all described as "accidents" by Iran's government.

Yemen's Houthi rebels claimed to have carried out a missile and drone attack on oil facilities in the Saudi Arabian [Red Sea city of Jizan](#). There was no independent confirmation of the damage caused, if any.

South Asia and Indian Ocean Region

The Ladakh border standoff continued, with protracted and continuing negotiations failing to bring about a restoration of the status quo ante prevailing before May 5, 2020. The Indian Army was reported to be working on over [100 emergency procurement contracts](#), each with a ceiling of Rs 500 crores (about \$ 67 million), to procure a variety of military equipment. A palpable change in India's public mood towards China was evident. India reinforced its border deployments and diverted Indian Naval [Mig-29K fighters](#) and P-8I LRMP aircraft to the Northern sector, to monitor and protect the border. Opinion pieces seeking the shedding of ambivalence and "reviving" and expanding [the Quad](#) were juxtaposed with ministerial speeches suggesting the [discarding of historical hesitations](#) and need for exploring fresh geostrategic options. Analysts observed that China had simply [ceased to care about global public opinion](#) and highlighted China's strategic ability to manipulate and game democratic societies through disinformation and propaganda. An [article observed](#): "the limited trust the Indian public had in China's word has now completely eroded". An [editorial](#), however, opined that "for India to achieve the vision of its rightful place in a multipolar world, Delhi will have to find a way to accommodate China and this border clash may yet force the action that is needed".

The USS Nimitz Carrier Strike Group [conducted a PASSEX with the Indian Navy](#) commencing July 20, 2020 on its way to the Middle East. US Ships Nimitz, Princeton, Sterret and Ralph Johnson exercised with IN Ships Rana, Sahyadri, Shivalik and Kamorta. The routine exercise generated considerable commentary about the geopolitical signals it was intended to send.



USS Nimitz with Indian Naval Ships in the Bay of Bengal, July 20, 2020

Source: IndoPacom

Indonesia's Defence Minister Gen Prabowo Subianto [arrived in India](#) for a three day visit intended to strengthen ties between the two maritime neighbours on July 27, 2020. The [Defence Ministers' dialogue](#) between India and Indonesia was held the same day. Both ministers agreed to strengthen cooperation in "mutually agreed upon areas" and committed to taking cooperation forward to the next set of deliverables.



Indonesian Defence Minister Prabowo Subianto reviews the Guard of Honour outside South Block. Source: India Today

The first batch of five Rafale aircraft ordered by India [arrived](#) on July 29, 2020. They will form part of 17 Squadron, stationed at Ambala.



Five Rafale aircraft flanked by two Su-30 MKIs entering Indian Air Space
Source: Indian Air Force

[An attack on](#) a patrolling paramilitary force by Baloch separatists in Panjgur District about 260 Km North East of Gwadar on July 14, 2020, resulted in the death of three Pakistani soldiers including an Army Colonel, and wounded eight others. The incident highlighted the high security costs of the China-Pakistan Economic Corridor.

Prime Minister Narendra Modi and his Mauritian counterpart, Prime Minister Pravind Kumar Jugnauth jointly inaugurated the new Supreme Court building of Mauritius at Port Louis on July 30, 2020. This follows the joint inauguration of a Metro project and a state-of-the-art hospital. [Speaking on the occasion](#), Prime Minister Modi observed that Mauritius was at the heart of India's approach to the Indian Ocean Region and "India's development cooperation did not come with any conditions, nor was it influenced by political or commercial considerations.

South East Asia

[Protests rocked](#) Hong Kong and the police acted to [enforce China's new National Security Law](#), arresting over 370 people, including 10 under the new law, on July 01, 2020. The law effectively removes the freedoms Hong Kong's citizens had enjoyed and is broad enough to enable a business dispute with a Chinese company being construed as a breach, putting executives at risk of imprisonment ranging from a minimum of 10 years to life. [Article 38](#) effectively empowers the PRC to arrest anyone anywhere on earth who Beijing accuses of committing an offence against the Hong Kong Special Administrative Region. China claimed the [support of 53 countries](#) in the UN Human Rights Council for its treatment of Hong Kong. The only G-20 country in this group was Saudi Arabia. Global response to the event focused on raising the costs for China.



Protestors Against New Security Law in Hong Kong

Source: New York Times

Secretary of State [Michael Pompeo](#) said Beijing's imposition of the national security legislation in Hong Kong demonstrated once again that Beijing's international commitments, in this case the 1984 Sino-British Joint Declaration and the Basic Law, are just empty words. He observed that Beijing had also violated its commitments to the World Health Organisation, the World Trade Organisation and the United Nations, a pattern that the world could no longer ignore.

President Trump [formally determined](#) that Hong Kong is no longer sufficiently autonomous and suspended or eliminated various measures under US law that provided preferential treatment to it. His directions come into effect at the end of July, 15 days from the date of the order. He also [signed into law](#) the bipartisan Hong Kong Sanctions Bill, which allows the administration to impose sanctions on Chinese officials, businesses and banks that help China restrict Hong Kong's autonomy, and also notifies the US pulling out of the US-Hong Kong Extradition Treaty signed in 1998. Beijing [summoned the US Ambassador](#) to lodge a strong representation over the executive orders signed by President Trump, describing his action as gross interference in China's internal affairs, and vowed [to retaliate](#).

PM Boris Johnson said that Hong Kong's freedoms were violated by the new security law and offered a [path to UK citizenship](#) for about 3 million citizens of Hong Kong, an action that Liu Xiaoming, China's Ambassador to London, criticised as [gross interference in China's internal affairs](#). The UK also [suspended its extradition treaty](#) with Hong Kong "immediately and indefinitely" and extended its embargo on export of firearms, surveillance and crowd control equipment to China to Hong Kong. Australia followed suit by [suspending its extradition treaty](#) with Hong Kong and offering to extend visas to Hong Kong residents by five years, opening up a path to permanent residency. New Zealand became the [fourth country to suspend its extradition treaty](#) with Hong Kong.

[Japan formally](#) expressed its regret over enactment of the national security law despite strong concerns from the international community and the people of Hong Kong. It said that the law undermined trust in the 'One country, two systems' framework that had led to Hong Kong's prosperity. The EU [expressed grave concern](#) and announced a coordinated package encompassing asylum, migration and residence; limiting exports of sensitive crowd control equipment; engaging with civil society; and reviewing extradition arrangements of EU states with Hong Kong. India's permanent representative to the UN in Geneva [stated that](#) India was keeping a close watch on recent developments and hoped relevant parties would take into account the several views expressing concern and address them properly, seriously and objectively. ASEAN maintained a studied silence.

Multinational social media companies, including Zoom, Google, Twitter, Facebook and Whatsapp, [suspended processing user data requests](#) from Hong Kong authorities following promulgation of China's new national security law. These companies will soon be forced to choose between leaving Hong Kong or placing their local employees at risk of imprisonment.

Elections in Singapore saw the ruling People's Action Party (PAP) [retaining power](#), securing 83 of the 93 parliamentary seats. Its vote share, however, fell from the nearly 70% in 2015 polls to 61.2%. The opposition Workers Party [won more than 10% of the popular vote](#) for the first time. PM Lee Hsein Loong's designated successor Heng Swee Keat [retained his seat](#) with a 3.4% margin, down by 7% from 2015.

A [Malaysian court](#) found erstwhile Prime Minister Najib Razak guilty of abuse of power, breach of trust and money laundering and sentenced him to 12 years in jail

and fines adding up to nearly \$ 50 million in connection with the IMDB scam. The sentence has been stayed pending appeal.

The PLA (Navy) carried out [amphibious assault exercises](#) around the Paracel Islands in the South China Sea from July 01-05, 2020, with reclaimed islands serving as the target. The exercises, interpreted as possible action to reclaim the Spratly Islands by force, followed the announcement of a [maritime exclusion zone](#) Southeast of Hainan Island. The US [Department of Defense](#), meanwhile, expressed concern over conduct of military exercises in disputed waters.

Philippines' Foreign Affairs Secretary Teodoro Locsin was [reported](#) to have said that his country will adhere without compromise to the July 2016 award by the Permanent Court of Arbitration that nullified China's 'historical' claims to most of the South China Sea. Locsin described the award as 'non-negotiable'. Philippines President Rodrigo Duterte, however, said that he had [no choice but to pursue diplomatic solutions](#) as the alternative was going to war with China.



Philippines Foreign Secretary Teodoro Locsin speaking on the PCA Award
Source: South China Morning Post

USS Ralph Johnson carried out a [Freedom of Navigation patrol](#) off the Spratly Islands on July 14, 2020, a day after Secretary of State Pompeo announced the revised US stance in the South China Sea. Later, five Australian warships joined the US Navy's Ronald Reagan Carrier Strike Group and a JMSDF destroyer in conducting [exercises in the Philippine Sea](#) from July 21–23, 2020.



RAN and JMSDF ships conduct exercises with the USS Ronald Reagan Strike Group in the Philippine Sea. Source: INDOPACOM

Australia, Bangladesh, Brunei, Cambodia, Canada, France, Germany, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Portugal, Singapore, South Korea, Sri Lanka, Thailand, Timor Leste, UK, Vietnam and USA came together for this year's South East Asia Cooperation and Training (SEACAT) exercise, [held virtually](#) from July 21–23. The exercise is intended to bring regional partner nations together to enhance maritime security by highlighting the value of information sharing and multilateral coordination.

In a visible show of force, readiness and presence, the USS Nimitz and Ronald Reagan Strike Groups came together to conduct [day and night carrier operations](#) in the Philippine Sea and South China Sea in the earlier part of the month. USS Theodore Roosevelt was also reported [operating in the region](#). A [B-52 Stratofortress](#) from Louisiana exercised with them on July 07, 2020. Another [show](#)

[of readiness](#) witnessed over 350 American paratroopers parachuting into the Andersen Air Force Base on Guam as part of an emergency deployment exercise. The President of China's National Institute of South China Sea Studies described these developments as "[worrisome](#)" and stated that "The year 2020 will witness the situation shift from stabilizing to turbulent and that "the provocative and risky actions of the countries in the region against China are either instigated by the US or backed by the US".



USS Ronald Reagan and USS Nimitz Strike Groups in formation in the Indo-Pacific.
Photo courtesy US INDO-PACOM

In a [speech at the CSIS](#), David Stilwell, US Assistant Secretary of State for the Bureau of East Asian and Pacific Affairs, elaborated on the US policy in the South China Sea. He urged greater transparency in the Code of Conduct negotiations to ensure an outcome that was consistent with the principles enshrined in UNCLOS and urged countries involved in the forthcoming election of a judge to ITLOS to carefully assess the credentials of the sole PRC candidate and consider whether a PRC judge on the Tribunal would help or hinder international maritime law, keeping in mind China's reaction to the PCA verdict in 2016.

Indonesia [detained two Vietnamese fishing boats](#) on July 24, 2020, following a dramatic high-seas brawl with the fishermen. Nearly two dozen Vietnamese and Cambodian fishermen were arrested.

Myanmar indirectly accused China of arming the nation's rebel groups, according to a [media report](#). Brig Gen Zaw Min Tun, the spokesperson of the Tatmadaw, was reported to have said that a "foreign country" is behind the Arakan Army. The report also quoted the Executive Director of the Myanmar Institute for Peace and Security as saying that a majority of the weapons used by insurgent groups operating near the Chinese border were made in China.

The 26th [ASEAN-China Senior Officials Consultations](#) reviewed progress in the ASEAN-China Strategic Partnership and discussed its future direction via video-conference. Philippines, in the capacity of country coordinator for China, co-chaired the meeting. Among the issues discussed was "the collective aspiration to agree to an effective and substantive Code of Conduct in the South China Sea that will contribute to regional peace, security and stability and is in accordance with international law, including UNCLOS".



ASEAN and China Officials at the 26th Senior Officials' Meeting. Photo courtesy Ministry of Foreign Affairs, Philippines

East Asia

Russian [citizens voted in a referendum](#) to reset Putin's presidential term limits to zero and give him the chance to stay for two more six year terms commencing 2024.

Following the demolition of the border liaison office last month, North Korea was reported to be [reinstalling loudspeakers](#) at the DMZ for cross-border propaganda. Both sides had dismantled their loudspeakers in 2018. The event signals an end to de-escalation between the two Koreas and a return to the era of hostility.

India [extended medical assistance](#) in the shape of anti-tuberculosis medicines to the Democratic People's Republic of Korea, based on a request from the WHO.

Japan published its annual [defense white paper](#) on July 14, 2020. The paper identified planned [hardware procurement](#) including two destroyers, one submarine, one mine countermeasures vessel, F-35 aircraft, the indigenous F-X programme, three P-1 patrol aircraft, 7 SH-60K helicopters, unmanned underwater vehicles and refurbishment of JS Izumo to enable operation of F-35B aircraft. It highlighted China's continued unilateral coercive attempts to change the status quo and create a fait accompli in the sea areas surrounding the Senkakus and in the South China Sea and talked of China's increased capability to conduct operations in the Indian Ocean. Japan also called for the 'Five Eyes' to [become six](#), by including Japan.

South Korea [promptly protested](#) over Japan's "reiteration of unjust territorial claims over Dokdo" in the white paper and called for immediate withdrawal of such claims. China's spokesperson Zhao Lijian said the white paper was fraught with [bias against China](#) and false information.

The US Defense Security Cooperation Agency [notified the Congress](#) regarding the sale of 105 F-35 Lightning Joint Strike Fighters to Japan on July 09, 2020. The package, worth about \$23 billion, comprises 63 F-35A conventional aircraft and 42 F-35B short takeoff and landing variants capable of operation from the Izumo-class 'helicopter destroyers'. When Congress approves the sale and Japan completes the transaction, it will make Japan the second largest operator of F-35 aircraft in the world. Japan's first squadron of F-35A aircraft became operational at its Misawa air base in 2019.

Two Chinese Coast Guard ships operated [inside Japanese territorial waters](#) near the Senkaku Islands for nearly 40 hours on July 04-05. [Another report](#) indicated that Chinese ships were spotted near the Senkakus for the 100th straight day on July 22. Japan lodged an official protest. The Chinese Foreign Ministry spokesman said that China does not accept such protests, since the islands have been part of China's "inherent territory since ancient times". China also demanded that Japanese fishing boats [stop trespassing](#) into Chinese territorial waters near the Senkaku Islands. Japan rejected the demands.

China became the first major economy to report a return to growth after the pandemic started. On July 16, 2020, China said that its [economy grew 3.2%](#) as compared to Q2 in 2019. Beijing's National Bureau of Statistics reported that the economy contracted just 1.6% in the first half of 2020 compared to the same period last year. Separately, unprecedented and widespread [flooding in the Yangtze basin](#) severely disrupted economic activity and is likely to impact the economic recovery.



The City of Bijie in Guizho Province was left underwater due to floods

Source: BBC

Following up on its earlier advisory against travel to Australia, China cautioned its citizens against [travelling to Canada](#) following the rift over the Hong Kong law.

China's Vice Foreign Minister, Le Yucheng, [expressed optimism](#) about the future of China-US relations, even though the relationship was currently "overcast by dark clouds". "The sky will not fall, and the sun will eventually shine again", he said. However, Foreign Minister Wang Yi acknowledged that the US-China relationship faces its most severe challenge since the establishment of diplomatic ties. [In a speech to a forum on China-US relations](#), he made three observations. First, China and US should not seek to remodel each other, but should work together to find ways to peaceful coexistence of different systems and civilisations. Second, China's US policy remained unchanged and it was still willing to grow bilateral relations with goodwill and sincerity. Third, it was important to have a correct view of the historical experience of China-US relations and stay the course of dialogue and cooperation. He also offered three suggestions to bring the relationship back on track, including activating and opening all channels of dialogue; reviewing and agreeing on the areas of interaction, and cooperating on COVID-19 response.

China's Foreign Minister Wang Yi spoke to his Russian counterpart, Sergey Lavrov, on July 17, 2020. Substantial differences between the content of the conversation regarding the US in the [Chinese Press Release](#) and the [Russian version](#) led to speculation that fissures between the two sides could be exploited.

South Western Pacific

PM Scott Morrison launched Australia's 2020 [Defence Strategic Update](#) on July 01, 2020. [Speaking at](#) the Australian Defence Forces Academy on the occasion, he said that his government would not make the mistakes of the past, which had seen Australia's defence spending fall to 1.56% of the GDP, and reaffirmed his commitment to fund Defence with the certainty of a new 10-year model that went beyond spending 2% of the GDP in the current year. He described the Indo-Pacific as the dominant global contest of this age and said the largely benign security environment Australia had enjoyed had ended. The update identified the strategic objectives of Australian defence planning as shaping Australia's strategic environment; deterring actions against Australia's interests; and responding with credible military force, when required. Australia's capability investment will increase to \$ 270 billion over the next decade, up from \$ 195 billion committed following the 2016 defence white paper.

Australia issued 'travel advice' to its citizens, warning them that they may face [arbitrary detention](#) for allegedly endangering national security if they visit mainland China. This was in addition to advice to Australian citizens not to travel abroad due to the pandemic.

Australia's Foreign and Defence [Ministers travelled to the US](#) for their annual ministerial consultations with US counterparts. The [Joint Statement](#) of the 30th AUSMIN meeting held on July 28 covers Indo-Pacific recovery after COVID-19, Indo-Pacific security and China's efforts to undermine it, regional coordination and bilateral defence cooperation.

United States

The United States Navy moved ahead with its plans to build unmanned warships by awarding a [\\$ 34.9 million contract](#) to L3 Technologies Inc. to build a prototype medium unmanned surface vessel (MUSV), with an option to build eight more. Overall, the USN wants to build about 40 MUSVs, each 45–190 feet in length and displacing about 500 tons, for missions revolving around ISR and EW. The House and Senate have both prohibited the building of Large USVs (LUSV) to act as forward deployed missile launchers till the USN certifies that technologies in key systems have adequately matured.



CNO Admiral Gilday Visiting USS Bonhomme Richard

Source: US Navy

USS Bonhomme Richard, undergoing a \$ 250 million modernisation refit to enable her to operate F-35B Lightning aircraft, [caught fire](#) at the Navy Yard in San Diego on July 12, 2020. The fire blazed for four days, with temperatures touching 1000°C, before it was finally extinguished. The [extent of damage](#) and whether the ship can be repaired or not is still to be ascertained. With tensions mounting in the Western Pacific, her absence in the foreseeable future will increase pressure on already stretched USN expeditionary strike group resources.



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